YY SPORTS 胜道

Annual Report 2013

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

寶勝國際
POU SHENG INTERNATIONAL

OUR MISSION

Short Term

Transforming from an acceptable player to a competitive winner

Long Term

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

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CORPORATE OVERVIEW

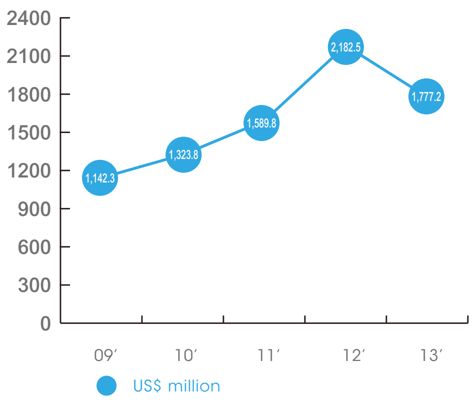
THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,	For the fifteen months ended December 31,
	2013	2012
Revenue *(US$'000)*	1,777,187	2,182,450
Operating profit *(US$'000)*	17,310	2,708
Loss attributable to owners of the Company *(US$'000)*	(38,670)	(69,151)
Basic loss per share *(US cents)*	0.72	1.56

KEY SHAREHOLDER VALUE INDICES

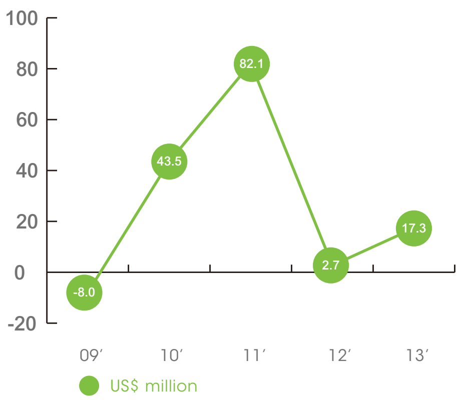
Revenue

US$ million



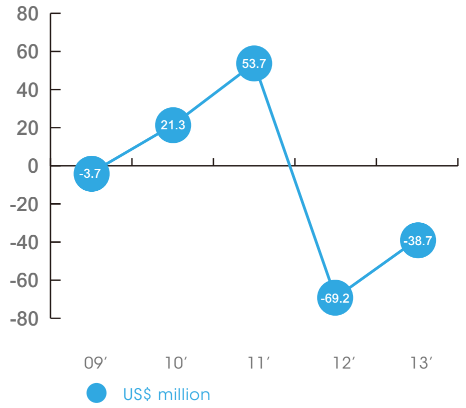
Operating Profit (Loss)

US$ million



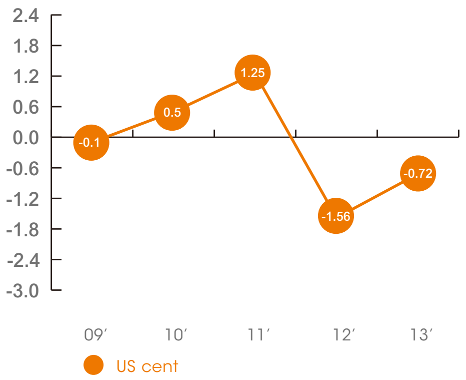
Profit (Loss) Attributable to Owners of the Company

US$ million



Basic Earnings (Loss) Per Share

US cent



CORPORATE INFORMATION

DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

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

Notes:

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

COMPANY SECRETARY

Chong Yim Kuen
(appointed on January 12, 2014)
Ng Lok Ming
(resigned on January 12, 2014)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

3813 HK

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
(formerly known as Butterfield Fulcrum Group (Bermuda) Limited)
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SOLICITOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

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

WEBSITE ADDRESS

www.pousheng.com

寶勝國際
POU SHENG INTERNATIONAL

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of the Pou Sheng Group for the year ended December 31, 2013 to the shareholders of the Company. This is the Group's first year of financial reporting that coincides with the calendar year.

During the financial year 2013, the Group continued to find operating conditions challenging. The lower level of consumer activity that began in 2012 persisted throughout the year in 2013. Consumers in China exhibited caution in their purchasing preferences. Some believe the slower economic growth within the China economy had dented the confidence of consumers. This slower economic growth appears to have occurred due to various factors. The global economic growth was still fragile so that the demand from global consumers was still soft compared to the times before the occurrence of the global financial crisis. The exchange rate for the RMB versus the USD continued to strengthen and thus had exerted input cost pressures on the export manufacturing businesses so that the prices for consumer products made in China increased. During the year, inflation also affected the Chinese economy so that the annual increases for rents and wages in the retail industry continued to occur at levels seen in the previous years. After a year of disciplined open-to-buy control by the key retail players in the sportswear industry, the overall inventory carried in the China market is at a more healthy state. At the same time, with the support of the brand companies, retailers were able to offer discounts on selective promotions held during important festive times that helped reduce inventory in stock. In summary, the inventory in the overall sportswear has come down to more manageable levels: only certain smaller retail brands continue to be plagued by excess capacity and inventory. Chinese consumers looking to purchase sports apparel or footwear continued to exhibit greater concerns for functionality, quality, as well as value for money.

During the current year, the Group recorded total revenue of US$1,777.2 million: when compared with the total revenue of US$1,753.4 million in the unaudited calendar year 2012 financial statements covering January 1 through December 31, 2012, representing an increase of 1.4%. When looking at the various underlying categories, the revenue derived from the retail business for the period was US$1,702.5 million: when compared with the same period (unaudited) last year, there was an increase of 6.4%. For the portion of revenue relating to the brand licensee business, this amounted to US$24.0 million

and exhibited a decline of 59.3% compared with the brand licensee business revenue reported in the unaudited calendar year 2012 financial statements. Finally, revenue derived from manufacturing business amounted to US$50.7 million, which fell by 46.0% compared with the same period (unaudited) last year. After considering operating expenses items, operating profit for the Group came in at US$17.3 million: a significant improvement compared with the operating loss of US$6.3 million reported in the same period (unaudited) last year. Finally, after considering finance costs, share of results of associate and joint ventures and other gains and losses arising other than operating activities, a net loss of US$38.5 million was incurred: this was an improvement compared with the net loss of US$76.4 million reported in the unaudited calendar year 2012 financial statements.

The new management team in place since the beginning of year 2013 has been hard at work to turnaround the Group and the financial results mentioned demonstrate they achieved gradual progress. However, it is likely it will take some additional time before the new management team can return the Group to profitability on a consistent basis. Prior to their arrival, the Group's strategy had been to pursue an extensive path of expansion. However, due to the slowdown in consumer spending in the past two years as well as changing consumer tastes, improving operating efficiency is the action needed to enable the Group to be profitable.

The new management has various strategies for improving operating efficiency. It has been closely communicating with the various brand partners. Management appreciates that the brand partners need consistent active feedback regarding market conditions so that they can develop suitable medium to long term strategies, to grow their market share in China in a sustainable manner and to understand the support that their retail distributors need from them. Management also believes those medium to long term strategies will enable both parties to have sustainable profit growth. Management also has been making investments in information technology and logistics for the Group. Both of these investments will help in the areas of inventory management, centralized procurement and effective distribution of merchandise during periods of rapid change. These investments will also help in better assessing operating performance across the entire retail network, allow for the implementation of appropriate key performance indicators and the accumulation useful data for analysis. Management has also been looking at different store design systems and using e-commerce technology to optimizing sales of the existing bricks and mortar network.

The future for the Group is exciting. There continues to be much discussion within the government regarding the effective promotion of physical exercise within China to help people maintain better health and to better use existing resources already committed to provide medical health care to the people. As has been observed historically in other developed countries, the gradual growth in consumer income seen in China should correspondingly lead to growing consumption of sportswear and sports equipment. The new management have demonstrated their efforts are in the right direction and with the passage of time they should be able to achieve improving operating outcomes. World Cup 2014 will take place in the middle of this year, the major brand customers will step up their advertising campaigns which in turn should drive the demand for their products.

I would like to express my appreciation to all shareholders, financial institutions and business partners for their continued support and help. I am grateful for the dedication of the management team at all levels, to enhance the operations of the Group and to seek improvement in general. Better times for the Group are coming and with patience, all stakeholders will be able to benefit from these improvements in operations.

Tsai David, Nai Fung
Chairman

March 26, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR AND COMPARATIVE ANALYSIS

The Group has completed its first fiscal year after the change of its financial year end date from September 30 to December 31 in order to coincide the statutory financial year end date of the Company's subsidiaries established in the People's Republic of China (the "PRC"). Accordingly, the current accounting period covers a period of twelve months from January 1, 2013 to December 31, 2013, while the corresponding period in last year covers a period of fifteen months from October 1, 2011 to December 31, 2012 and figures are therefore not entirely comparable with those of the current year.

To allow for meaningful analysis, the Group has compiled an unaudited consolidated income statement covers a period of twelve months from January 1, 2012 to December 31, 2012 (the "Calendar year 2012"). Discussion and analysis in this section will be based on a comparison of the current year audited figures against the Calendar year 2012.

Below is a summary version of the consolidated income statement showing side by side the audited figures of 2013 and the unaudited Calendar year 2012:

	For the year ended December 31, 2013 US$'000 (audited)	For the twelve months ended December 31, 2012 US$'000 (unaudited)
Revenue	1,777,187	1,753,351
Cost of sales	(1,263,406)	(1,235,817)
Gross profit	513,781	517,534
Other operating income and gains (losses)	28,183	21,155
Selling and distribution expenses and administrative expenses	(524,654)	(545,011)
Operating profit (loss)	17,310	(6,322)
Finance costs – net	(12,323)	(15,547)
Share of results of associates and joint ventures	(5,931)	(11,367)
Other gains (losses)	(29,699)	(34,118)
Loss before taxation	(30,643)	(67,354)
Income tax expenses	(7,854)	(9,027)
Loss for the year/period	(38,497)	(76,381)
Attributable to:		
Owners of the Company	(38,670)	(77,165)
Non-controlling interests	173	784
	(38,497)	(76,381)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was involved in three categories of businesses. The retail business encompassed the sales of a broad range of international brand sportswear products including footwear, apparel and accessories, to end customers through our directly operated retail outlets, or on a wholesale basis to sub-distributors, who in turn sold these items to end consumers through their respective retail outlets. As at December 31, 2013, the Group had 3,665 directly operated retail outlets and 2,263 retail sub-distributors. Within the network of the regional joint ventures, there were 755 directly operated retail outlets and 633 retail sub-distributors.

The Group also continued to operate the brand licensee business. The brand licensee agreements we have entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for the brand products at the designated locations for specified periods of time. On December 31, 2013, the brand licensee arrangement for Converse in Taiwan and for Reebok in the PRC has expired and early terminated respectively. At present, amongst other brands, we remain as the brand licensee for Hush Puppies in Taiwan until December 31, 2015.

During the year the Group was also in the manufacturing business, making OEM/ODM products for the domestic brands such as Li Ning and 361°. Aimed to allocate the corporate resources for the continual future developments of its retail business, the management decided to gradually close down the footwear manufacturing business.

FINANCIAL REVIEW

For the financial year, the Group recorded revenue of US$1,777.2 million, representing an increase of US$23.8 million or 1.4% as compared with the Calendar year 2012. For gross profit, the Group recorded US$513.8 million which was slightly below the same period last year. With regards to operating profit, the Group earned the sum of US$17.3 million a significant improvement against the operating loss of US$6.3 million recognized in the Calendar year 2012. The loss attributable to owners of the Company in the current year was US$38.7 million, which was 49.9% smaller than the loss attributable to owners of the Company of US$77.2 million in Calendar year 2012.

REVENUE

Total revenue for the Group increased by 1.4% to US$1,777.2 million for the year ended December 31, 2013 (Calendar year 2012: US$1,753.4 million). The increase was due to growth in the retail business' sales that offset the decline experienced in sales of the brand licensee business and the manufacturing business.

Retail Business

The retail business reported revenue of US$1,702.5 million, an increase of 6.4% compared with the same period last year. This was primarily due to the improvement in store efficiency within the distribution network.

Brand Licensee Business

Certain brand licensee business' agreements had matured or early terminated in 2012, such as the one for Converse concerning Hong Kong and Macau and for Hush Puppies in the PRC. The early termination of the brand licensee agreement with Reebok for the PRC region in the current year also lowered revenue. As a result, brand licensee business experienced a decline in revenue to US$24 million, representing a drop of 59.3% compared with Calendar year 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing Business

Revenue for the manufacturing business fell to US$50.7 million, a drop 46% compared with Calendar year 2012. In line with the previous year, orders from domestic brand customers continued to decline. At the end of 2013, management decided to transfer of two subsidiaries' equity interest and the equipment of this business to Yue Yuen Industrial (Holdings) Limited.

GROSS PROFIT

Gross profit for the Group amounted to US$513.8 million. Gross profit margin was 28.9%. Both gross profit amount and gross profit margin were just somewhat lower than the Calendar year 2012.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the year were in aggregate US$524.7 million, representing 29.5% of total revenue and a decrease of 1.6 percentage point compared with the same period last year. Throughout the year management has been focusing on better utilization of existing resources. Programs implemented by management to control expenses and save on costs yielded results.

OPERATING PROFIT (LOSS)

The Group operating profit margin for the year was 1%, and operating profit was US$17.3 million, an improvement compared with the operating loss of US$6.3 million in the Calendar year 2012.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Most joint ventures were involved in the sales of domestic brand products and thus continued to be affected by the excess inventory issues surrounding these brands in the PRC market during the year. Discounting and proactive promotion continued to be necessary so that the share of results of associates and joint ventures incurred loss of US$5.9 million for the financial year. For the same period last year, the loss from these categories was US$11.4 million.

OTHER GAINS (LOSSES) ARISING OTHER THAN OPERATING ACTIVITIES

The Group incurred various gains (losses) from a variety of situations amounting the net loss of US$29.7 million in the current year. Some of the key categories leading to impairment were 1) loss of fixed assets in the manufacturing business US$5.6 million; 2) loss of intangible assets US$11 million; 3) losses on loans to joint ventures US$8.3 million and 4) loss on consideration receivable for disposal of properties US$4.1 million. Other gains (losses) in Calendar year 2012 were losses of US$34.1 million.

LOSS FOR THE YEAR

Due to the aforementioned reasons, loss of the Group for the year of US$38.5 million which was smaller than the loss of US$76.4 million in the Calendar year 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the year was 177 days (Calendar year 2012: 153 days). The longer inventory turnover period was partly due to the necessary accumulation of stock for newly opened stores and the slower consumer spending during the year. The Group continues to devise approaches to minimizing inventory so as to optimize working capital levels. The average trade receivables turnover period was 35 days (Calendar year 2012: 36 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 22 days (Calendar year 2012: 20 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2013, the Group's cash and cash equivalents were US$61.4 million (December 31, 2012: US$128.5 million) and working capital (current assets minus current liabilities) was US$606.4 million (December 31, 2012: US$537.9 million). Our total bank borrowings decreased by 18.2% to US$267.6 million from US$327.3 million as at December 31, 2012, of which US$217.6 million was repayable within one year and US$50 million was repayable after one year but not exceeding two years. The Group's current ratio was 231% (December 31, 2012: 205%). The gearing ratio (total borrowings to total equity) was 30% (December 31, 2012: 36%).

During the year, net cash generated from operating activities was US$29.8 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was US$14.8 million, of which US$18.9 million was used to purchase of property, plant and equipment. Net cash used in financing activities was US$102.5 million. During the year, the Group raised and repaid bank borrowings of US$349.5 million and US$433.5 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2013, the Group has capital commitments of US$11.6 million in respect of acquisition of the remaining interests in a joint venture. In addition, the Group had contingent liabilities of US$3.8 million in relation to guarantee given to bank in respect of banking facilities granted to a joint venture.

FOREIGN EXCHANGE

The Group conducted its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in an exchange difference arising on translation which is recognized either as other comprehensive income or expense in the consolidated statement of comprehensive income as US dollar is used as our reporting currency. As at December 31, 2013, the Group had no significant hedge for the foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODE

The operating environment for the Group will be challenging during the course of 2014. Various headwinds continue to affect the sportswear industry in both the apparel and footwear categories. First, the global economy is just starting to recover, with North America showing signs of stabilization but with Europe on the other hand still in the just showing initial signs of improvement. The soft state of the global economy means the PRC continues to experience weaker demand for its goods and services. The change in leadership in the PRC has led to a change in expectations and policies, and unexpectedly there has also been an extended slowdown in consumption. The willingness to consume is expected to improve in the second half of the year but could be diminished if new uncertainties arise. The sportswear industry has many participants, some of whom are still operating with much excess capacity and inventory. Before the excess capacity and inventory are digested, the industry will still experience sporadic periods of discounting that will adversely affect the margins and profitability of market participants.

The Group continues to pursue its goal of becoming a leading retailer in the sportswear industry and to be the best partner of international athletic brands in the PRC. The Group is a leading distributor of international brand athletic apparel and footwear in the first and second tier cities, reaching out to consumers either by selling to them through directly owned stores, or by wholesaling products to sub-franchisees through their stores that sell athletic apparel and footwear to consumers. Previously the Group pursued a high growth strategy by acquiring other retail chains and opening new retail outlets whenever possible. Going forward, the Group will focus on improving the efficiency of the existing sales network using a combination of techniques. The Group works closely with the brands to 1) help them understand the changing tastes of consumers in the PRC so that they can develop effective marketing campaigns and 2) help them make appropriate estimates of the sell-through capacity for the market to allow for better management of inventories. For the operation of the stores, various restructuring efforts have taken place. More effective monitoring of key performance indicators has been implemented to assess store efficiency and profitability. The improvements in store efficiency and profitability are achieved through a) the better management of human resources; b) broader integration and optimization of information technology and logistics; and c) more timely information to determine the better selling items and to take action to acquire those products with good sell through.

Our present scale, derived from organic expansion and acquisitions, makes us one of the key national retailers for a number of international brands, such as Nike and Adidas. To maintain our advantage, we will closely observe the behavior of consumers in the PRC, making sure we understand their sophistication and desires. Besides constantly assessing our portfolio mix to ensure we have the best portfolio of brands, we will also expand our capabilities to 1) distribute outdoor performance branded apparel and footwear; 2) establish over time a multi-brand store format for selected stores to capture consumer spending in a more effective manner; and 3) establish e-commerce platforms to facilitate off-line and on-line connection with consumers.

In addition, for our brand licensee business, apart from sports brands, the Group will also pursue opportunities among outdoor leisure brand business to benefit from markets trends and enrich its business portfolio so as to develop another avenue for sales growth. The Group continues to explore collaboration opportunities with foreign brands that a) allow for the development of brand strength; b) offer a broad range of products; and c) provide sufficient flexibility so that suitably designed products will be created that fulfill the specific needs of consumers in the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group is optimistic about the long-term future of the sports industry as consumers in the PRC are aware physical activity is an important component for maintaining good health, rising incomes will likely encourage the consumption of sportswear and in general there are signs of greater sports participation by consumers. We believe that with the World Cup taking place this year, the Olympics and the European Cup being held in 2016, increasing number of marathon activities across China and the growing consciousness of consumer in personal fitness, consumers in the PRC will develop greater enthusiasm to purchase sportswear. These sports events should bring about a new cycle of sales growth for the sportswear industry. The key international athletic brands and the Group are working hand in glove to effectively manage and create demand while keeping a watchful eye over consumer behavior related to the fast retailing brands. Appropriate product differentiation and segmentation are needed to ensure that consumers understand the superior features of “performance” athletic or casual products as compared with fast retailing “fashion” products.

We believe that 2014 will be a year of gradual improvement for the Group and that even better times will be achievable in financial year 2015 for the Group.

HUMAN RESOURCES

As at December 31, 2013, the Group had about 22,400 employees. The Group periodically reviews the performance of its employees so as to be able to conduct annual salary reviews and promotion appraisals. In order to remain competitive in the labor market, the Group makes references to the remuneration packages offered by other industry players. In addition, it also provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS

Mr. TSAI David, Nai Fung

TSAI David, Nai Fung, aged 63, is the Company's Chairman and Non-executive Director since April 2008. He is also the chairman of the Nomination Committee of the Board. Mr. Tsai has been participating in the footwear sector over 40 years. He is also a director of Pou Chen Corporation ("PCC"), San Fang Chemical Industry Co., Ltd. and Elitegroup Computer Systems Co., Ltd. (the shares of these three companies are listed on the Taiwan Stock Exchange Corporation ("TSEC")). He is also a director of Wealthplus Holdings Limited ("Wealthplus"). He was previously the chairman of Pou Yuen Industrial (Holdings) Limited and the managing director (resigned on 28 June 2013) of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen", a public listed company in Hong Kong). Mr. Tsai is a cousin of Ms. Tsai Patty, Pei Chun, the Non-executive Director of the Company. PCC, Wealthplus and Yue Yuen are companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 34, is a Non-executive Director of the Company since April 2008. She is also a member of the Audit Committee of the Board. Ms. Tsai joined Yue Yuen group in 2002. She serves as an executive director of Yue Yuen from January 2005 and has been appointed as the managing director on June 28, 2013. She is responsible for the strategic planning and enterprise developments of Yue Yuen group. Ms. Tsai is also the chief executive officer of Pou Chen group and a director of Wealthplus. She was previously a director of Mega Financial Holding Company Limited (shares of which are listed on the TSEC). Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in 2002 with a Bachelor of Science in Economics degree with a concentration in Finance and a College Minor in Psychology. Ms. Tsai is a cousin of Mr. Tsai David, Nai Fung, the Chairman of the Company.

Mr. LI I-nan

LI I-nan, aged 72, is a Non-executive Director of the Company since March 2013. He is also a member of the Remuneration Committee of the Board. Mr. Li has many years of experience in the footwear business, including sourcing and wholesale operations. He joined Yue Yuen group in 1992 and is responsible for the financial operations of the group. He is an executive director of Yue Yuen. Mr. Li holds a Bachelor and a Master of Arts degree from National Chengchi University in Taiwan and the University of Southern California, respectively. He studied corporate finance and budgeting at New York University. Mr. Li is also a non-executive director of Symphony Holdings Limited, a publicly listed company in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. KWAN, Heh-Der

KWAN, Heh-Der, aged 59, is an Executive Director and the Chief Executive Officer of the Company since August 2012. He graduated from the National Taiwan University, Taiwan with a Bachelor of Arts degree. He later obtained a Master of Science degree from the University of Iowa, United States of America after he completed military duties in 1979. Mr. Kwan had worked in different technical and managerial positions of various entities of the AT&T group and was the director of strategy & business development of AT&T China, Beijing; later served as the president of Lucent Technologies Qingdao; and then the chief operating officer of Lucent Technologies China, Beijing. Mr. Kwan also served as the chief operating officer of CEC Industries Ltd., a private industrial lighting company in Illinois, United States of America. Prior to joining the Company, Mr. Kwan was the president and a board director of Tecom Co. Ltd. (東訊股份有限公司), a company listed on the TSEC.

Mr. WU, Pan-Tsu

WU, Pan-Tsu, aged 61, is an Executive Director of the Company since April 2012 and was the Acting Chief Executive Officer during the period from April to August 2012. Mr. Wu graduated from Tamkang University, Taiwan with a Bachelor degree in Banking and Insurance and started his career at Bank of America Taipei Branch after he retired from military service in 1978. He later worked in ABN-AMRO Bank, Chase Manhattan Bank and BNP PARIBAS in various managerial positions. In 2000, Mr. Wu was invited to join Taishin Financial Holding Co. Ltd. in a position specializing in corporate banking. After serving in the financial services industry for about 25 years, Mr. Wu was invited by PCC to be its vice president in charge of finance and investment strategies and daily operations in 2003. He is a director of Kleine Developments Ltd.. Mr. Wu was a supervisor of Elitegroup Computer Systems Co., Ltd., a company listed on the TSEC, and a director of First Sino Bank in Shanghai, China (resigned on December 31, 2013).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Huan-Chung

CHEN Huan-Chung, aged 58, is an Independent Non-executive Director of the Company since April 2008. He is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. Chen is a partner of Wong Tong & Co., CPAS（萬通聯合會計師事務所）, a certified public accountant of Taiwan and a certified securities investment analyst of Taiwan. He is also a Supervisor of PCC. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan（台灣玉山票券金融（股）公司）. He became a certified public accountant of Taiwan in 1992 and a certified securities investment analyst of Taiwan in 1990. He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in 1983.

Mr. CHANG Li Hsien, Leslie

CHANG Li Hsien, Leslie, aged 59, is an Independent Non-executive Director of the Company since March 2011. He is also a member of the Audit Committee and the Nomination Committee of the Board. Mr. Chang graduated from George Mason University in Virginia, United States of America major in accounting and business administration. Mr. Chang is a certified public accountant in the State of New York, a member of The American Institute of Certified Public Accountants and The Hong Kong Institute of Certified Public Accountants. Mr. Chang started his career at US Office of KPMG (formerly known as KPMG Peat Marwick) (the "Firm") and became a partner specializing in the financial services industry. He was also the Firm's director of Chinese Practice in the United States of America. He then joined CITIC Pacific Ltd in 1994 and was an executive director and the deputy managing director of the group. He also served as an alternate director on the board of Cathay Pacific Airways Limited. From 2010 until his retirement on January 1, 2014, Mr. Chang was an executive director and chief executive officer of HKC (Holdings) Limited and an executive director and the vice chairman of China Renewable Energy Investment Limited (formerly Hong Kong Energy (Holdings) Limited). CITIC Pacific Ltd, Cathay Pacific Airways Limited, HKC (Holdings) Limited and China Renewable Energy Investment Limited are public listed companies in Hong Kong.

Mr. HSIEH, Wuei-Jung

HSIEH, Wuei-Jung, aged 62, is an Independent Non-executive Director of the Company and the chairman of the Remuneration Committee of the Board since March 2013. He received a Bachelor of Science degree in Nuclear Engineering from the National Tsing Hua University, Taiwan in 1973 and a Master degree of Business Administration, finance from National Taiwan University in 1977. Mr. Hsieh started his career at Bank of America, National Trust and Savings Association, Taipei Branch (renamed to Bank of America N.A. Taipei Branch) as account officer in 1978 and later promoted to vice president and country banking head respectively. From February 1995 to April 2011, he was a vice president and chief finance officer of Vanguard International Semiconductor Corporation, shares of which are traded on the Gre Tai Securities Market in Taiwan. Mr. Hsieh is currently served as an independent director, chairman of the audit committee and a member of the compensation committee of the board of Xintec Inc. and an independent director and a member of the compensation committee of Anpec Electronics Corporation. The shares of both Xintec Inc. and Anpec Electronic Corporation are traded on the Gre Tai Securities and Emerging Stock Market in Taiwan respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF SENIOR MANAGEMENT

Mr. CHEN Kuo-Lung

CHEN Kuo-Lung, aged 47, joined the Company as the Chief Financial Officer in August 2013. Mr. Chen graduated with a Bachelor and a Master degree in Business from Department of Accounting and Graduate Institute of Accounting of National Chengchi University in Taiwan, and a Doctorate degree in Administration from School of International Business Administration of Shanghai University of Finance and Economics in 2006. He holds the certificate of Certified Public Accountant of Taiwan. Prior to joining the Group, he held senior management accounting positions with various leading corporations.

Mr. XING Fred Kechun

XING Fred Kechun, aged 42, is the Vice President of E-Commerce Business of the Company, responsible for the overall strategic planning and development of the Group's e-commerce business. Mr. Xing holds a Bachelor degree in Radio Technology from the Xi'an Jiaotong University and an Executive MBA degree from China Europe International Business School.

Mr. TIEN Li-Ming

TIEN Li-Ming, aged 56, joined the Company in October 2012 as Vice President of Logistics to build up an overall integrated logistics network which would be a sales operations support readiness of the Company. Mr. Tien graduated from China Europe International Business School with an Executive MBA degree. In his over 20 years working experiences in the China Market, his main achievements are to deliver an excellent revenue/profit in trading business of logistics equipment and establish a perfect restaurant development supporting logistics network.

Mr. CHEN Lien-Shou

CHEN Lien-Shou, aged 51, joined the Company in August 2012 as Vice President of Information Technologies Department. Mr. Chen holds a Bachelor degree in mathematics from the National Tsing Hua University, Taiwan. Prior to joining the Group, he was a chief information officer at a large Chinese chain retailor for 10 years.

DIRECTORS' REPORT

The directors (the "Directors" or the "Board") of Pou Sheng International (Holdings) Limited (the "Company") have pleasure in presenting the Group's annual report and the audited consolidated financial statements for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are retailing of sportswear and distribution of licensed products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2013 are set out in the consolidated income statement on page 50 of the annual report.

No interim dividend was paid to the shareholders of the Company during the year.

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

SUBSIDIARIES, ASSOCIATE AND JOINT VENTURES

Details of the principal subsidiaries, an associate and joint ventures of the Group at December 31, 2013 are set out in Notes 40, 16 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 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 12 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2013, the Company's reserves available for distribution consisted of contributed surplus of approximately US$166.0 million (at December 31, 2012: US$166.0 million) less accumulated losses of approximately US$23.7 million (at December 31, 2012: US$27.9 million).

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

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

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

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors ("EDs")

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

Non-executive Directors ("NEDs")

Tsai David, Nai Fung (Chairman)	
Tsai Patty, Pei Chun	
Li I-nan	(appointed on March 26, 2013)
Kuo, Li-Lien	*(retired on May 31, 2013)*

Independent Non-executive Directors ("INEDs")

Chen Huan-Chung	
Chang Li Hsien, Leslie	
Hsieh, Wuei-Jung	(appointed on March 26, 2013)
Hu Sheng-Yih	*(retired on May 31, 2013)*

In accordance with the Company's Bye-laws, Ms. Tsai Patty, Pei Chun, Mr. Chen Huan-Chung and Mr. Chang Li Hsien, Leslie will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

All NEDs (including INEDs) are appointed for a specific term of three years. All Directors are subject to the retirement by rotation in accordance with the provision of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's Bye-laws.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 18 to 21.

DIRECTORS' REPORT

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

As at December 31, 2013, the interests and short positions of the Company's Directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position in shares

(a) The Company

Ordinary shares of HK$0.01 each of the Company

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

(b) Associated Corporation – Yue Yuen

Ordinary shares of HK$0.25 each of Yue Yuen

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

Save as disclosed above, none of the Directors nor the chief executives had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as at December 31, 2013 were recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

In order to provide greater flexibility to the Board in the treatment of outstanding share options held by the grantees in the event that they cease to become a participant, certain terms of the share option scheme were amended on March 7, 2012 (the "Share Option Scheme") as approved by the shareholders of the Company and Yue Yuen. The terms are amended as that in the event a grantee of a share option, who is an employee or a director of the Group, ceases to be a participant under the Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the Board may by written notice to such grantee within one month from (and including) the date of cessation or termination of such employment or directorship determine whether such share 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 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 Share Option Scheme during the year ended December 31, 2013.

During the year ended December 31, 2013, the Group recognised a net income of US$51,000 as equity-settled share-based payments in relation to the share options' respective vesting periods and the options forfeited before vested under the Share Option Scheme.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movements in the number of share options under options granted, during the year were as follows:

				Number of share options				
	Date of grant	Exercise price HK$	Exercisable period	Balance at January 1, 2013	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at December 31, 2013
Employees/Consultants								
	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
Former Employees								
	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 Share Option Scheme are set out in Note 35 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at December 31, 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Notes	**Capacity/ Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of interest in the issued share capital of the Company**
Major Focus Management Limited ("Major Focus")	(a)	Beneficial owner	3,295,923,560	61.27%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,295,923,560	61.27%
Wealthplus	(b)	Interest of a controlled corporation	3,295,923,560	61.27%
PCC	(b)	Interest of a controlled corporation	3,295,923,560	61.27%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes:

All the shares are long positions.

(a) 3,295,923,560 shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen. Mr. Li I-nan, a director of the Company (appointed on March 26, 2013), was also a director of Major Focus (resigned on January 27, 2014).

(b) PCC is deemed to be interested in these shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus, which in turn is deemed to be interested in these shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen. Wealthplus is wholly owned by PCC and is interested in more than one third of the issued share capital of Yue Yuen.

Mr. Tsai David, Nai Fung, a director of the Company, is also a director of Yue Yuen (resigned on June 28, 2013), Wealthplus and PCC.

Ms. Tsai Patty, Pei Chun, a director of the Company, is also a director of Yue Yuen and Wealthplus.

Ms. Kuo, Li-Lien was a director of the Company (retired on May 31, 2013) and Yue Yuen (resigned on May 31, 2013).

Save as disclosed above, as at December 31, 2013, the Directors were not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Tsai David, Nai Fung was an executive director and the managing director of Yue Yuen (both resigned on June 28, 2013). Ms. Tsai Patty, Pei Chun and Mr. Li I-nan are directors of Yue Yuen. Ms. Kuo, Li-Lien retired as a non-executive director of the Company on May 31, 2013 and resigned as an executive director of Yue Yuen on May 31, 2013. In addition to directorship, Mr. Tsai David, Nai Fung and Ms. Tsai Patty, Pei Chun are beneficiaries of trusts which hold shares in Yue Yuen. Yue Yuen is the Company's controlling shareholder and whose principal activities are OEM/ODM footwear manufacturing business.

There was little potential competition between the manufacturing business of the Company and Yue Yuen. On May 23, 2008, the Company entered into the business separation deed (the "Business Separation Deed") with Yue Yuen to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Yue Yuen. Previously, besides the Taicang Brands, i.e., Li Ning, ANTA, Kappa, 361°, Umbro and XTEP, the Company and its subsidiaries, with Yue Yuen's consent, had manufactured for four other brands namely Lotto, Diadora, Pony and Footzone. In February 2013, Yue Yuen also consented for the Company to take up certain number of production orders of a brand ("Brand A"). In addition, Yue Yuen subcontracted to the Company certain stage of the manufacturing process of "Brand AM" (the "Brand AM") in February 2013. In March 2013, Yue Yuen further subcontracted certain stage of the manufacturing process of "Brand PM" (the "Brand PM") to the Company. Yue Yuen has confirmed that the Company would not breach the terms of the Business Separation Deed by taking up the said orders of Brand A and providing subcontracting service in respect of Brand AM and Brand PM. The Business Separation Deed was due for renewal on June 5, 2013. On May 14, 2013, the Company informed Yue Yuen that the Business Separation Deed would not be renewed upon expiry and accordingly, it lapsed after June 5, 2013.

On December 16, 2013, the Group and Yue Yuen group entered into an equity transfer agreement and an equipment transfer agreement pursuant to which the Group disposed of two subsidiaries' equity interests and equipment of its footwear manufacturing business (the "Disposal") to Yue Yuen group (details are disclosed in the Connected Transactions section).

As the Company and Yue Yuen are separate listing entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from, Yue Yuen. In any event, after completion of the Disposal, it is expected that there will not be any competition between the Group and Yue Yuen group in terms of footwear manufacturing business.

Yue Yuen has an investment in Symphony Holdings Limited ("Symphony") whose shares are listed on the main board of the Stock Exchange. The principal activities of Symphony and its subsidiaries ("Symphony Group") included the manufacturing and sales of footwear products before Symphony disposed of its manufacturing unit of its footwear products on August 31, 2013. Symphony Group also engage in retail and wholesale business of apparel and footwear in the PRC. Mr. Li I-nan, who is a director of the Company, is a director of Symphony. Based on public filings, as at October 9, 2013, Mr. Li is also interested in share options which are exercisable into a total of 5,000,000 shares in Symphony. As Symphony is and has been operating under separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from, Symphony.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

Save as described above, as at December 31, 2013, none of the Directors 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.

DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors after August 13, 2013, the date of the Company's 2013 interim report are set out below:

1. On December 31, 2013, Mr. Wu, Pan-Tsu resigned as a director of First Sino Bank in Shanghai, China.

2. On January 1, 2014, Mr. Chang Li Hsien, Leslie retired as an executive director and chief executive officer of HKC (Holdings) Limited and an executive director and the vice chairman of China Renewable Energy Investment Limited (formerly Hong Kong Energy (Holdings) Limited).

3. On January 27, 2014, Mr. Li I-nan resigned as a director of Major Focus which is a substantial shareholder of the Company (details are disclosed in the Substantial Shareholders' Interests section).

4. Details of changes in the Directors' remuneration are set out in Note 10 to the consolidated financial statements.

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

The Company was a party to certain bank facilities that include conditions specifying the minimum equity interest of the Company to be held, directly or indirectly, by Yue Yuen, the controlling shareholder of the Company (the "Specific Performance Obligation") and any breach of the Specific Performance Obligation will cause a default in respect of the facilities. Disclosures pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules in respect of the relevant loans are as follows:

Loan I	On March 26, 2013, the Company entered into a facility agreement and a general agreement in respect of loans that are relevant to the operations of the Company.
Loan II	On August 5, 2013, the Company (as guarantor) and an indirect wholly-owned subsidiary of the Company, namely Baosheng Daoji (Beijing) Trading Company Limited (as borrower) entered into a facility letter and other related financing documentation in respect of loans that are relevant to the operations of the Company.

	Aggregate level of the facility granted that maybe affected by such breach US$'000	**Borrowing under such facility as at December 31, 2013** US$'000	**Life of the facility**	**Specific performance obligation**	**Consequences on breach of specific performance obligation**
Loan I	50,000	50,000	2 years after the date from the first drawdown	Yue Yuen (1) owns beneficially, directly or indirectly more than 50% of the Company; or (2) has the ability to direct or cause the direction of the management of the Company	The bank may opt to demand prepayment if change of control
Loan II	10,000	10,000	1 year	The Company remains a subsidiary of Yue Yuen	The entire outstanding be immediate due and payable
Total		60,000			

DIRECTORS' REPORT

LOANS FROM CONNECTED PERSONS TO THE COMPANY

During the current year, the Group obtained advances from certain entities controlled by Yue Yuen and its substantial shareholder for an aggregate amount of US$43.4 million, which are unsecured, interest-bearing at 4.5% per annum and repayable within one year. Further details are set out in Note 27 to the consolidated financial statements.

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

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

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions:

(i) AM Processing Agreement/Supplemental AM Processing Agreement

On February 5, 2013, 繁昌裕盛體育用品有限公司 (Fanchang Yusheng Sports Goods Company Limited) ("Fanchang Yusheng"), an indirect wholly-owned subsidiary of the Company, entered into a processing agreement (the "AM Processing Agreement") with 東莞高埗裕元製造廠第一分廠 (Dongguan Gaobu Yueyuen Manufacturing Factory First Sub-factory) ("Dongguan Gaobu"), pursuant to which Dongguan Gaobu has agreed to engage Fanchang Yusheng to provide processing services in respect of footwear for a specific brand at an agreed total processing fee of RMB2,264,230 (equivalent to approximately US$368,000).

On June 27, 2013, Fanchang Yusheng entered into a supplementary agreement to the AM Processing Agreement with Dongguan Gaobu (the "Supplemental AM Processing Agreement") pursuant to which the footwear processing service fees have been increased to RMB2,883,962.5 (equivalent to approximately US$468,000) due to unexpected increase in operating costs.

Dongguan Gaobu is a processing factory established in the PRC and an associate of Yue Yuen, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the AM Processing Agreement and the Supplemental AM Processing Agreement constitute connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcements dated March 26, 2013 and June 27, 2013 of the Company respectively.

CONNECTED TRANSACTIONS (Continued)

(ii) PM Processing Agreement

On March 26, 2013, 淮濱裕盛體育用品有限公司 (Huaibin Yue-shen Sporting Goods., Ltd.) ("Huaibin Yue-shen"), an indirect wholly-owned subsidiary of the Company, entered into a processing agreement (the "PM Processing Agreement") with 陽新寶加鞋業有限公司 (Yangxin Baojia Footwear Co., Ltd.) ("Yangxin Baojia"), pursuant to which Yangxin Baojia has agreed to engage Huaibin Yue-shen to provide processing services in respect of footwear products for a specific brand at an agreed fee of RMB10,766,112 (equivalent to approximately US$1,749,000).

Yangxin Baojia is an indirect wholly-owned subsidiary of Yue Yuen, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the PM Processing Agreement constitutes a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated March 26, 2013 of the Company.

(iii) Equity Transfer Agreement

On December 16, 2013, Brightup Group Limited ("Brightup Group"), an indirect wholly-owned subsidiary of the Company entered into an agreement (the "Equity Transfer Agreement") with Madi Avenue Limited ("Madi Avenue"), pursuant to which Brightup Group has agreed to sell and Madi Avenue has agreed to purchase 100% equity interest in each of Huaibin Yue-shen and 鍾祥裕盛體育用品有限公司 (Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.), both of which being indirect wholly-owned subsidiaries of the Company, at an aggregate consideration of RMB33,399,700, subject to adjustments. The transaction has been completed on January 1, 2014 with final consideration of RMB31,631,570.42 (equivalent to approximately US$5,217,000).

Madi Avenue is a company established in Hong Kong and an indirect wholly-owned subsidiary of Yue Yuen, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated December 16, 2013 of the Company.

(iv) Equipment Transfer Agreement

On December 16, 2013, Brightup Group entered into an agreement (the "Equipment Transfer Agreement") with Idea (Macao Commercial Offshore) Limited ("MCo"), pursuant to which Brightup Group has agreed to procure its relevant wholly-owned subsidiaries to sell and MCo has agreed to purchase certain equipment, machinery and assets at an aggregate consideration of RMB29,466,598 (equivalent to approximately US$4,786,000).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS (Continued)

(iv) Equipment Transfer Agreement (Continued)

MCo is a company established in the Macao Special Administrative Region of the PRC and an indirect wholly-owned subsidiary of Yue Yuen, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equipment Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated December 16, 2013 of the Company.

All the terms of the above transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole after arm's length negotiations.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2013, subsidiaries of the Company in the PRC purchased sportswear products of approximately US$0.1 million from Yue Yuen and its associates. The exact terms of the purchases were to be set out in individual order. The above continuing connected transactions entered into by the Group with the connected persons are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

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

Save for as disclosed herein and above under the headings "loans from connected persons to the Company", "connected transactions" and "continuing connected transactions", the Company has not entered into other transactions with its connected parties needed to be disclosed in accordance with Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

PENSION SCHEME

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

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

The Group contributed approximately US$18.2 million to the above-mentioned schemes for the year ended December 31, 2013.

MAJOR CUSTOMERS AND SUPPLIERS

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

Aggregate purchases attributable to the Group's largest and five largest suppliers were 40% and 87% of the Group's total purchases, respectively.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EMOLUMENT POLICY

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

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

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Tsai David, Nai Fung
Chairman
Hong Kong
March 26, 2014

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year ended December 31, 2013, the Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

BOARD OF DIRECTORS

The Board

Currently, the Board consists of two EDs, three NEDs and three INEDs. The biographical details of the Directors are set out in Biographical Details of Directors and Senior Management section on pages 18 to 21. Save as disclosed in the section, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

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

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

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs to discuss and review the overall strategy as well as the operation and financial performance of the Group and other duties of the Board. The annual meeting schedule is made available to Directors in advance. At least 14 days' notice of a regular board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. Agenda and Board papers are normally sent to all Directors at least 3 days before each meeting to enable them to make informed decisions with adequate data. All Directors have full access to information of the Group and are able to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The Company Secretary is responsible to keep minutes of all Board and committees meetings. Draft minutes are circulated to all Directors or committee members for comment in a timely manner and final version for their records. The minutes/resolutions of the Board and the committees are available for inspection by Directors.

The table below sets out the number of meetings of the Board and its committees, individual attendance by the Board and committee members at these meetings and the annual general meeting during the year:

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Annual General Meeting
Executive Directors					
Kwan, Heh-Der	7/7				1/1
Wu, Pan-Tsu	7/7				0/1
Non-executive Directors					
Tsai David, Nai Fung (Chairman)	7/7		2/2		1/1
Tsai Patty, Pei Chun	7/7	4/4			1/1
Li I-nan[1]	6/6			1/1	1/1
Kuo, Li-Lien[2]	2/3			1/1	0/1
Independent Non-executive Directors					
Chen Huan-Chung	7/7	4/4	2/2	2/2	1/1
Chang Li Hsien, Leslie	7/7	4/4	2/2		0/1
Hsieh, Wuei-Jung[1]	6/6			1/1	1/1
Hu Sheng-Yih[2]	3/3			1/1	0/1

Notes:

[1] Mr. Li I-nan and Mr. Hsieh, Wuei-Jung have been appointed as Directors on March 26, 2013.

[2] Ms. Kuo, Li-Lien and Mr. Hu Sheng-Yih retired as Directors with effect from the conclusion of the annual general meeting of the Company held on May 31, 2013.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

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

The roles of the Chairman and Chief Executive Officer are separate. The Chairman is responsible for the effective running of the Board. The Chief Executive Officer is responsible for overseeing the overall strategies, planning and day-to-day operations and management of the Group.

Non-executive Directors and Independent Non-executive Directors

All NEDs (including INEDs) are appointed for a specific term of three years. All Directors including INEDs are subject to the retirement by rotation at least every three years and re-election in accordance with the provision of the Listing Rules and the Company's Bye-laws.

At all times during the year ended December 31, 2013, the Company has complied with the requirements under Rule 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three INEDs, representing at least one third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise required under the Listing Rules.

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all INEDs are independent.

Appointment and Re-election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board or by the shareholders of the Company (the "Shareholders") in general meeting. During the year, based on the recommendations by the Nomination Committee, the Board appointed Mr. Li I-nan as NED and Mr. Hsieh, Wuei-Jung as INED on March 26, 2013.

All Directors appointed by the Board are subject to re-election at the first general meeting after their appointments. 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 Company's Bye-laws. At least one-third of Directors shall retire from office every year at the Company's annual general meeting. Accordingly, Mr. Kwan, Heh-Der, Mr. Wu, Pan-Tsu, Mr. Li I-nan and Mr. Hsieh, Wuei-Jung retired and were re-elected Directors at the annual general meeting of the Company held on May 31, 2013 (the "2013 AGM") and, Ms. Kuo, Li-Lien and Mr. Hu Sheng-Yih retired Directors with effect from the conclusion of the 2013 AGM.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' Training

Each newly appointed director is provided with a tailored induction to ensure that he or she has a proper understanding of the operations and business of the Group and is fully aware of his or her responsibilities under applicable legal requirements and the business and corporate governance policies of the Group.

The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Pursuant to Code Provision A.6.5 of the Corporate Governance Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the Directors, the Directors participated the following trainings during the year:

Name of Directors	Attending briefings/seminars/ conferences/forums	Reading/ studying training or other materials
Executive Directors		
Kwan, Heh-Der	✓	✓
Wu, Pan-Tsu	✓	✓
Non-executive Directors		
Tsai David, Nai Fung	✓	✓
Tsai Patty, Pei Chun	✓	✓
Li I-nan	✓	✓
Independent Non-executive Directors		
Chen Huan-Chung	✓	✓
Chang Li Hsien, Leslie	✓	✓
Hsieh, Wuei-Jung	✓	✓

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "Board Committees") to oversee various aspects of the Group's affairs.

Audit Committee

The Audit Committee has been in place since May 2008 with specific written terms of reference, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three NEDs (the majority of whom are independent): Mr. Chen Huan-Chung (Chairman), Mr. Chang Li Hsien, Leslie and Ms. Tsai Patty, Pei Chun. Mr. Chen Huan-Chung and Mr. Chang Li Hsien, Leslie are INEDs possessing the appropriate professional accounting and financial management expertise required under the Listing Rules.

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

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

The following is a summary of works performed by the Audit Committee during the year:

- reviewed and recommended the quarterly, interim and annual financial statements of the Group to the Board for approval;
- reviewed and discussed the various audit issues as reported by the external auditors;
- reviewed the internal control reports prepared by the Company's Internal Audit Department covering the findings and recommendations on the effectiveness of the risk management and internal control systems; and
- monitored the engagement, services provided by and remuneration of the external auditors and its independence.

The Audit Committee held four meetings during the year. The attendance record of the Audit Committee meeting is set out in the table under Board of Directors section.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee has been in place since May 2008 with specific written terms of reference, which are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently consists of three NEDs (the majority of whom are independent): Mr. Hsieh, Wuei-Jung (Chairman), Mr. Chen Huan-Chung and Mr. Li I-nan. Both appointments of Mr. Hsieh, Wuei-Jung and Mr. Li I-nan took effect on March 26, 2013 while Mr. Hu Sheng-Yih and Ms. Kuo, Li-Lien resigned from the committee on the same day.

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

In order to attract, retain and motivate talented eligible staff and officers, including the Directors, the Company has adopted a share option scheme in 2008 and amended on March 7, 2012. The Share Option Scheme provides incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. Details of the Share Options Scheme are set out in the Directors' Report and Note 35 to the consolidated financial statements.

The following is a summary of the work performed by the Remuneration Committee during the year:

- reviewed and recommended the remuneration of Directors for the fifteenth months ended December 31, 2012 to the Board for approval;
- recommended the remuneration packages of individual Directors and senior management newly appointed during the year to the Board for approval;
- reviewed the effectiveness of the Remuneration Committee and its terms of reference; and
- reviewed the Share Option Scheme of the Company.

The Remuneration Committee held two meetings during the year. The attendance record of the Remuneration Committee meeting is set out in the table under Board of Directors section.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee has been in place since December 2011 with specific written terms of reference, which are available on the websites of the Stock Exchange and the Company.

The Nomination Committee currently consists of three NEDs (the majority of whom are independent): Mr. Tsai David, Nai Fung (Chairman), Mr. Chen Huan-Chung and Mr. Chang Li Hsien, Leslie.

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

On August 13, 2013, the Board has adopted a Board Diversity Policy. Selection of candidates on the Board is based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. The Nomination Committee would review the Board's composition and monitored the implementation of the Board Diversity Policy.

The following is a summary of the work performed by the Nomination Committee during the year:

- identified and recommended the appointments of individual Directors and senior management to the Board for approval;
- assessed the independence of INEDs;
- reviewed the retirement and nominated the re-election of retiring Directors at the 2013 AGM;
- developed and recommended the Board Diversity Policy to the Board for approval;
- reviewed and recommended amendments of the Terms of Reference for Nomination Committee and Director Succession Plan to the Board for approval; and
- reviewed the structure, size, composition and diversity of the Board.

The Nomination Committee held two meetings during the year. The attendance record of the Nomination Committee meeting is set out in the table under Board of Directors section.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board has adopted a Statement of Policy on Corporate Governance (as revised on August 13, 2013) and is collectively responsible for performing the corporate governance duties including:

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

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

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

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

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

(f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness.

During the year, the Board has adopted the Inside Information Policy and the Board Diversity Policy.

INTERNAL CONTROLS AND RISKS MANAGEMENT

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

The Company has established its own Internal Audit Department for reviewing the effectiveness of the Group's internal control system. The Internal Audit Department reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses to the Audit Committee and the Board. In respect of the year ended December 31, 2013, the Board considers the internal control systems effective and adequate.

AUDITORS' REMUNERATION

During the year ended December 31, 2013, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu, the Company's external auditor, in respect of audit services rendered are approximately US$542,000 and in respect of non-audit services rendered are approximately US$155,000. The non-audit services fees include the review of interim financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

A statement by the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 48 to 49.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended December 31, 2013.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") which are no less exacting terms than the Model Code. Specified employees who are likely to be in possession of unpublished inside information related to the Company and its securities must comply with the Employees Guidelines.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

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

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

2. Procedures for putting forward enquiries to the Board

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

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

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

3. Procedures for putting forward proposals at Shareholders' meeting

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

SHAREHOLDERS' RIGHTS (Continued)

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

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

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

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

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

3.4 The requisition under paragraph 3.2 must be signed by the requisitionists and deposited at the registered office of the Company (i) in the case of a requisition requiring notice of a resolution, not less than 6 weeks before the meeting; and (ii) in the case of any other requisition, not less than 1 week before the meeting.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good relationship with the Shareholders and potential investors. To ensure effective ongoing dialogue with the Shareholders, the Board has adopted the Shareholders Communication Policy on March 5, 2012 which will be regularly reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available on the Company's website.

Shareholders are also encouraged to attend the Company's annual general meeting, at which the Chairmen of the Board, the chairman of the Board Committees (or in their absence, another member of the Board Committees), appropriate management executives and external auditors are available to answer the Shareholders' questions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 167, which comprise the consolidated statement of financial position as at December 31, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at December 31, 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 26, 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Revenue	6	1,777,187	2,182,450
Cost of sales		(1,263,406)	(1,538,014)
Gross profit		513,781	644,436
Other operating income and gains (losses)	7(a)	28,183	35,944
Selling and distribution expenses		(452,304)	(573,673)
Administrative expenses		(72,350)	(103,999)
Operating profit		17,310	2,708
Finance costs		(14,423)	(22,772)
Finance income		2,100	5,210
Finance costs – net	7(b)	(12,323)	(17,562)
Share of results of associates		(172)	313
Share of results of joint ventures		(5,759)	(13,768)
Other gains (losses)	7(c)	(29,699)	(30,248)
Loss before taxation		(30,643)	(58,557)
Income tax expense	8	(7,854)	(9,860)
Loss for the year/period	9	(38,497)	(68,417)
Attributable to:			
Owners of the Company		(38,670)	(69,151)
Non-controlling interests		173	734
		(38,497)	(68,417)
Loss per share	11		
– basic		US0.72 cent	US1.56 cents
– diluted		US0.72 cent	US1.56 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Loss for the year/period	(38,497)	(68,417)
Other comprehensive income		
An item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	17,895	28,493
Total comprehensive expense for the year/period	(20,602)	(39,924)
Attributable to:		
Owners of the Company	(20,758)	(41,058)
Non-controlling interests	156	1,134
	(20,602)	(39,924)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

	Notes	2013 US$'000	2012 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12(a)	95,697	124,449
Deposit paid for acquisition of property, plant and equipment		383	470
Prepaid lease payments	12(b)	24,476	24,466
Rental deposits and prepayments		19,729	23,159
Intangible assets	13	118,201	134,031
Goodwill	14	82,977	82,977
Interest in an associate	16	2,550	2,611
Loan to an associate	16	–	2,407
Interests in joint ventures	17	13,561	19,373
Loans to joint ventures	17	23,063	30,491
Long-term loan receivables	19	8,246	827
Available-for-sale investment	20	–	–
Deferred tax assets	21	2,932	4,051
		391,815	449,312
CURRENT ASSETS			
Inventories	22	631,595	591,670
Trade and other receivables	23	349,439	323,233
Derivative financial instruments	24	–	–
Taxation recoverable		1,323	6,033
Structured bank deposit	25(a)	2,144	–
Bank balances and cash	25(b)	61,424	128,488
		1,045,925	1,049,424
Assets classified as held for sale	26	22,067	1,674
		1,067,992	1,051,098

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

	Notes	2013 US$'000	2012 US$'000
CURRENT LIABILITIES			
Trade and other payables	27	221,949	193,259
Taxation payable		5,173	6,867
Bank overdrafts	25(c)	20,220	–
Bank borrowings	28	197,382	313,040
		444,724	513,166
Liabilities associated with assets classified as held for sale	26	16,850	–
		461,574	513,166
NET CURRENT ASSETS		606,418	537,932
TOTAL ASSETS LESS CURRENT LIABILITIES		998,233	987,244
NON-CURRENT LIABILITIES			
Bank borrowings	28	50,000	14,247
Consideration payable for acquisition of business	31(e)	18,016	17,980
Deferred tax liabilities	21	33,285	36,945
		101,301	69,172
NET ASSETS		896,932	918,072
CAPITAL AND RESERVES			
Share capital	29	6,909	6,850
Reserves		874,005	894,873
Equity attributable to owners of the Company		880,914	901,723
Non-controlling interests		16,018	16,349
TOTAL EQUITY		896,932	918,072

The consolidated financial statements on pages 50 to 167 were approved and authorised for issue by the Board of Directors on March 26, 2014 and are signed on its behalf by:

Tsai David, Nai Fung	**Kwan, Heh-Der**
CHAIRMAN AND NON-EXECUTIVE DIRECTOR	*CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Equity attributable to owners of the Company											
	Share capital US$’000 (Note 29)	**Share premium** US$’000	**Special reserve** US$’000 (note (i))	**Other reserve** US$’000 (note (ii))	**Revaluation reserve** US$’000 (note (iii))	**Share-based compensation reserve** US$’000	**Non-distributable reserve** US$’000 (note (iv))	**Translation reserve** US$’000	**Accumulated profits** US$’000	**Total** US$’000	**Non-controlling interests** US$’000	**Total** US$’000
At October 1, 2011	5,513	693,570	96,269	(214,250)	8,108	4,051	25,823	73,680	181,568	874,332	14,972	889,304
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	28,093	-	28,093	400	28,493
(Loss) profit for the period	-	-	-	-	-	-	-	-	(69,151)	(69,151)	734	(68,417)
Total comprehensive income and expense for the period	-	-	-	-	-	-	-	28,093	(69,151)	(41,058)	1,134	(39,924)
Repurchase of own shares	(48)	(4,970)	-	-	-	-	-	-	-	(5,018)	-	(5,018)
Issue of shares for acquisition of subsidiaries in previous years	9	889	-	(898)	-	-	-	-	-	-	-	-
Issue of shares under rights issue, net of issue costs	1,376	65,525	-	-	-	-	-	-	-	66,901	-	66,901
Recognition of equity-settled share-based payments	-	-	-	-	-	2,012	-	-	-	2,012	-	2,012
Recognition of considerations for acquisition of business (Note 31)	-	-	-	2,940	-	-	-	-	-	2,940	-	2,940
Realised on deemed disposal of a joint venture	-	-	-	-	-	-	-	(451)	451	-	-	-
Realised on disposal of an associate and a joint venture	-	-	-	-	-	-	-	(291)	291	-	-	-
Deemed partial disposal of interests in subsidiaries without losing control	-	-	-	1,614	-	-	-	-	-	1,614	1,123	2,737
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(880)	(880)
Transfer	-	-	-	-	-	-	2,921	-	(2,921)	-	-	-
At December 31, 2012	6,850	755,014	96,269	(210,594)	8,108	6,063	28,744	101,031	110,238	901,723	16,349	918,072
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	17,912	-	17,912	(17)	17,895
(Loss) profit for the year	-	-	-	-	-	-	-	-	(38,670)	(38,670)	173	(38,497)
Total comprehensive income and expense for the year	-	-	-	-	-	-	-	17,912	(38,670)	(20,758)	156	(20,602)
Issue of shares for acquisition of subsidiaries and business in previous years	59	3,778	-	(4,929)	-	-	-	-	1,092	-	-	-
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options not yet vested	-	-	-	-	-	(845)	-	-	794	(51)	-	(51)
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	(171)	171	-	-	-
Realised on disposal of a joint venture	-	-	-	-	-	-	-	(521)	521	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(487)	(487)
Transfer	-	-	-	-	-	-	3,679	-	(3,679)	-	-	-
At December 31, 2013	6,909	758,792	96,269	(215,523)	8,108	5,218	32,423	118,251	70,467	880,914	16,018	896,932

notes:

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

(ii) The other reserve represents the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets acquired from or disposed of to the non-controlling interests.

As at October 1, 2011 and December 31, 2012, included in the balance is also the fair values of the share-settled consideration at the dates of acquisition of subsidiaries and business in prior periods that, less the amounts already settled by the Company by the issue of its shares at the end of the reporting period, will be settled by the Company by the issue of a fixed number of its ordinary shares in a future date. All of these shares have already been issued as at December 31, 2013 and the relevant balance has been transferred to share capital and share premium.

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

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

(v) No dividend was paid or proposed during the year (fifteen months ended December 31, 2012: nil), nor has any dividend been proposed since the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
OPERATING ACTIVITIES		
Loss before taxation	(30,643)	(58,557)
Adjustments for:		
Depreciation of property, plant and equipment	34,197	43,949
Release of prepaid lease payments	657	800
Amortisation of intangible assets	8,215	10,083
Impairment loss of intangible assets	11,025	8,485
Allowance for inventories, net	7,078	1,088
Impairment loss recognised on trade receivables	2,650	3,899
(Reversal of) impairment loss recognised on other receivables	(34)	608
Interest expense	14,423	22,772
Interest income	(2,100)	(5,210)
Share of results of associates	172	(313)
Share of results of joint ventures	5,759	13,768
(Reversal) recognition of equity-settled share-based payments	(51)	2,012
Gain on deemed disposal of a joint venture	–	(5,898)
Gain on disposal of properties	–	(4,685)
Loss on disposal of property, plant and equipment	2,186	3,704
Impairment loss of property, plant and equipment	5,640	–
Impairment loss of interest in an associate	–	3,040
Impairment losses of interests in joint ventures	585	6,305
Impairment losses on loans to joint ventures	8,345	–
Impairment loss on consideration receivable for disposal of properties	4,061	–
Fair value loss on derivative financial instruments	–	20,916
Fair value loss on consideration payable for acquisition of business	43	2,085
Operating cash flows before movements in working capital	72,208	68,851
Decrease in rental deposits and prepayments	8,046	7,278
Increase in inventories	(41,236)	(103,392)
Increase in trade and other receivables	(35,265)	(16,307)
Increase (decrease) in trade and other payables	34,689	(67,505)
Cash generated from (used in) operations	38,442	(111,075)
Income tax paid	(8,638)	(20,856)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	29,804	(131,931)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,858)	(38,941)
Placement of structured bank deposit		(2,144)	–
Deposit paid for acquisition of property, plant and equipment		(372)	(458)
Repayment of advance to joint ventures		801	2,773
Proceeds from disposal of property, plant and equipment		1,240	637
Interest income		2,100	5,210
Repayment of advance to an associate		2,407	5,328
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	31	–	(107,162)
Proceeds from capital reduction of a joint venture		–	563
Proceeds from disposal of an associate		–	1,569
Dividends received from an associate		–	1,628
Deposits received for disposal of assets classified as held for sale		–	1,674
Decrease in loan receivables		–	2,155
Proceeds from disposal of properties		–	7,929
Withdrawal of pledged bank deposits		–	12,665
NET CASH USED IN INVESTING ACTIVITIES		(14,826)	(104,430)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		(433,504)	(513,022)
Repayment of advance from related and connected parties		(46,983)	–
Interest paid		(14,423)	(22,772)
Dividend paid to a non-controlling interest of subsidiaries		(487)	(880)
Advance from related and connected parties		43,445	4,158
New bank borrowings raised		349,466	660,294
Shares repurchased		–	(5,018)
Acquisition of additional interest in subsidiaries		–	(2,698)
Proceeds from deemed partial disposal of interests in subsidiaries without losing control		–	2,737
Proceeds from issue of shares, net of issue cost		–	66,901
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(102,486)	189,700
NET DECREASE IN CASH AND CASH EQUIVALENTS		(87,508)	(46,661)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,379	2,461
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		128,488	172,688
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		42,359	128,488
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		61,424	128,488
Cash and cash equivalents included in assets classified as held for sale	26	1,155	–
Bank overdrafts		(20,220)	–
		42,359	128,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the previous financial year, the financial year end date of the Company and the Group has been changed from September 30 to December 31 to align the financial year end dates of the Company's subsidiaries that are established in the PRC, which are required under relevant laws to close their accounts with the financial year end on December 31. Accordingly, the current accounting period covers a period of twelve months from January 1, 2013 to December 31, 2013, while 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 October 1, 2011 to December 31, 2012 and are therefore not entirely comparable with those of the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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 1	Government Loans
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 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 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

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, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the 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.

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

Impact of the application of HKFRS 10 "Consolidated Financial Statements"

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. January 1, 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.

Impact of the application of HKFRS 11 "Joint Arrangements"

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 classified as a jointly controlled entity).

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

Impact of the application of HKFRS 11 "Joint Arrangements" (Continued)

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 the 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.

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 measurement. The scope of HKFRS 13 is broad and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer 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. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 39. 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.

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

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". However, since the new terminology under amendments to HKAS 1 is not mandatory and the directors of the Company determine to remain the titles of "statement of comprehensive income" and "income statement" unchanged.

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to income statement; and (b) items that may be reclassified subsequently to income statement when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments 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.

The adoption of other new or revised HKFRSs has had no material effect on the amounts reported in the consolidated financial statements or disclosures set out in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Account[5]
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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after January 1, 2014.

[2] Effective for annual periods beginning on or after July 1, 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 July 1, 2014, with limited exceptions.

[5] Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.

HKFRS 9 "Financial Instruments"

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

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

HKFRS 9 "Financial Instruments" (Continued)

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.

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

The directors anticipate that, based on the financial instruments of the Group as at December 31, 2013, 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 December 31, 2013.

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

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

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

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

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

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

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values 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 the 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".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved 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 for the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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, 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 recognised in profit or loss as incurred.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 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 either their fair value or, when applicable, on the basis specified in another HKFRS.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

Goodwill

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates or 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. 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.

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 to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale (Continued)

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 associate 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 discontinues 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 to sell.

Revenue recognition

Revenue is measured at fair value of 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, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

Customer loyalty programmes

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

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

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

Property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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 at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including long-term loan receivables, trade and other receivables, loans to an associate and joint ventures, structured bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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

Impairment of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the 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.

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. 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. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the 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.

Financial liabilities and equity

Classification as debt or equity

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL if:

- it has been incurred principally for the purpose of repurchasing in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss is included in "fair value changes on consideration payable for acquisition of business" under "other gains (losses)" in profit or loss. Fair value is determined in the manner described in Note 39(c).

Other financial liabilities

The Group's other financial liabilities, including trade and other payables, bank borrowings, bank overdrafts and consideration payable for acquisition of business, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 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.

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:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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 expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "loss before taxation" as reported in the consolidated income statement because of items 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

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

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

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

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Share-based payment transactions

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 (share-based compensation reserve).

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 share-based compensation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying the entity's accounting policies

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

Intangible assets with indefinite useful lives

The directors consider that the brandnames, as set out in Note 13, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brandnames are tested for impairment annually.

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

(b) Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. This calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation and the impairment loss made for the year are disclosed in Note 15.

(ii) Estimated impairment of interests in associates and joint ventures

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

(iii) Impairment loss for inventories

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

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

(b) Key sources of estimation uncertainty (Continued)

(iv) 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.

(v) Fair value of consideration payable for acquisition of business

Measurements of the fair value of the consideration payable for acquisition of business require the use of variables and assumptions including (i) the underlying value of the relevant equity interests, (ii) the expected volatility, (iii) the expected dividend yield for the Company, among others. Details of the measurements of the fair value and assumptions used are disclosed in Note 39(c).

(vi) Income taxes

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

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

6. REVENUE AND SEGMENTAL INFORMATION

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

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

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

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

Segment revenue and results

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

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
For the year ended December 31, 2013						
REVENUE						
External sales - sportswear and footwear products	1,688,571	24,027	50,656	1,763,254	-	1,763,254
External sales - commissions from concessionaire sales	13,933	-	-	13,933	-	13,933
Inter-segment sales*	-	11,269	325	11,594	(11,594)	-
Total segment revenue	1,702,504	35,296	50,981	1,788,781	(11,594)	1,777,187
RESULTS						
Segment results	32,664	3,776	(18,759)	17,681	424	18,105
Reconciling items:						
Central administrative expenses						(795)
Finance costs - net						(12,323)
Share of result of an associate						(172)
Share of results of joint ventures						(5,759)
Other gains (losses)						(29,699)
Loss before taxation						(30,643)

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results (Continued)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
For the fifteen months ended December 31, 2012						
REVENUE						
External sales - sportswear and footwear products	1,962,277	73,822	129,801	2,165,900	-	2,165,900
External sales - commissions from concessionaire sales	16,550	-	-	16,550	-	16,550
Inter-segment sales*	-	21,117	-	21,117	(21,117)	-
Total segment revenue	1,978,827	94,939	129,801	2,203,567	(21,117)	2,182,450
RESULTS						
Segment results	21,054	(16,568)	3,376	7,862	(567)	7,295
Reconciling items:						
Central administrative expenses						(4,587)
Finance costs - net						(17,562)
Share of results of associates						313
Share of results of joint ventures						(13,768)
Other gains (losses)						(30,248)
Loss before taxation						(58,557)

* Inter-segment sales are charged at prevailing market rates

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent profit (loss) earned (incurred) by each segment without absorption of reconciling items, details of which are set out above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities

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

	2013 US$'000	2012 US$'000
Segment assets		
Retail business	1,269,666	1,151,621
Brand licensee business	19,361	40,088
Manufacturing business	13,136	93,461
Total segment assets	1,302,163	1,285,170
Interest in an associate	2,550	2,611
Loan to an associate	–	2,407
Interests in joint ventures	13,561	19,373
Loans to joint ventures	23,063	30,491
Loan receivables	10,336	9,527
Bank balances and cash	61,424	128,488
Assets classified as held for sale	22,067	1,674
Other unallocated assets	24,643	20,669
Consolidated assets	1,459,807	1,500,410
Segment liabilities		
Retail business	217,080	166,172
Brand licensee business	11,095	23,391
Manufacturing business	6,506	14,020
Total segment liabilities	234,681	203,583
Bank borrowings and overdrafts	267,602	327,287
Liabilities associated to assets classified as held for sale	16,850	–
Other unallocated liabilities	43,742	51,468
Consolidated liabilities	562,875	582,338

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than interests in an associate and joint ventures, loans to an associate and joint ventures, loan receivables, derivative financial instruments, available-for-sale investments, certain property, plant and equipment, deferred tax assets, taxation recoverable, certain other receivables, structured bank deposit, bank balances and cash and assets classified as held for sale; and

- all liabilities are allocated to operating segments other than accruals and other payables of the head office, taxation payable, bank borrowings, bank overdrafts, liabilities associated to assets classified as held for sale and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended December 31, 2013						
Amounts included in the measure of segment results or segment assets:						
Additions to non-current assets (note)	17,791	240	116	18,147	1,181	19,328
Depreciation of property, plant and equipment	26,502	775	6,117	33,394	803	34,197
Release of prepaid lease payments	590	-	67	657	-	657
Amortisation of intangible assets	8,215	-	-	8,215	-	8,215
Deposit paid for acquisition of property, plant and equipment	379	4	-	383	-	383
Loss (gain) on disposal of property, plant and equipment	2,140	(330)	9	1,819	367	2,186
Allowance for inventories, net	6,258	820	-	7,078	-	7,078
Impairment loss recognised on trade receivables	2,488	2	160	2,650	-	2,650
Reversal of impairment loss recognised on other receivables	34	-	-	34	-	34
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:						
Interest in an associate	2,550	-	-	2,550	-	2,550
Interests in joint ventures	13,561	-	-	13,561	-	13,561
Share of loss of an associate	(172)	-	-	(172)	-	(172)
Share of loss of joint ventures	(5,759)	-	-	(5,759)	-	(5,759)
Impairment losses of interests in joint ventures	(585)	-	-	(585)	-	(585)

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information (Continued)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the fifteen months ended December 31, 2012						
Amounts included in the measure of segment results or segment assets:						
Additions to non-current assets (note)	84,524	832	2,511	87,867	1,571	89,438
Depreciation of property, plant and equipment	33,579	1,447	8,103	43,129	820	43,949
Release of prepaid lease payments	725	33	42	800	-	800
Amortisation of intangible assets	10,083	-	-	10,083	-	10,083
Deposit paid for acquisition of property, plant and equipment	470	-	-	470	-	470
Loss on disposal of property, plant and equipment	3,461	152	85	3,698	6	3,704
Allowance (reversal of allowance) for inventories, net	1,530	(442)	-	1,088	-	1,088
Impairment loss recognised on trade receivables	3,437	327	135	3,899	-	3,899
Impairment loss recognised on other receivables	608	-	-	608	-	608
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:						
Interests in associates	2,611	-	-	2,611	-	2,611
Interests in joint ventures	19,373	-	-	19,373	-	19,373
Share of profit of associates	313	-	-	313	-	313
Share of loss of joint ventures	(13,768)	-	-	(13,768)	-	(13,768)
Gain on deemed disposal of a joint venture	5,898	-	-	5,898	-	5,898
Gain on disposal of properties	4,685	-	-	4,685	-	4,685
Impairment loss of interest in an associate	(3,040)	-	-	(3,040)	-	(3,040)
Impairment losses of interests in joint ventures	(6,305)	-	-	(6,305)	-	(6,305)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Information about major customers

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

Geographical information

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

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

	Revenue from external customers		Non-current assets (note)	
	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000	2013 US$'000	2012 US$'000
PRC	1,740,204	2,099,488	340,487	388,307
Hong Kong	792	34,517	195	66
Other locations	36,191	48,445	781	1,179
	1,777,187	2,182,450	341,463	389,552

note: Non-current assets exclude interests in an associate and joint ventures, financial instruments and deferred tax assets.

7. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Included in the balance is the following items:		
Subsidies, rebates and other income from suppliers	18,116	26,196
Net exchange gain	4,034	1,618
Loss on disposal of property, plant and equipment	(2,186)	(3,704)
Impairment loss recognised on trade receivables	(2,650)	(3,899)
Impairment loss reversed (recognised) on other receivables	34	(608)

(b) Finance income and costs

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Interest expense on:		
– bank overdrafts and bank borrowings wholly repayable within five years	(12,975)	(22,772)
– advances from related parties	(1,448)	–
	(14,423)	(22,772)
Interest income from:		
– bank deposits	693	2,660
– advance to an associate	–	189
– advances to joint ventures	1,055	1,497
– advances to former joint ventures and a third party	352	864
	2,100	5,210
Finance costs, net	(12,323)	(17,562)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

7. OTHER INCOME AND GAINS (LOSSES) (Continued)

(c) Other gains (losses) arising other than operating activities

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Impairment loss of property, plant and equipment (Note 12(a))	(5,640)	–
Impairment loss of intangible assets (Note 13)	(11,025)	(8,485)
Impairment loss of interest in an associate (Note 16(i))	–	(3,040)
Impairment losses of interests in joint ventures (Note 17(ii))	(585)	(6,305)
Impairment losses on loans to joint ventures (Note 17(iii))	(8,345)	–
Impairment loss on consideration receivable for disposal of properties	(4,061)	–
Fair value loss on consideration payable for acquisition of business (Note 31(e))	(43)	(2,085)
Fair value loss on derivative financial instruments	–	(20,916)
Gain on deemed disposal of a joint venture (Note 31(g))	–	5,898
Gain on disposal of properties	–	4,685
	(29,699)	(30,248)

8. INCOME TAX EXPENSE

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current year:		
Hong Kong Profits Tax (note i)	–	721
PRC Enterprise Income Tax ("EIT") (note ii)	10,783	14,101
Overseas income tax (note iii)	1,762	2,751
	12,545	17,573
(Over)underprovision in prior years:		
Hong Kong Profits Tax	42	–
PRC EIT	(1,355)	(196)
Overseas income tax	56	166
	(1,257)	(30)
Current tax charge – total	11,288	17,543
Deferred tax credit (Note 21)	(3,434)	(7,683)
	7,854	9,860

8. INCOME TAX EXPENSE (Continued)

notes:

(i) Hong Kong
Hong Kong Profits Tax is calculated at 16.5% (fifteen months ended December 31, 2012: 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 as follows:

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

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

8. INCOME TAX EXPENSE (Continued)

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

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Loss before taxation	(30,643)	(58,557)
Tax at income tax rate of 25% (note)	(7,661)	(14,639)
Tax effect of share of results of associates and joint ventures	1,483	3,364
Tax effect of expenses not deductible for tax purposes	14,052	8,929
Tax effect of income not taxable for tax purposes	(5,112)	(4,017)
Effect of tax holidays granted to PRC subsidiaries	(256)	(748)
Effect of different tax rates of subsidiaries operating in other jurisdictions	203	(499)
Effect of tax loss not recognised	7,393	18,471
Utilisation of tax losses previously not recognised	(2,120)	(3,268)
Overprovision of tax in prior years	(1,257)	(30)
Withholding income tax on unremitted earnings of overseas subsidiaries	1,129	2,297
Income tax expenses for the year/period	7,854	9,860

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

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9. LOSS FOR THE YEAR/PERIOD

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Loss for the year/period has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments (Note 10)	708	1,343
Retirement benefit scheme contributions, excluding directors and the chief executive	18,212	20,523
Equity-settled share-based payments, excluding directors and the chief executive	(51)	2,122
Other staff costs	154,379	209,311
Total staff costs	173,248	233,299
Auditor's remuneration	542	541
Depreciation of property, plant and equipment	34,197	43,949
Allowance for inventories, net	7,078	1,088
Release of prepaid lease payments	657	800
Amortisation of intangible assets (included in selling and distribution expenses)	8,215	10,083
Costs of inventories recognised as an expense	1,263,406	1,538,014
Research and development expenditure recognised as an expense	2,855	3,596
Share of taxation of associates (included in share of results of associates)	9	191
Share of taxation of joint ventures (included in share of results of joint ventures)	162	(2,041)

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

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the ten (fifteen months ended December 31, 2012: nine) individual directors are set out as follows:

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the year ended December 31, 2013						
Executive directors:						
Kwan, Heh-Der (notes ii and ix)	-	360	150	2	-	512
Wu, Pan-Tsu (notes iii and ix)	-	41	-	-	-	41
Non-executive directors:						
Tsai David, Nai Fung	-	-	-	-	-	-
Tsai Patty, Pei Chun	-	-	-	-	-	-
Kuo, Li-Lien (note v)	19	-	-	-	-	19
Li I-nan (note vi)	15	-	-	-	-	15
Independent non-executive directors:						
Chen Huan-Chung	39	-	-	-	-	39
Chang Li Hsien, Leslie	39	-	-	-	-	39
Hu Sheng-Yih (note vii)	13	-	-	-	-	13
Hsieh, Wuei-Jung (note viii)	30	-	-	-	-	30
	155	401	150	2	-	708

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

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

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

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

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

notes:

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

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

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

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

(v) Ms. Kuo, Li-Lien retired as a non-executive director on May 31, 2013.

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

(vii) Mr. Hu Sheng-Yih retired as an independent non-executive director on May 31, 2013.

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

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

(b) Emoluments of senior management

Of the six (fifteen months ended December 31, 2012: seven) senior management of the Company for the year ended 31 December 2013, two (fifteen months ended December 31, 2012: three) of them are directors of the Company and their remuneration has been disclosed in Note 10(a). The emoluments of the remaining four (fifteen months ended December 31, 2012: four) individuals for the year/period were within the following bands:

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

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

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended December 31, 2013, one (fifteen months ended December 31, 2012: one) is a director and the chief executive, and none (fifteen months ended December 31, 2012: one) is senior management of the Company whose emoluments are included in Notes 10(a) and 10(b) respectively. The emoluments of the remaining four (fifteen months ended December 31, 2012: three) individuals for the year/period are as follows:

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Salaries and other allowances	596	856
Bonus	151	327
Equity-settled share-based payment	115	112
	862	1,295

Their emoluments were within the following bands:

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

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

11. LOSS PER SHARE

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

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Loss:		
Loss for the year/period attributable to owners of the Company for the purposes of basic and diluted loss per share	(38,670)	(69,151)

	For the year ended December 31, 2013	For the fifteen months ended December 31, 2012
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	5,378,908,615	4,426,441,854

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

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12. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

(a) Property, plant and equipment

	Leasehold land and buildings US$'000	Office and shopping mall buildings US$'000	Factory buildings and warehouses US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST								
At October 1, 2011	9,321	13,036	54,720	25,350	95,174	27,541	3,856	228,998
Additions	-	-	-	2,269	33,399	3,616	575	39,859
Acquired on acquisition of subsidiaries and business (Note 31)	-	-	-	-	11,147	1,083	58	12,288
Disposals	-	-	-	(10)	(14,399)	(1,488)	(326)	(16,223)
Exchange realignment	249	429	1,368	608	3,231	1,047	109	7,041
At December 31, 2012	9,570	13,465	56,088	28,217	128,552	31,799	4,272	271,963
Additions	-	-	-	52	15,584	3,507	185	19,328
Disposals	-	-	-	(16,019)	(11,452)	(1,543)	(587)	(29,601)
Transfer to assets classified as held for sale	-	-	-	(3,996)	-	(573)	(76)	(4,645)
Exchange realignment	301	358	1,701	771	3,306	992	100	7,529
At December 31, 2013	9,871	13,823	57,789	9,025	135,990	34,182	3,894	264,574
DEPRECIATION AND IMPAIRMENT								
At October 1, 2011	1,006	981	12,270	9,317	68,995	17,422	1,834	111,825
Provided for the period	338	361	3,223	3,275	30,570	5,472	710	43,949
Eliminated on disposals	-	-	-	(1)	(10,650)	(1,019)	(212)	(11,882)
Exchange realignment	33	20	238	280	2,342	658	51	3,622
At December 31, 2012	1,377	1,362	15,731	12,871	91,257	22,533	2,383	147,514
Provided for the year	397	296	3,014	2,480	23,196	4,365	449	34,197
Transfer to assets classified as held for sale	-	-	-	(400)	-	(111)	(5)	(516)
Impairment loss recognised in profit or loss	-	-	-	4,924	-	716	-	5,640
Eliminated on disposals	-	-	-	(11,300)	(9,187)	(1,261)	(451)	(22,199)
Exchange realignment	46	31	511	383	2,582	624	64	4,241
At December 31, 2013	1,820	1,689	19,256	8,958	107,848	26,866	2,440	168,877
CARRYING VALUE								
At December 31, 2013	8,051	12,134	38,533	67	28,142	7,316	1,454	95,697
At December 31, 2012	8,193	12,103	40,357	15,346	37,295	9,266	1,889	124,449

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

(a) Property, plant and equipment (Continued)

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

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

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

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

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

In the current year, the directors of the Company conducted a review of the property, plant and equipment of the Group's Manufacturing Business segment 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 December 31, 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.

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

(b) Prepaid lease payments

	2013 US$'000	2012 US$'000
The carrying amount of the Group's prepaid lease payments are analysed as follows:		
Non-current assets	24,476	24,466
Current assets (included in trade and other receivables)	667	649
	25,143	25,115

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

13. INTANGIBLE ASSETS

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At October 1, 2011	4,629	73,063	-	46,235	123,927
Acquired on acquisition of subsidiaries and business (Note 31)	3,775	-	9,911	23,605	37,291
Exchange realignment	166	1,936	232	1,548	3,882
At December 31, 2012	8,570	74,999	10,143	71,388	165,100
Exchange realignment	237	2,073	280	1,973	4,563
At December 31, 2013	8,807	77,072	10,423	73,361	169,663
AMORTISATION AND IMPAIRMENT					
At October 1, 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 December 31, 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 December 31, 2013	4,062	9,822	2,171	35,407	51,462
CARRYING VALUE					
At December 31, 2013	4,745	67,250	8,252	37,954	118,201
At December 31, 2012	6,100	70,214	9,044	48,673	134,031

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13. INTANGIBLE ASSETS (Continued)

Addition of the Group's intangible assets during the fifteen months ended December 31, 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 31 (b)). Details are set out in Note 31.

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 December 31, 2013, the Group recognised aggregate impairment losses of US$11,025,000 in relation to the brandname, the non-compete agreement and customer relationship arising on acquisition of certain retail business that operate in chains of retails stores under Unit A and Unit D (both defined in Note 15), the PRC. During the fifteen month ended December 31, 2012, the Group also recognised an impairment loss of US$8,485,000 in relation to the brandname and the non-compete agreement under Unit A. The impairment losses arose due to the worse than expected operating results of the relevant CGU of the Retail Business. The basis of the impairment loss is set out in Note 15 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.

13. INTANGIBLE ASSETS (Continued)

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 15.

14. GOODWILL

	US$'000
COST	
At October 1, 2011	42,226
Arising on acquisition of subsidiaries and business (Note 31)	40,751
At December 31, 2012 and 2013	82,977

Particulars regarding impairment testing on goodwill are detailed in Note 15.

15. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, intangible assets of the Group as set out in Note 13 are allocated to the CGUs of Retail Business that are expected to benefit from the intangible assets to generate future economic benefits. The carrying amount of the intangible assets at the end of the reporting period allocated to these units are as follows:

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
At December 31, 2013					
Retail Business:					
- Chains of Stores mainly in Northern China, the PRC ("Unit A")	2,203	25,906	-	16,690	44,799
- Chains of Stores mainly in Zhejiang Province, the PRC ("Unit B")	-	41,344	-	1,762	43,106
- Chains of Stores mainly in Hebei Province, the PRC ("Unit C")	-	-	8,252	3,663	11,915
- Chains of Stores mainly in Liaoning Province, the PRC ("Unit D")	2,542	-	-	15,839	18,381
	4,745	67,250	8,252	37,954	118,201

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

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
At December 31, 2012					
Retail Business:					
- Unit A	2,723	29,982	-	23,180	55,885
- Unit B	-	40,232	-	2,696	42,928
- Unit C	-	-	9,044	3,764	12,808
- Unit D	3,377	-	-	19,033	22,410
	6,100	70,214	9,044	48,673	134,031

For the purpose of impairment testing, goodwill of the Group as set out in Note 14 is allocated to Retail Business as a group of CGUs.

The basis of recoverable amount of each of Units A, B, C, D and the group of CGUs in the Retail Business has been determined based on the value in use calculation, and valued by the management as at December 31, 2013 and Savills Valuations and Professional Services Limited as at December 31, 2012, a firm of independent professional valuer.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 15% (fifteen months ended December 31, 2012: 14%) for all of the above CGUs. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (fifteen months ended December 31, 2012: 3%) for all of the above CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

During the year/period, management of the Group determined that none of (i) goodwill, allocated to Retail Business as the group of CGUs, nor (ii) intangible assets allocated to Units B and C had suffered any impairment.

As set out in Note 13, impairment loss amounting to US$7,944,000 (fifteen months ended December 31, 2012: US$8,485,000) has been made in respect of brandname and non-compete agreement allocated to Unit A and US$3,081,000 (fifteen months ended December 31, 2012: nil) has been made in respect of non-compete agreements and customer relationship allocated to Unit D during the year ended December 31, 2013.

16. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

	2013 US$'000	2012 US$'000
Cost of unlisted investment in an associate	3,917	3,917
Share of post-acquisition results, net of dividends received	(792)	(620)
Share of post-acquisition reserves	925	814
Impairment losses (note i)	(1,500)	(1,500)
	2,550	2,611
Loan to an associate (note ii)	–	2,407

notes:

(i) During the fifteen months ended December 31, 2012, impairment losses of US$3,040,000 were made in respect of the Group's interest in an associate, the entire amount of which has been derecognised upon the completion of the disposal of the associate during the same period. The recoverable amount of the relevant associate was estimated by reference to the expected disposal proceed from the joint venture partner of the relevant associate from its anticipated disposals after the end of the reporting period.

(ii) The loan to an associate was secured by the equity interest in the associate held by the other joint venture partner, interest bearing at the quoted lending rate of People's Bank of China ("PBOC") and was fully settled during the year.

The Group's material associate at the end of the reporting period is 浙江寶宏體育用品有限公司 Zhejiang Baohong Sports Goods Company Limited ("Zhejiang Baohong"). Zhengjiang Baohong is accounted for using equity method in these consolidated financial statements. Particulars of Zhejiang Baohong at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of incorporation or establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company 2013	2012	Proportion of voting rights held by the Group 2013	2012	Principal activities
Zhejiang Baohong	Sino-foreign enterprise	PRC	Ordinary	49%	49%	49%	49%	Retailing of sportswear

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16. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE (Continued)

Summarised financial information of Zhejiang Baohong is set out below. The summarised financial information below represents amount shown in Zhejiang Baohong's financial statements prepared in accordance with HKFRS.

	For the year ended December 31, 2013	For the fifteen months ended December 31, 2012		
	Zhejiang Baohong US$'000	Zhejiang Baohong US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income				
Revenue	24,973	23,475	17,270	40,745
(Loss) profit for the year/period	(351)	(1,108)	2,140	1,032
Other comprehensive income for the year/period	227	230	88	318
Total comprehensive (expense) income for the year/period	(124)	(878)	2,228	1,350
(Loss) profit for the year/period, attributable to the Group	(172)	(543)	856	313
Other comprehensive income for the year/period, attributable to the Group	111	113	35	148
Total comprehensive (expense) income for the year/period, attributable to the Group	(61)	(430)	891	461
Dividends received from associates during the year/period	–	–	1,628	1,628

16. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE (Continued)

	2013 Zhejiang Baohong US$'000	2012 Zhejiang Baohong US$'000
Financial information of consolidated statement of financial position		
Non-current assets	831	756
Current assets	18,252	14,467
Current liabilities	(10,818)	(6,834)
Net asset of the associate	8,265	8,389
Reconciliation to the carrying amounts of interest in the associate:		
Net assets attributable to the equity holders of the associate	8,265	8,389
Proportion of the Group's ownership interest in the associate	49%	49%
Net asset of interest in the associate attributable to the Group	4,050	4,111
Less: impairment loss of interest in an associate	(1,500)	(1,500)
Carrying amount of the Group's interest in the associate	2,550	2,611

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

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17. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

	2013 US$'000	2012 US$'000
Cost of unlisted investments in joint ventures (note i)	18,164	18,164
Share of post-acquisition profits, net of dividends received	(3,613)	2,146
Share of post-acquisition reserves	4,900	4,368
Impairment losses (note ii)	(5,890)	(5,305)
	13,561	19,373
Loans to joint ventures (note iii)	23,063	30,491

notes:

(i) Included in cost of investments in joint ventures as at October 1, 2011, December 31, 2012 and 2013 was goodwill of US$2,119,000 arising from the acquisition of a joint venture in prior years.

(ii) During the year, impairment losses of US$585,000 (fifteen months ended December 31, 2012: US$6,305,000) were made in respect of the Group's interests in certain joint ventures. 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) The loans to joint ventures 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. 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.

Included in the carrying amount of loans to joint ventures as at December 31, 2013 was an impairment loss of US$8,345,000 (2012: nil) made during the year in respect of the loans to certain joint ventures due primarily to their weakening financial positions. The directors consider that the fair value of the loans to joint ventures approximate their carrying amounts. Other than the above, no provision for impairment loss for other outstanding balance 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. The loans are not expected to be repaid within one year and are classified as non-current.

17. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES (Continued)

The Group's material joint ventures at the end of the reporting period include 吉林領跑體育用品有限公司 Jilin Lingpao Sporting Goods Co. Ltd ("Jilin Lingpao") and Sky Grace Investments Limited ("Sky Grace"). 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/place of incorporation or establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company 2013	2012	Proportion of voting rights held by the Group 2013	2012	Principal activities
Jilin Lingpao	Sino-foreign enterprise	PRC	Ordinary	50%	50%	50%	50%	Retailing of sportswear
Sky Grace	Sino-foreign enterprise	Hong Kong	Ordinary	50%	50%	50%	50%	Investment holding

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. Therefore, 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.

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 HKFRS.

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17. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES (Continued)

	For the year ended December 31, 2013				For the fifteen months ended December 31, 2012			
	Jilin Lingpao US$'000	Sky Grace US$'000	Others US$'000	Total US$'000	Jilin Lingpao US$'000	Sky Grace US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income								
Revenue	37,856	34,107	112,903	184,866	72,258	35,376	195,149	302,783
Loss for the year/period	(8,541)	(98)	(11,330)	(19,969)	(4,759)	(666)	(24,457)	(29,882)
Other comprehensive income for the year/period	493	274	112	879	641	254	696	1,591
Total comprehensive (expense) income for the year/period	(8,048)	176	(11,218)	(19,090)	(4,118)	(412)	(23,761)	(28,291)
Loss for the year/period, attributable to the Group	(4,270)	(49)	(1,440)	(5,759)	(2,379)	(333)	(11,056)	(13,768)
Other comprehensive income for the year/period, attributable to the Group	246	137	149	532	321	127	346	794
Total comprehensive (expense) income for the year/period, attributable to the Group	(4,024)	88	(1,291)	(5,227)	(2,058)	(206)	(10,710)	(12,974)
Dividends received from joint ventures during the year/period	-	-	-	-	-	-	-	-
The above (loss) profit for the year/period include the following:								
Depreciation and amortisation	(844)	(405)	(2,674)	(3,923)	(1,360)	(502)	(5,347)	(7,209)
Interest income	6	20	117	143	16	20	248	284
Interest expense	(433)	(51)	(1,180)	(1,664)	(1,166)	(23)	(3,291)	(4,480)
Income tax (expense) credit	-	(291)	(32)	(323)	2,845	(242)	994	3,597

17. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES (Continued)

	2013				2012			
	Jilin Lingpao US$'000	Sky Grace US$'000	Others US$'000	Total US$'000	Jilin Lingpao US$'000	Sky Grace US$'000	Others US$'000	Total US$'000
Financial information of consolidated statement of financial position								
Non-current assets	1,436	573	2,776	4,785	2,965	576	3,900	7,441
Current assets	58,327	15,994	71,906	146,227	74,203	14,595	83,752	172,550
Current liabilities	(38,667)	(6,429)	(75,571)	(120,667)	(48,201)	(5,210)	(77,641)	(131,052)
Non-current liabilities	(6,597)	-	-	(6,597)	(6,420)	-	-	(6,420)
Net assets of the joint ventures	14,499	10,138	(889)	23,748	22,547	9,961	10,011	42,519
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents	300	1,038	3,886	5,224	2,909	469	2,197	5,575
Current financial liabilities (excluding trade and other payables and provisions)	(7,175)	(1,780)	(33,933)	(42,888)	(14,505)	(1,797)	(34,457)	(50,759)
Non-current financial liabilities (excluding trade and other payables and provisions)	(6,597)	-	-	(6,597)	(6,420)	-	-	(6,420)
Reconciliation to the carrying amounts of interest in the joint ventures:								
Net assets attributable to the equity holders of the joint ventures	14,499	10,138	(889)	23,748	22,547	9,961	10,011	42,519
Proportion of the Group's ownership interests in the joint ventures	50%	50%	varies	varies	50%	50%	varies	varies
Net assets of interest in joint ventures attributable to the Group	7,250	5,069	5,013	17,332	11,274	4,981	6,304	22,559
Goodwill	-	2,119	-	2,119	-	2,119	-	2,119
Impairment losses of interests in joint ventures	(2,900)	(600)	(2,390)	(5,890)	(2,900)	(885)	(1,520)	(5,305)
Carrying amount of the Group's interests in the joint ventures	4,350	6,588	2,623	13,561	8,374	6,215	4,784	19,373

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17. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES (Continued)

The unrecognised share of loss of joint ventures is as follow:

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
The unrecognised share of loss of joint ventures for the year/period	4,233	1,098

	2013 US$'000	2012 US$'000
Cumulative unrecognised share of loss of joint ventures	5,331	1,098

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

18. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

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	Principal place of business	Number of subsidiaries December 31, 2013	2012
Retailing of sportswear	PRC	44	46
	Hong Kong	1	–
	Taiwan	1	1
Manufacturing of sportswear	PRC	8	8
Distribution of licenced products	PRC	2	2
	Hong Kong	–	1
	Taiwan	1	1
Property leasing and management	PRC	6	6
Investment holding	PRC	3	3
	Hong Kong	7	9
	BVI	17	17
		90	94

18. INTERESTS IN SUBSIDIARIES (Continued)

(a) Composition of the Group (Continued)

Particulars of the Company's principal subsidiaries as at December 31, 2013 are set out in Note 40.

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests

The Group's non-wholly-owned subsidiaries that have material non-controlling interests at the end of the reporting period include Profit Concept Group Limited ("Profit Concept") and 青島寶瑞納體育用品有限公司 Qingdao Baoruina Sports Goods Company Limited ("Qingdao Baoruina"). The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country of incorporation or establishment/ operation	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	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000	2013 US$'000	2012 US$'000
Profit Concept	PRC	49%	49%	579	(1,816)	8,904	8,396
Qingdao Baoruina	PRC	28%	28%	1,421	1,940	7,306	5,699
Individually immaterial subsidiaries with non-controlling interests				(1,827)	610	(192)	2,254
Total				173	734	16,018	16,349

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18. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

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

	For the year ended December 31, 2013		For the fifteen months ended December 31, 2012	
	Profit Concept US$'000	Qingdao Baoruina US$'000	Profit Concept US$'000	Qingdao Baoruina US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income				
Revenue	84,491	87,632	103,837	89,868
Expenses	(83,310)	(82,556)	(107,543)	(82,938)
Profit (loss) for the year/period	1,181	5,076	(3,706)	6,930
Profit (loss) for the year/period, attributable to				
- equity holders of the Company	602	3,655	(1,890)	4,990
- non-controlling interests	579	1,421	(1,816)	1,940
	1,181	5,076	(3,706)	6,930
Other comprehensive income (expense), attributable to				
- equity holders of the Company	(72)	476	253	370
- non-controlling interests	(71)	186	243	144
	(143)	662	496	514
Total comprehensive income (expense), attributable to				
- equity holders of the Company	530	4,131	(1,637)	5,360
- non-controlling interests	508	1,607	(1,573)	2,084
	1,038	5,738	(3,210)	7,444
Dividends paid to non-controlling interests	-	-	-	-

18. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

	For the year ended December 31, 2013		For the fifteen months ended December 31, 2012	
	Profit Concept US$'000	Qingdao Baoruina US$'000	Profit Concept US$'000	Qingdao Baoruina US$'000
Financial information of consolidated statement of financial position				
Non-current assets	4,419	1,354	7,522	1,210
Current assets	40,952	42,272	42,948	37,041
Current liabilities	(27,199)	(17,533)	(33,336)	(17,896)
	18,172	26,093	17,134	20,355
Equity attributable to				
– equity holders of the Company	9,268	18,787	8,738	14,656
– non-controlling interests	8,904	7,306	8,396	5,699
	18,172	26,093	17,134	20,355
Financial information of consolidated statement of cash flows				
Net cash inflow (outflow) from operating activities	2,980	5,745	7,245	(2,783)
Net cash outflow from investing activities	(880)	(956)	(1,502)	(1,260)
Net cash (outflow) inflow from financing activities	(659)	(4,827)	(4,713)	3,706
Effect of foreign exchange rate changes	72	13	34	17
Net cash inflow (outflow)	1,513	(25)	1,064	(320)

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19. 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 23)	(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

The balances represent 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 31(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.

20. AVAILABLE-FOR-SALE INVESTMENT

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

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

21. DEFERRED TAXATION

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

	Tax losses US$'000	Undistributed earnings of PRC and overseas entities US$'000	Fair value adjustments of intangible assets on business combination US$'000	Total US$'000
At October 1, 2011	(1,978)	4,186	26,217	28,425
Acquired on acquisition of subsidiaries and business (Note 31)	-	-	9,323	9,323
Credit to profit or loss (Note 8)	(1,760)	(1,281)	(4,642)	(7,683)
Exchange realignment	(313)	532	2,610	2,829
At December 31, 2012	(4,051)	3,437	33,508	32,894
Charge (credit) to profit or loss (Note 8)	1,139	237	(4,810)	(3,434)
Exchange realignment	(20)	60	853	893
At December 31, 2013	(2,932)	3,734	29,551	30,353

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21. DEFERRED TAXATION (Continued)

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

	2013 US$'000	2012 US$'000
Deferred tax assets	(2,932)	(4,051)
Deferred tax liabilities	33,285	36,945
	30,353	32,894

At December 31, 2013, the Group had unused tax losses of approximately US$142.7 million (2012: approximately US$161.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$11.8 million (2012: approximately US$16.2 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax loss of approximately US$130.9 million (2012: approximately US$145.0 million) due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to approximately US$380 million (2012: US$339 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in these accumulated profits of PRC subsidiaries are profits arising from PRC associates and joint ventures that are equity accounted for in the Group's consolidated financial statements amounting to approximately US$3 million (2012: approximately US$8 million). The Group is able to control the timing of the reversal of such temporary differences as these investments are made through PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the relevant laws of Republic of China, withholding tax is also imposed on dividend declared in respect of profits earned by the Taiwanese subsidiaries. The aggregate amount of temporary differences associated with undistributed earnings of those subsidiaries for which deferred tax liabilities have not been recognised was approximately US$3.6 million (2012: approximately US$4.3 million).

22. INVENTORIES

	2013 US$'000	2012 US$'000
Raw materials	658	3,394
Work in progress	1,103	3,701
Finished goods	629,834	584,575
	631,595	591,670

23. TRADE AND OTHER RECEIVABLES

	2013 US$'000	2012 US$'000
Trade receivables (note i)	165,392	177,148
Deposits, prepayments and other receivables	184,047	146,085
	349,439	323,233
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	24,065	27,471
Prepayments paid to suppliers	78,175	31,118
Value-added tax recoverable	36,019	31,455
Other prepaid expenses	4,043	6,476
Long-term loan receivables – due within one year (Note 19)	2,090	8,700
Prepaid lease payments – current (Note 12(b))	667	649
Consideration receivable for disposal of properties	2,639	6,580
Amounts due from related parties (note ii)	11,614	8,140
Other deposits and receivables	24,735	25,496
	184,047	146,085

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23. TRADE AND OTHER RECEIVABLES (Continued)

notes:

(i) Included in trade receivables are trade balances with related parties of US$2,067,000 (2012: US$3,765,000). Details of the relevant transactions are set out in Note 37.

(ii) The amounts represent amounts due from certain joint ventures of US$7,638,000 (2012: US$8,140,000) and certain entities controlled by Yue Yuen of US$3,976,000 (2012: nil), and are unsecured and expected to be recovered within one year. Except for an aggregate amount of US$3,742,000 (2012: US$4,349,000) due from certain joint ventures which was interest-bearing and carries variable interest rate ranging from 6.16% to 6.72% (2012: ranging from 5.25% to 7.32%) per annum, the remaining balance is interest-free. The directors consider the related parties are of good credit qualities because none of them were past due and the counter-parties have no default payment history.

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

	2013 US$'000	2012 US$'000
0 – 30 days	133,421	164,176
31 – 90 days	24,701	10,317
Over 90 days	7,270	2,655
	165,392	177,148

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$9,845,000 (2012: US$8,291,000) which were past due at the end of the reporting period and for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	2013 US$'000	2012 US$'000
31 – 90 days	6,007	5,636
Over 90 days	3,838	2,655
	9,845	8,291

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

Movements in the allowance for doubtful debt are as follows:

	2013 US$'000	2012 US$'000
Balance at beginning of the year/period	4,210	311
Impairment loss recognised on trade receivables (Note 7(a))	2,650	3,899
Amount written off as uncollectible	(573)	–
Balance at the end of the year/period	6,287	4,210

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 US$'000	2012 US$'000
Derivative financial assets comprise:		
Call options for acquisition of additional interests in subsidiaries, associates and joint ventures	–	–

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 "Call Options").

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Call Options are exercisable within five years commencing from December 6, 2008, the expiry of the first six months after dealing in the shares of the Company on the Stock Exchange commenced and upon the mutual agreements between the Company and the Relevant Partners on certain conditions stipulated in the respective agreements in respect of the performance of the Relevant Companies during the pre-determined evaluation periods. Such conditions were not yet fulfilled for any of the Call Options as at December 31, 2012.

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

The management expected that the remaining unexercised 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 Call Options was therefore considered to be zero as at December 31, 2012.

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

25. STRUCTURED BANK DEPOSIT/BANK BALANCES AND CASH/BANK OVERDRAFTS

(a) Structured bank deposit

On December 26, 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.

25. STRUCTURED BANK DEPOSIT/BANK BALANCES AND CASH/BANK OVERDRAFTS (Continued)

(b) Bank balances and cash

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

During the year ended December 31, 2013, the bank deposits carried variable interest rates ranging from 0.01% to 4.50% (fifteen months ended December 31, 2012: 0.01% to 3.75%) per annum.

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

	2013 US$'000	2012 US$'000
USD	5,685	41,276
Hong Kong dollars ("HKD")	1,880	3,857
	7,565	45,133

(c) Bank overdrafts

Bank overdrafts carry interest at market rates ranging from 6% to 6.16% per annum for the year ended December 31, 2013.

26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	2013 US$'000	2012 US$'000
Amount comprises:		
Interest in a joint venture (note i)	–	1,674
Assets related to the Disposal Group (note ii)	22,067	–
Total assets classified as held for sale	22,067	1,674
Liabilities associated with the Disposal Group (note ii)	16,850	–

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26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

notes:

(i) On April 30, 2012, the Group entered into a sale and purchase agreement with the joint venture partners of a 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 has recognised an impairment loss of US$1,000,000 during the fifteen months ended December 31, 2012, which was calculated based on the differences 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 has been received by the Group during the fifteen months ended December 31, 2012 for the transaction (included in trade and other payables as at December 31, 2012).

The transaction has been completed on August 15, 2013.

(ii) On December 16, 2013, the Group entered into a sale and purchase agreement with a subsidiary of Yue Yuen, pursuant to which the parties agreed to, amongst other matters, the disposal of the Group's entire interests in 淮濱裕盛體育用品有限公司 Huaibin Yue-Shen Sports Goods Company Limited and 鐘祥裕盛體育用品有限公司 Zhongxiang Yue-Shen Sports Goods Company Limited, wholly owned subsidiaries of the Group (collectively be referred to as the "the Disposal Group") for a consideration of US$5,217,000.

The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months from the end of the reporting period, have been classified as assets held for sale and liabilities associated with assets classified as held for sale respectively, and are presented separately in the consolidated statement of financial position as at December 31, 2013 as set out below:

	US$'000
Property, plant and equipment	4,129
Inventories	10,690
Trade and other receivables	5,983
Taxation recoverable	110
Bank balances and cash	1,155
Total assets classified as held for sale	22,067
Trade and other payables	8,604
Bank borrowings	8,246
Total liabilities associated with assets classified as held for sale	16,850

Details of the transaction are set out in an announcement issued by the Company on December 16, 2013. The transaction has been completed in January 2014.

27. TRADE AND OTHER PAYABLES

	2013 US$'000	2012 US$'000
Trade payables (note i)	98,912	53,742
Bills payables	387	542
Other payables	122,650	138,975
	221,949	193,259
Other payables represent:		
Receipt in advance from customers	45,733	42,762
Royalty payables	475	1,497
Amounts due to related and connected parties (note ii)	762	4,280
Deposits received for assets classified as held for sale (Note 26)	–	1,674
Accruals and other payables	75,680	88,762
	122,650	138,975

notes:

(i) Included in the amount is trade balances with related parties of US$130,000 (2012: US$2,453,000). Details of the relevant transactions are set out in Note 37.

(ii) The amounts represent amounts due to non-controlling interests of subsidiaries of US$762,000 (2012: US$749,000) as at December 31, 2013. In addition, included in the amount as at December 31, 2012 also comprised of certain entities controlled by Yue Yuen and its substantial shareholder of US$3,531,000, which were considered to be connected persons of the Company and the loans therefrom constitute connected transactions of the Company.

The entire amounts are temporary fund transfers, which are non-trade in nature, and are unsecured and repayable within one year. Amounts due to non-controlling interests of subsidiaries are non-interest bearing. Amounts due to certain entities controlled by Yue Yuen and its substantial shareholder as at December 31, 2012 carried fixed interest at 4.5% per annum.

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27. TRADE AND OTHER PAYABLES (Continued)

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

	2013 US$'000	2012 US$'000
0 – 30 days	97,769	51,748
31 – 90 days	838	1,745
Over 90 days	692	791
	99,299	54,284

The average credit period for payment of purchases of goods is ranging from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

28. BANK BORROWINGS

	2013 US$'000	2012 US$'000
The unsecured bank borrowings, interest-bearing at variable rates, are repayable:		
Within one year	197,382	313,040
More than one year, but not exceeding two years	50,000	14,247
	247,382	327,287
Less: amount included in current liabilities	(197,382)	(313,040)
Amount due after one year	50,000	14,247

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

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

	2013	2012
Effective interest rate:		
Variable rate borrowings	1.44% – 7.02%	1.20% – 8.24%

28. BANK BORROWINGS (Continued)

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

	2013 US$'000	2012 US$'000
USD	171,747	105,997

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At October 1, 2011, December 31, 2012 and 2013	30,000,000,000	300,000
Issued and fully paid:		
At October 1, 2011	4,296,825,163	42,968
Issue of shares for acquisition of subsidiaries (note i)	6,330,000	63
Repurchase of own shares (note ii)	(36,800,000)	(368)
Issue of shares under rights issue (note iii)	1,066,588,790	10,666
At December 31, 2012	5,332,943,953	53,329
Issue of shares for acquisition of subsidiaries (note i)	6,330,000	63
Issue of shares for acquisition of business (note iv)	39,634,662	396
At December 31, 2013	5,378,908,615	53,788

29. SHARE CAPITAL (Continued)

	2013 US$'000	2012 US$'000
Shown in the consolidated financial statements	6,909	6,850

notes:

(i) In prior years, the Group completed the acquisition of the remaining 50% interest in 浙江易川體育用品連鎖有限公司 Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan") not already owned by the Group by agreeing the issue of a maximum of 33,990,000 ordinary shares of HK$0.01 each as part of the consideration, of which 6,330,000 ordinary shares were issued during each of the year ended September 30, 2011, the fifteen months ended December 31, 2012 and the year ended December 31, 2013.

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

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

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

No own shares were repurchased during the year ended December 31, 2013.

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

29. SHARE CAPITAL (Continued)

notes: (Continued)

(iv) During the fifteen months ended December 31, 2012, the Group completed the acquisition of Pengda Business by agreeing to issue of a maximum of 39,634,662 ordinary share of HK$0.01 each with restriction as part of the consideration, as set out in Note 31(d). All of these shares have been issued during the year ended December 31, 2013.

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

	2013 US$'000	2012 US$'000
ASSETS AND LIABILITIES		
Property, plant and equipment	33	54
Investments in subsidiaries, unlisted	179,825	176,689
Other receivables	1,282	1,037
Amounts due from subsidiaries	606,291	551,892
Bank balances and cash	2,593	3,669
Total assets	790,024	733,341
Other payables	1,099	1,079
Amounts due to subsidiaries	23,697	23,429
Bank borrowings	104,247	54,997
Total liabilities	129,043	79,505
	660,981	653,836
CAPITAL AND RESERVES		
Share capital	6,909	6,850
Reserves (note)	654,072	646,986
	660,981	653,836

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

note:

Movements of the Company's reserves are as follows:

	Reserves US$'000	Accumulated losses US$'000	Total US$'000
At October 1, 2011	611,382	(25,900)	585,482
Loss and total comprehensive expense for the period	–	(1,952)	(1,952)
Repurchase of own shares	(4,970)	–	(4,970)
Issue of shares for acquisition of subsidiaries	889	–	889
Issue of shares under rights issue, net of issue costs	65,525	–	65,525
Recognition of equity-settled share-based payment	2,012	–	2,012
At December 31, 2012	674,838	(27,852)	646,986
Profit and total comprehensive income for the year	–	4,153	4,153
Issue of shares for acquisition of subsidiaries and business	3,778	–	3,778
Recognition of equity-settled share-based payment, net of amount forfeited relating to share options not yet vested	(845)	–	(845)
At December 31, 2013	677,771	(23,699)	654,072

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The Group acquired Zhanxin and the Pengda Business during the fifteen months ended December 31, 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		
	(a)(b)	Zhanxin US$'000	Pengda Business US$'000	Total 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

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31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

	For the fifteen months ended December 31, 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 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 December 1, 2011.

(b) On February 1, 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 the Company, has been reduced to cash of US$98,201,000 and 39,634,662 shares of HK$0.01 each in the Company. The fair value of the aggregate consideration for the transaction has been reduced by an amount of US$8,616,000, with a corresponding reduction of goodwill arising from this transaction.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(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 December 31, 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 December 31, 2012.

(d) This represented 39,634,662 shares of HK$0.01 each in the Company which are issuable for the acquisition of the Pengda Business (the "Pengda Consideration Shares"). These shares, when issued, are to be placed in an escrow account and cannot be withdrawn within a period of 4 years without the Company's consent (the "Restricted Period"). The fair value of these consideration shares was determined by American Appraisal by applying a marketability discount of 40% to the closing share price of the Company as at February 1, 2012. The shares were issued during the year ended December 31, 2013 (Note 29(iv)).

(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 the Company's shares in the 20 consecutive trading days immediately following the end of the Restricted Period. The fair value of such guaranteed compensation has been determined by American Appraisal using the Binomial Option Pricing Model with reference to the closing share price of the Company as at February 1, 2012.

Details of the fair value measurement of the guaranteed compensation as at December 31, 2013, represented as consideration payable for acquisition of business, was set out in Note 39(c).

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

(f) Amount represented the carrying value of the Group's 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 December 31, 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.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(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 December 31, 2012.

(k) Acquisition of Yichuan has been completed on October 1, 2010 and the remaining balance of cash consideration of US$3,139,000 was paid during the fifteen months ended December 31, 2012.

(l) Pro-forma revenue and profit/loss

Included in the loss for the fifteen months ended December 31, 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 December 31, 2012 included US$65,906,000 and US$172,604,000 generated from Zhanxin and Pengda Business, respectively. Had the acquisitions been completed on October 1, 2011, total group revenue for the fifteen months ended December 31, 2012 would have been US$2,237,703,000, and loss for the same period would have been US$69,599,000. The pro forma information 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 October 1, 2011, nor is it intended to be a projection of future results.

32. OPERATING LEASES

(a) The Group as lessee

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

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Operating lease rentals and concessionaire fees in respect of:		
Minimum lease payments:		
– street level stores	28,127	34,176
– shopping mall stores	26,823	35,840
– other properties	8,645	13,217
	63,595	83,233
Contingent rentals:		
– shopping mall stores	157,379	194,229
	220,974	277,462
Representing:		
– shopping malls/retail outlets (included in selling and distribution expenses)	215,250	269,430
– offices (included in administrative expenses)	5,724	8,032
	220,974	277,462

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

	2013 US$'000	2012 US$'000
Within one year	61,426	53,879
In the second to fifth year inclusive	76,999	73,914
Over five years	23,028	22,839
	161,453	150,632

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32. OPERATING LEASES (Continued)

(a) The Group as lessee (Continued)

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

Majority of the leases are negotiated for lease terms of 2 to 5 years.

(b) The Group as lessor

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

	2013 US$'000	2012 US$'000
Within one year	4,238	2,331
In the second to fifth year inclusive	5,050	6,148
Over five years	7,387	8,601
	16,675	17,080

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year/period amounted to US$13,933,000 (2012: US$16,550,000), included in which was contingent rental income arising from contingent lease contracts of US$11,602,000 (2012: US$14,262,000).

33. CAPITAL COMMITMENTS

	2013 US$'000	2012 US$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of the remaining interests in a joint venture	11,565	11,254

34. CONTINGENT LIABILITIES

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

	2013 US$'000	2012 US$'000
Guarantee given to banks in respect of banking facilities granted to joint ventures		
– amount guaranteed	4,535	7,623
– amount utilised	3,832	6,547

35. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at October 1, 2011	Granted during the period	Lapsed/ cancelled during the period	Number of options outstanding at December 31, 2012	Lapsed/ cancelled during the year	Number of options outstanding at December 31, 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
Total				102,365,000	5,400,000	(31,430,000)	76,335,000	(19,268,000)	57,067,000
Exercisable as at October 1, 2011, December 31, 2012 and December 31, 2013				7,104,750			24,055,500		36,265,800

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

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

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

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	Share options with a vesting period of one year	Share options with a vesting period of two years	Share options with a vesting period of three years	Share options with a vesting period of four years
Granted on January 21, 2010				
Exercise price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Grant date share price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Expected life of share options	5.88 years	5.88 years	5.88 years	5.88 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rate	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 January 20, 2011				
Exercise price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Grant date share price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Expected life of share options	6.87 years	6.87 years	6.87 years	6.87 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rate	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 December 31, 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 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.

36. RETIREMENT BENEFIT PLANS

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

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

The total cost of US$18,214,000 (fifteen months ended December 31, 2012: US$20,525,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year/period.

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

37. RELATED AND CONNECTED PARTY DISCLOSURES

(a) Transactions and trade balances

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

Relationship	Nature of transactions/balances	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Yue Yuen			
Substantial shareholder of Yue Yuen and its affiliates (other than Yue Yuen and its affiliates) (notes i and iii)	Purchase of sportswear products by the Group	90	51
	Interest expense paid by the Group	250	-
Yue Yuen and its affiliates (note iii)	Processing income received by the Group	743	-
	Interest expense paid by the Group	1,198	-
	Consideration received for sales of manufacturing equipment by the Group	4,841	-
An associate and joint ventures of the Group			
An associate	Sales of sportswear products by the Group	-	413
	Interest income received by the Group	-	189
	Management fee received by the Group	-	89
	Trade receivables of the Group at the end of the reporting period	315	312
	Trade payables of the Group at the end of the reporting period	85	2,404

37. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(a) Transactions and trade balances (Continued)

Relationship	Nature of transactions/balances	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
An associate and joint ventures of the Group (Continued)			
Joint ventures (note ii)	Sales of sportswear products by the Group	3,905	2,257
	Interest income received by the Group	1,055	1,497
	Management fee received by the Group	-	215
	Trade receivables of the Group at the end of the reporting period	1,752	3,453
	Trade payables of the Group at the end of the reporting period	45	49
Other related parties			
Joint venture partners of an associate and joint ventures of the Group	Consideration paid and payable by the Group for acquisition of Zhanxin (Note 31)	-	13,515
	Considerations received and receivable by the Group for disposal of interest in an associate	-	1,569

notes:

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

(ii) The amounts for the fifteen months ended December 31, 2012 included transactions with Zhanxin up to November 30, 2011.

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

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FOR THE YEAR ENDED DECEMBER 31, 2013

37. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(b) Non-trade balances

Details of the Group's non-trade balances with related and connected parties are set out on the consolidated statement of financial position and in Notes 16, 17, 23 and 27.

(c) Guarantees

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

	2013 US$'000	2012 US$'000
Non-controlling interests of subsidiaries on a joint and several basis (note)	3,232	3,303

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

Details of the Group's guarantees to certain joint ventures are set out in Note 34.

In addition, the Company is a party to certain bank facilities that include conditions specifying the minimum equity interest of the Company to be held, directly or indirectly, by Yue Yuen, and any breach of such obligation will cause a default in respect of the relevant loans. At December 31, 2013, the aggregate balance of bank borrowings under such facilities was approximately US$60,000,000 (2012: nil).

(d) Compensation of key management personnel

	For the year ended December 31, 2013 US$'000	For the fifteen months ended December 31, 2012 US$'000
Short term benefits	1,945	3,741
Post employment benefits	2	2
Equity-settled share-based payments	115	304
	2,062	4,047

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

38. CAPITAL RISK MANAGEMENT

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

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

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 US$'000	2012 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	292,539	375,992
Financial liabilities		
Amortised cost	386,964	407,406
Consideration payable for acquisition of business	18,016	17,980

(b) Financial risk management objectives

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

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 25), structured bank deposit (Note 25), bank overdrafts (Note 25), loans to an associate (Note 16) and joint ventures (Note 17), loan receivables (Note 19), amounts due from related parties (Note 23) and bank borrowings (Note 28). Management monitors interest rate exposure and will consider hedging significant interest rate exposure 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. Fluctuations of HIBOR, LIBOR and prevailing rate quoted by the PBOC are the major sources of the Group's cash flow interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of the financial instruments set out above. The analysis is prepared assuming all of the above amounts outstanding at the end of the reporting period were outstanding for the whole year/period. A 10 basis point increase or decrease for bank balances in the PRC and 50 basis points for other financial assets and financial liabilities set out above are used and represent management's assessment of the reasonably possible change in interest rates for the year ended December 31, 2013 and the fifteen months ended December 31, 2012.

If interest rates on interest-bearing bank balances, structured bank deposit, loans to an associate and joint ventures, amounts due from related parties and loan receivables had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's loss for the year/period would decrease/increase by US$185,000 (fifteen months ended December 31, 2012: decrease/increase by US$268,000).

If interest rates on interest-bearing bank borrowings and bank overdrafts had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year/period would increase/decrease by US$1,004,000 (fifteen months ended December 31, 2012: increase/decrease by US$1,227,000).

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

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 25 and 28, respectively, which expose the Group to foreign exchange risk, whilst over 97% (fifteen months ended December 31, 2012: over 96%) of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's loss for the year/period would decrease by US$6,227,000 (fifteen months ended December 31, 2012: US$2,427,000), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the loss.

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

Credit risk

As at December 31, 2012 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 34.

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

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk (Continued)

In addition to the credit risk on trade debts, the Group is also exposed to concentration of credit risk on its advances to, and guarantees granted to banks on behalf of certain joint ventures, which account for 8% (December 31, 2012: over 9%) of its loans and receivables. Such sums are secured by the equity interests of the other joint venture partners in these entities as collateral for the advances. In addition, because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which covered over 98% (December 31, 2012: over 96%) of its total receivables as at December 31, 2013.

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

Liquidity risk

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

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

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

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at December 31, 2013							
Non-interest bearing	-	117,832	838	692	-	119,362	119,362
Variable interest rate instruments	4.23	193,461	11,578	13,151	52,113	270,303	267,602
		311,293	12,416	13,843	52,113	389,665	386,964
Financial guarantee contracts	-	4,535	-	-	-	4,535	-
Consideration payable for acquisition of business	-	-	-	-	18,016	18,016	18,016

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

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

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FOR THE YEAR ENDED DECEMBER 31, 2013

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

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

(c) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's 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 liabilities are determined (in particular, the valuation technique 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.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at December 31,		
	2013 US$'000	2012 US$'000	Fair value hierarchy
Financial asset			
Structured bank deposit (note a)	2,144	–	Level 3
Financial liability			
Consideration payable for acquisition of business (note b)	18,016	17,980	Level 3

39. FINANCIAL INSTRUMENTS (Continued)

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

(i) *Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)*

notes:

(a) The fair value of the structured bank deposit is based on its redemption price from the bank, where a 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 at December 26, 2013. The management therefore considers that the movements of the deposits through the end of the reporting period be insignificant.

(b) Consideration payable for acquisition of business represents the amount that the Group may have to compensate Pengda for the Pengda Consideration Shares which are issuable for the acquisition of the Pengda Business. The valuation technique adopted is Binomial Option Pricing Model whereas the key inputs to the valuation models include the share price 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 the Company. 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 December 31, 2013 is determined by APAC Asset Valuation and Consulting Limited (2012: by Savills Valuations and Professional Services Limited), independent valuers, using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	At December 31, 2013	At December 31, 2012	At February 1, 2012
Share price 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

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39. FINANCIAL INSTRUMENTS (Continued)

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

(ii) *Reconciliation of Level 3 Measurements*

The following table presents the reconciliation of Level 3 Measurements of the consideration payable for acquisition of business for the year/period:

	US$'000
At October 1, 2011	–
Acquired on acquisition of business	(15,862)
Fair value loss, recognised in profit or loss	(2,085)
Exchange realignment	(33)
At December 31, 2012	(17,980)
Fair value loss, recognised in profit or loss	(43)
Exchange realignment	7
At December 31, 2013	(18,016)

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

(iv) *Fair value of financial instruments that are recorded at amortised cost*

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

40. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Country/ Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2013	2012	
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	US$1	100%	100%	Investment holding
A-Grade Holdings Limited	BVI	US$9,000	100%	100%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited 寶盛道吉（北京）貿易有限公司(note ii)	PRC	US$40,000,000	100%	100%	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited 寶信（成都）商貿有限公司(note ii)	PRC	US$5,000,000	100%	100%	Distribution of licensed products
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	100%	Investment holding
Dalian Dongzhijie Sports Production Development Company Limited 大連東之杰運動產業發展有限公司(note ii)	PRC	RMB200,000,000	100%	100%	Retailing of sportswear
Dedicated Group Limited	BVI	US$1,000	100%	100%	Investment holding
Diodite Limited	BVI	US$1	100%	100%	Investment holding
Diodite (China) Sports Good Co., Ltd. 笛亞泰（中國）體育用品有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragon Light (China) Sporting Goods Co., Ltd. 龍光（中國）體育用品有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Farsighted International Limited	BVI	US$100	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$15,104,250	100%	100%	Investment holding
Fujian Baomin Sporting Goods, Co., Ltd. 福建寶閩體育用品有限公司(note ii)	PRC	US$4,500,000	90%	90%	Retailing of sportswear
Guangzhou Baoyuen Trading Company Limited 廣州寶元貿易有限公司(note ii)	PRC	US$23,310,000	100%	100%	Retailing of sportswear

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40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2013	2012	
Guangzhou Shengdao Sports Goods Company Limited 廣州勝道體育用品有限公司(note iv)	PRC	RMB20,000,000	100%	100%	Property leasing and management
Guangzhou Yangji Information Technology Company Limited 廣州市揚基信息科技有限公司(note ii)	PRC	HK$13,000,000	100%	100%	Retailing of sportswear
Guiyang Baoxin Sports Goods Company Limited 貴陽寶新體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Guizhou Shengdao Sports Goods Development Company Limited 貴州勝道體育用品開發有限公司(note iv)	PRC	RMB70,000,000	100%	100%	Property leasing and management
Harbin Baosheng Sports Goods Company Limited 哈爾濱寶勝體育用品有限公司(note iv)	PRC	RMB7,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited 河北展新體育發展有限公司	PRC	RMB18,180,000	100%	100%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited 合肥寶勳體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Hillside Investments Limited	HK	HK$200	100%	100%	Investment holding
Kunshan YYsports Information Technology Co., Ltd. 昆山勝道信息技術有限公司(note v)	PRC	US$600,000	100%	0%	Retailing of sportswear
Kunshan Xin Dong Sports Co., Ltd. 昆山信動體育用品有限公司	PRC	US$999,000	100%	100%	Retailing of sportswear
Kunshan Pouchi Sports Co., Ltd. 昆山寶慈體育用品有限公司	PRC	US$13,500,000	100%	100%	Distribution of licensed products
Nanning Pou Guan Sporting Goods Company Limited 南寧寶冠體育用品有限公司(note ii)	PRC	US$1,300,000	100%	100%	Retailing of sportswear
Nice Palace Investments Limited	HK	HK$200	100%	100%	Investment holding

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2013	2012	
Pau Yuen Trading Corporation 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
Pau Zhi Trading Corporation 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
Pou Sheng (China) Investment Co., Ltd. 常勝投資有限公司	PRC	US$102,922,400	100%	100%	Investment holding
Pou Sheng International Sports Development Company Limited 寶勝國際體育發展有限公司	HK	HK$100	100%	100%	Investment holding
Pou Yu (Chengdu) Trading Co., Ltd. 寶渝(成都)商貿有限公司(note ii)	PRC	US$22,400,000	100%	100%	Retailing of sportswear
Profit Concept Group Limited	BVI	US$100	51%	51%	Investment holding
Qingdao Baoruina Sports Goods Company Limited 青島寶瑞納體育用品有限公司(note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Qujing Shengdao Sports Goods Co., Ltd. 曲靖勝道體育用品有限公司(note iv)	PRC	RMB35,000,000	60%	60%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	US$1	100%	100%	Investment holding
Shanghai Baoyuen Sports Goods Company Limited 上海寶原體育用品商貿有限公司(note ii)	PRC	US$30,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited 上海勝道體育用品有限公司(note iv)	PRC	RMB5,100,000	100%	100%	Property leasing and management
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd. 勝道(揚州)體育用品開發有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Shengyang Bao Yi Trading Company Limited 沈陽寶益貿易有限公司(note iv)	PRC	RMB10,000,000	100%	100%	Retailing of sportswear
Selangor Gold Limited	BVI	US$1,000	100%	100%	Investment holding

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40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2013	2012	
Taicang Yusheng Moulding Company Limited 太倉裕盛模具有限公司(note ii)	PRC	US$2,100,000	100%	100%	Manufacturing of shoe moulds
Tianjin Baoxin Sports Goods Company Limited 天津寶信體育用品有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Treasure Chain International Limited	BVI	US$1	100%	100%	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	100%	Investment holding
Winning Team Holdings Limited	BVI	US$1	100%	100%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited 無錫寶原體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Xian Bao Qin Trading Company Ltd. 西安寶秦貿易有限公司(note ii)	PRC	US$41,000,000	100%	100%	Retailing of sportswear
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛(太倉)鞋業有限公司(note ii)	PRC	US$15,000,000	100%	100%	Manufacturing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd. 裕程(昆山)體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Yue Ming International Limited	HK	HK$1	100%	100%	Retailing of sportswear
Yue Sheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司(note ii)	PRC	US$4,200,000	100%	100%	Manufacturing of sportswear
Yunnan Orientsport Trading Co., Ltd. 雲南奧龍世博經貿有限公司(note ii)	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited 雲南勝道體育用品有限公司(note iv)	PRC	RMB87,500,000	60%	60%	Property leasing and management
Zhejiang Yichuan Sports Goods Chain Company Limited 浙江易川體育用品連鎖有限公司(note iv)	PRC	RMB164,000,000	100%	100%	Retailing of sportswear

40. PRINCIPAL SUBSIDIARIES (Continued)

notes:

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

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

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

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

(v) The entity was established during the year.

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

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

FINANCIAL SUMMARY

RESULTS

	For the year ended September 30,			For the fifteen months ended December 31,	For the year ended December 31,
	2009 US$'000	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000
Revenue	1,142,293	1,323,845	1,589,802	2,182,450	1,777,187
(Loss) profit for the year/period	(6,250)	20,167	54,810	(68,417)	(38,497)
Attributable to:					
Owners of the Company	(3,696)	21,287	53,670	(69,151)	(38,670)
Non-controlling interests	(2,554)	(1,120)	1,140	734	173
	(6,250)	20,167	54,810	(68,417)	(38,497)

ASSETS AND LIABILITIES

	As at September 30,			As at December 31,	
	2009 US$'000	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000
Total assets	1,266,502	1,211,118	1,372,769	1,500,410	1,459,807
Total liabilities	(495,926)	(406,793)	(483,465)	(582,338)	(562,875)
	770,576	804,325	889,304	918,072	896,932
Equity attributable to:					
Owners of the Company	754,331	790,317	874,332	901,723	880,914
Non-controlling interests	16,245	14,008	14,972	16,349	16,018
	770,576	804,325	889,304	918,072	896,932