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

Stock Code 股份代號：551

2014 Annual Report 年報

Our Mission

Steps Forward to Success

To be the best sports gears producer and distributor. We build value for our customers, employees, investors, suppliers and communities by constantly providing world class products, services and solutions; and by leading as a socially and environmentally responsible corporate citizen.

Contents

Corporate **Overview**

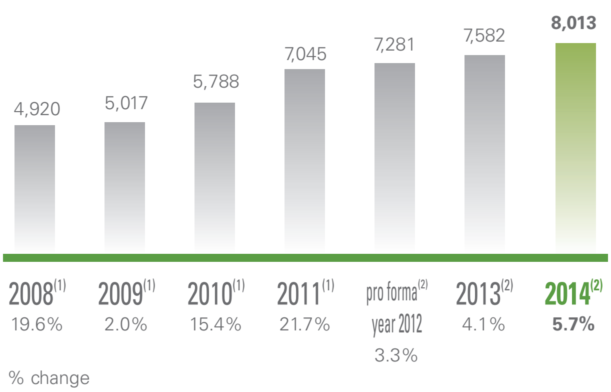
Financial and Operating Highlights for the year ended December 31, 2014 with the comparative figures for the year ended December 31, 2013

(US$ millions, except where otherwise stated)	2014	2013	% change
Total Production Volume (million pairs)	**307.1**	313.4	(2.0)
Turnover	**8,013.4**	7,582.5	5.7
Profit attributable to Owners of the Company	**331.0**	434.8	(23.9)
Recurring Operating Profit attributable to Owners of the Company	**430.5**	430.8	(0.1)
Total Assets	**7,171.1**	6,992.7	2.6
Capital Expenditure	**335.5**	191.8	74.9
EBITDA	**569.9**	666.2	(14.5)
Basic Earnings Per Share (US cents)	**20.09**	26.37	(23.8)
Dividend Per Share			
Interim	**HK$0.35**	HK$0.35	–
Final	**(proposed) HK$0.80**	HK$0.75	6.7
Full Year	**(proposed) HK$1.15**	HK$1.10	4.5
Total Equity	**4,781.4**	4,736.5	0.9
Return on Equity (% per annum)	**7.5**	10.0	(25.0)
Gearing Ratio (%)	**19.9**	19.4	2.6
Net Debt to Equity Ratio (%)	**N/A**	0.3	N/A
Number of Outstanding Issued Shares	**1,648,928,486**	1,648,928,486	–

Key Shareholder Value Indices

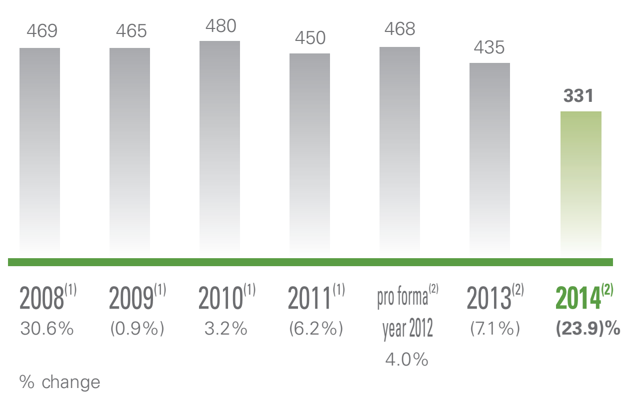
Turnover

US$ million

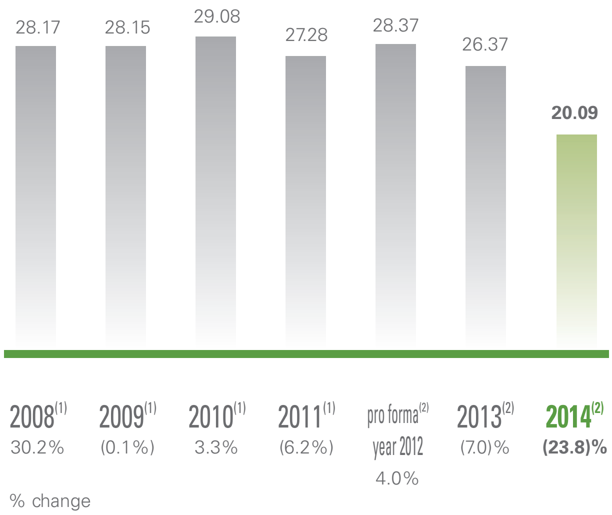


Profit Attributable to Owners of the Company

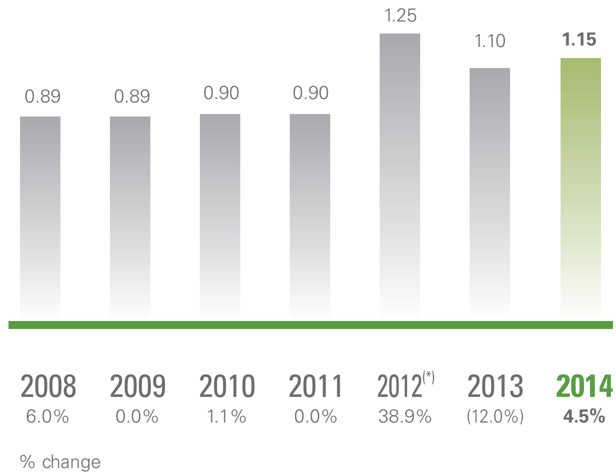
US$ million



Earnings Per Share
US cents



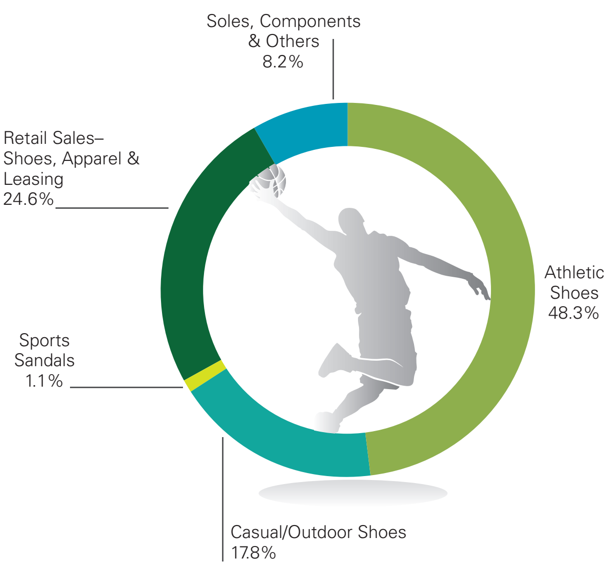
Dividend Per Share
HK$



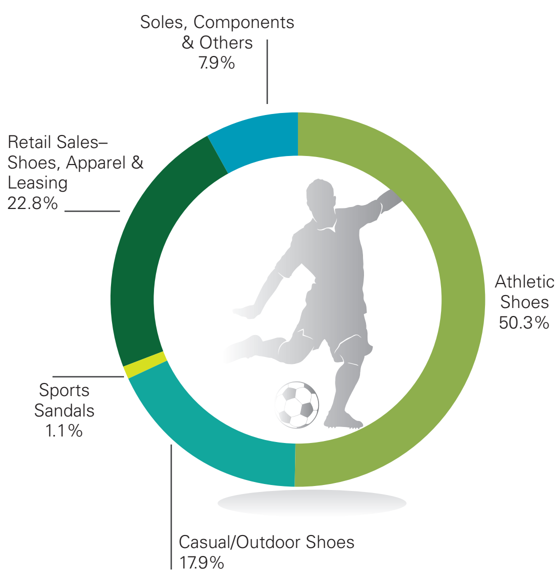
(1) For 2008 to 2011, the figures represent the results for the fiscal year ended September 30.
(2) For pro forma year 2012 to 2014, the figures represent the results for the fiscal year ended December 31.
(*) It represents the fiscal period for the fifteen months ended December 31, 2012.

Product Category for the year ended December 31, 2014 with the comparative figures for the year ended December 31, 2013

2014 Turnover by Product Category



2013 Turnover by Product Category



Corporate Information

Executive Directors
Lu Chin Chu *(Chairman)*
(appointed on March 26, 2014)
Tsai Pei Chun, Patty[5]
Kuo Tai Yu
Chan Lu Min
Lin Cheng-Tien *(appointed on March 20, 2015)*
Lee Shao Wu
Tsai Ming-Lun, Ming
Hu Chia-Ho *(appointed on March 20, 2015)*
Liu George Hong-Chih
Tsai Chi Neng *(retired on May 30, 2014)*
Kung Sung Yen *(retired on March 7, 2015)*
Li I Nan, Steve *(retired on March 7, 2015)*

Independent Non-executive Directors
Leung Yee Sik[1, 2, 3, 4,]
Huang Ming Fu[1, 3, 5, 6]
Chu Li-Sheng[1, 3, 5]
Yen Mun-Gie *(also known as Teresa Yen)*[1, 3, 5]
Hsieh Yung Hsiang *(also known as Alfred Hsieh)*[1, 3]
(appointed on March 26, 2014)
Liu Len Yu[1, 3, 5, 7] *(retired on May 30, 2014)*

Notes:
1. *Member of audit committee*
2. *Chairman of audit committee*
3. *Member of remuneration committee*
4. *Chairman of remuneration committee*
5. *Member of nomination committee*
6. *Chairman of nomination committee (appointed on March 26, 2014)*
7. *Chairman of nomination committee (resigned on March 26, 2014)*

Company Secretary
Chau Chi Ming *(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 3307-09, 33/F
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Auditors
Deloitte Touche Tohmatsu

Principal Share Registrar and Transfer Office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

Solicitors
Reed Smith Richards Butler

Website
www.yueyuen.com

Stock Code: 00551


China
Bangladesh
Hong Kong
Taiwan
Vietnam
Cambodia
Indonesia

Looking for **Sustainable Growth**

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of Yue Yuen Industrial (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") for the financial year ended December 31, 2014 to the shareholders of the Company (the "Shareholders").

Developments in the world economy in 2014 were mixed. Overall, the global economic growth remained below the pace of expansion enjoyed over an extended period up to 2008. Growth in major economies has increasingly diverged, as the recovery in the United States gained momentum but Europe and Japan lagged behind. China was still growing at a robust pace but continues on a path of gradual deceleration. In addition, mixed central bank actions of different countries, as well as the rise in geopolitical risks, further contributed to the volatile global economic environment. Despite the volatile economic environment in 2014, the Group was still able to deliver solid performance for both footwear manufacturing and China retail businesses.

Financial year 2014 was a challenging year for the Group, in particular for the footwear manufacturing business, as the operating environment presented more complex and rapid changes. The cost structures in the Group's major manufacturing regions continue to rise significantly. Furthermore, the operating environment for the Group's manufacturing activities in China became even more challenging as factors, such as government policies and labor force structure, which were favorable to manufacturing activities have changed, and at a rapid pace. In response to the challenges, the Group has adjusted business strategies accordingly and accelerated the implementation of such strategies. The Group has continued to place more strategic emphasis on supply chain value creation, in addition to production economies of scale. The Group is focused on upgrading its capabilities to offer more valuable manufacturing and supply chain solutions to our brand customers, particularly in China where the Group can further leverage the potential synergies between the footwear manufacturing and retail businesses.

In 2014, the Group achieved growth in sales in both footwear manufacturing and retail businesses, when compared to the financial year ended December 31, 2013. Consolidated turnover of the Group increased by 5.7% to US$8,013.4 million, compared to US$7,582.5 million recorded in the financial year 2013. The consolidated net profit attributable to equity holders of the Company decreased by 23.9% to US$331.0 million compared to US$ 434.8 million earned in year 2013. The decline in net profit was mainly due to rising input costs in China. When looking at the Group's listed subsidiary Pou Sheng International (Holdings) Limited ("Pou Sheng"), which is involved in the retail and brand licensee business in China, it was able to achieve sales of US$1,980.6 million, an increase of 11.4% compared to that recorded in the financial year 2013. Pou Sheng generated net profit attributable to its equity holders of US$4.6 million, an improvement as compared to the financial year 2013 which had a net loss of US$38.7 million. The improvement in Pou Sheng's performance is a reflection of the stabilizing sportswear retail environment in China and as a result of the strategic measures implemented by the Pou Sheng's management.

Chairman's Statement

Similar to previous reporting periods, Asia region, which includes both manufacturing and retail activities, represented 45.5% of the Group's sales. The US and Europe markets accounted for 27.6% and 18.7% of the Group's sales respectively. The rest of the world accounted for the remaining 8.2%.

For footwear manufacturing, the Group produced 307.1 million pairs of shoes in 2014, representing a decrease of 2.0% compared to last year. The footwear production volume was impacted mainly by the significant increase in cost structure in China and hence the Group continued optimization of its production capacity to optimize the size and geographic mix of the capacity. In addition, the Group continued to streamline the list of customers so that we could commit the Group's resources better to serve the targeted customers.

To counter the cost increases in footwear manufacturing, the Group has been working closely with the brand customers and continued to invest in technologies, including automation and smart equipment control, and in production process improvement to increase manufacturing efficiency. The Group has also been looking into ways to shorten the manufacturing lead time and to increase the level of coordination between the factory and its supply chain partners. The Group's target is not only to continue to improve manufacturing efficiency but also to respond more quickly to changes in customer demand. Furthermore, the Group has been working to increase the innovation and incorporation of environmentally friendly materials into footwear design, development and manufacturing.

For Pou Sheng, consumer spending in the People's Republic of China (the "PRC") improved compared to the prior years. During 2014, both international and domestic brands have been working hard to reduce the inventory in the retail channel. With the level of channel inventory down to a more normalized level, the level of discounting on prices was not as deep as compared to 2013. At the end of 2014, Pou Sheng had 4,263 directly operated stores/counters and 2,689 sub-distributors in the PRC. During the year, Pou Sheng's management team maintained its focus on improving operating efficiency and keeping the store network operating primarily in the first and second tier cities. Pou Sheng management's efforts to improve the management information system and strengthen the training of retail staff helped the retail business improve its operating performance compared to that in 2013.

The Group's associated companies and joint ventures contributed a combined profit of US$78.4 million, which was an improvement compared to 2013's profit of US$48.8 million.

Sustainable Development

Long term planning is crucial to enable the Group to reach the various sustainable development targets. We believe having a sustained and focused strategy in human resource management, industrial process improvement, supply chain integration, and end-to-end supply chain solution is important to the Group's sustainable development objectives. Furthermore, fundamental principles and core values should be established across all business units to promote ethical conducts and values and hence further facilitate the sustainable development of the Group.

Looking Ahead

For 2015, the Group is confident about the performance for the footwear manufacturing and the PRC retail businesses, despite the continued volatility in the global economic environment. The Group believes that it has a set of robust strategy in place to confront the challenges and enhance the Group's competitive strengths. For footwear manufacturing, the Group will continue to focus on manufacturing efficiency, invest in new technologies and innovative materials, and enhance the capabilities to be a strategic partner to our brand customers. The Group will continue to plan the geographic mix of the production capacity, including the launch of new production sites in Myanmar and Indonesia later in 2015.

For Pou Sheng, as the operating environment for the retail business in the PRC had stabilized, the company will continue to be focused exclusively on its retail operations. The Group is confident that the prospects for the retail business remain attractive as the trends of economic growth and consumer income growth in the PRC are expected to continue over the long term.

Acknowledgements

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

Lu Chin Chu
Chairman

Hong Kong
March 20, 2015

Build value for **Our Stakeholders**

Management Discussion and Analysis

Results

For the year ended December 31, 2014, the Group recorded turnover of US$8,013.4 million, representing a growth of 5.7% compared to the same period last year. Net profit attributable to owners of the Company decreased by 23.9% to US$331.0 million compared to US$434.8 million recorded in the financial year 2013. Basic earnings per share for 2014 decreased by 23.8% to US20.09 cents compared to the financial year 2013's US26.37 cents.

Recurring Operating Profit Attributable to Owners of the Company

For the year ended December 31, 2014, excluding all items of non-recurring operating in nature, the recurring operating profit was stable at US$430.5 million compared to the recurring operating profit of US$430.8 million in the same period in 2013. During the year 2014, the non-recurring operating loss amounted to US$99.4 million, of which included US$90 million of increased contributions to social insurance benefit and housing provident fund for employees in the PRC, US$20.5 million of losses due to fair value changes on derivative financial instruments, and US$10.0 million of gains due to writeback of impairment loss on amount due from a joint venture. For the year ended December 31, 2013, net profit attributable to owners of the Company included a non-recurring operating profit of US$3.9 million.

Operations

General Overview

The Group is involved in two businesses. Firstly, it manufactures footwear, predominantly athletic and casual, for international brand name companies. Secondly, it operates a retail network in the Greater China region that sells international brand name footwear and apparel either directly to consumers or to sub-distributors on a wholesale basis.

The manufacturing business is managed with certain objectives in mind. Firstly, the business is viewed as a partnership with the brand name customers so that the Group's operations are conducted on a basis that facilitates long term cooperation. The business unit is operated to provide the broadest level of support to the customers so as to enable the customers to be able to apply their resources principally to enhancing and promoting their brand names. Last but not least, the Group tries to provide choices to the brand name customers that enable their management of input costs and to provide diversification of operations that assist in risk management.

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

The Group manages these business units with various sustainable development targets. We believe that each business unit should consider the interests of all stakeholders in the business, including employees and the surrounding community, in making important business decisions. Furthermore, fundamental principles and core values are established across all business units to promote ethical conduct and values.

Management Discussion and Analysis

Total Turnover by Product Category

The turnover for footwear manufacturing activity of the Group increased in 2014 when compared to the turnover in 2013. The increase was attributed to the increase in the average selling price. Gross profit margins for the manufacturing business trended downward for most of the year due to increased input costs, including rising wages and allowance for workers in China, but were partly offset by efficiency gains through the streamlining of the production process and optimization of production capacity during the year. The Group works with its brand name customers to continue to enhance factory productivity and supply chain efficiency. During the year under review, the breakdown of the Group's shoe production volume by locations is as follows: 29% in the PRC, 39% in Vietnam, 31% in Indonesia and 1% in others.

When reviewing total turnover by product category, athletic shoes accounted for 48.3% of turnover. When considering only footwear manufacturing, then athletic shoes is the principal category representing 71.9% of footwear manufacturing turnover. Correspondingly, casual/outdoor shoes represented 26.5% of footwear manufacturing turnover. The Group works with the brand name customers to offer a wide range of footwear that vary in design, functionalities and price points. This business strategy allows the Group to establish economies of scale and expertise in manufacturing to meet the different demands and interests of the brand name customers.

Retail sales are derived primarily from the retail operations in the PRC involving the sales of international brand name athletic footwear and apparel in the major cities. The turnover in retail sales for the Group increased in 2014 when compared to the turnover in 2013. At the end of December 2014, the Group had 4,263 directly operated counters/stores and 2,689 sub-distributors in the PRC. The operating environment for the retail business in the PRC had stabilized. Since management was more confident of the operating environment, it decided to expand the store network and so that the operating costs in aggregate increased when compared to that in 2013.

	For the year ended December 31,				
	2014		2013		
	US$ millions	**%**	US$ millions	%	% change
Athletic Shoes	**3,870.4**	**48.3**	3,813.3	50.3	1.5
Casual/Outdoor Shoes	**1,429.1**	**17.8**	1,356.8	17.9	5.3
Sports Sandals	**85.1**	**1.1**	86.2	1.1	(1.3)
Retail Sales – Shoes, Apparel & Leasing	**1,975.7**	**24.6**	1,726.6	22.8	14.4
Soles, Components & Others	**653.1**	**8.2**	599.6	7.9	8.9
Total Turnover	**8,013.4**	**100.0**	7,582.5	100.0	5.7

Production Review

During the year under review, the Group produced a total of 307.1 million pairs of shoes, whereas 313.4 million pairs were produced in the year ended December 31, 2013. The average selling price for a pair of shoes was US$17.53 compared to US$16.77 during the year ended December 31, 2013.

Cost Review

With respect to the footwear manufacturing operations, total annual sales amounted to US$6.0 billion (2013: US$5.8 billion) whereas the direct labour costs were US$1.0 billion (2013: US$1.0 billion). Total main material costs were US$2.6 billion (2013: US$2.4 billion) and total production overhead amounted to US$1.2 billion (2013: US$1.3 billion).

With respect to Pou Sheng, total annual sales amounted to US$2.0 billion (2013: US$1.8 billion). Retail stock costs were US$1.4 billion (2013: US$1.2 billion). In relations to the cessation of Pou Sheng's footwear manufacturing operation, its direct labour costs were US$0.4 million (2013: US$8.7 million), total main material costs were US$3.4 million (2013: US$23.9 million) and total production overhead amounted to US$1.7 million (2013: US$15.9 million).

For the Group, selling and distribution expenses for the year were US$679.2 million (2013: US$623.9 million), equivalent to approximately 8.5% (2013: 8.2%) of turnover. Administrative expenses for the year were US$603.2 million (2013: US$563.5 million), equivalent to approximately 7.5% (2013: 7.4%) of turnover. Since the inflation pressures in both the manufacturing and retail businesses are significant, managements in both units have made cost control as one of their key objectives.

Product Development

During the year under review, the Group spent US$177.3 million (2013: US$174.8 million) in product development. The product development expenses included items such as sample development, preparation work for the technical development package, and production efficiency enhancement. For each of the major brand name customers that has a research/development team, a parallel independent product development center exists within the Group to look after the said research/development team. Besides this product development work, the Group also cooperates with its customers to seek improvements in production lead times and develop new techniques to produce high-quality footwear, as well as the innovation and incorporation of environmentally friendly materials into footwear design, development and manufacturing.

Management Discussion and Analysis

Financial Review

Liquidity

The Group's financial position was solid. As at December 31, 2014, the Group had cash and cash equivalents of US$971.3 million (2013: US$905.8 million) and total borrowings of US$949.3 million (2013: US$919.3 million). The gearing ratio (total borrowings to total equity) was 19.9% (2013: 19.4%). As at December 31, 2014, the Group had net cash amounted to US$22.0 million, which reflects the Group's desire to maintain financial strength in these volatile times. The net debt to equity ratio (total borrowings net of cash on hand to total equity) was 0.3% as at December 31, 2013.

Capital Expenditure

During the year under review, the capital expenditure for the manufacturing and retail business were US$307.3 million and US$28.2 million, respectively.

The capital expenditure for fiscal year 2015 will also include capacity expansion in areas including Myanmar, Vietnam and Indonesia and will be funded primarily by internal resources.

Dividends

A final dividend of HK$0.80 per share (2013: HK$0.75 per share) has been recommended, making the dividend per share for the year amount to HK$1.15 (2013: HK$1.10).

The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The Group remains committed to maintain a stable to growing dividend over time. The dividend payout ratio for the year was 73.9%.

Foreign Exchange Exposure

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

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

Goodwill and Intangible Assets

The Group has goodwill and intangible assets recorded on its Consolidated Statement of Financial Position due to previous acquisitions of businesses in the retail and manufacturing industries.

Employees

As at December 31, 2014, the Group had about 408,000 staff employed across the regions globally. The Group adopts a remuneration system based on an employee's performance throughout the period, and offers equal opportunities to all staff.

Prospects

Rising costs in both the manufacturing and retail businesses require active planning within the Group to ensure stable profits. The Group has invested in supply chain integration and manufacturing excellence programs to improve quality and efficiency in production. The Group will also increase investment, among others, in new technologies and innovative materials to further enhance our capabilities to be a strategic partner of brand customers. Another important task at hand is to plan the geographic mix of production capacity in line with the progress of ongoing manufacturing excellence projects and value added services provided to brand customers in different countries. The retail business unit will continue to refine its sales and store opening strategies and inventory management so as to achieve in the medium to long term a sustainable level of profit and be able to grow sales when consumer spending in China on functional apparel and footwear increases over time.

Treasure Talents and **Connect People**

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Lu Chin Chu, aged 61, has been an executive director and the chairman of the Company since March 26, 2014. Mr. Lu was an executive director of the Company from February 15, 1996 to March 4, 2011. He joined Pou Chen Corporation ("PCC"), being listed on the Taiwan Stock Exchange ("TSE") in 1977. He is the general manager of the footwear global supply chain department of the Group and in charge of the management of the supply chain. He is a director of certain subsidiaries of the Company. Mr. Lu is also the president and a director of PCC and he is involved primarily in board level and strategic issues. PCC has interests in the shares of the Company which would need to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Lu has over 37 years of experience in the manufacturing of footwear and footwear materials, and is a college graduate. Mr. Lu has been a non-executive director since 2007 in Luen Thai Holdings Limited ("Luen Thai"), whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He is also a director of San Fang Chemical Industry Co., Ltd. ("San Fang") and Evermore Chemical Industry Co., Ltd. ("Evermore"), both companies being listed on the TSE. Mr. Lu is involved in board level activities and is not engaged in the day-to-day management of Luen Thai, San Fang and Evermore.

Ms. Tsai Pei Chun, Patty, aged 35, has been the managing director of the Company since June 28, 2013. She graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science Degree in Economics with a concentration in Finance and a College Minor in Psychology. She joined the Group in 2002 and serves as a director of the Company (the "Director") from 2005 with focus on the Group's strategic planning and enterprise developments. Ms. Tsai currently also serves as a non-executive director of Pou Sheng, a non-wholly owned subsidiary of the Company, whose shares are listed on the Stock Exchange. She is also a director of Wealthplus Holdings Limited ("Wealthplus"). Wealthplus is a company having interests in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO. She previously served as a board director of Mega Financial Holding Company Limited, a company listed on the TSE. Ms. Tsai is a daughter of Mr. Tsai Chi Jui, who is a deemed substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tsai is a cousin of Mr. Tsai Ming-Lun, Ming, who is an executive director of the Company.

Mr. Kuo Tai Yu, aged 64, joined the Group in 1996 and has been a general manager of the garment department in charge of development and integration of garment manufacturing since 2012. He had over 31 years of experience in the footwear manufacturing. Mr. Kuo holds a Bachelor's Degree from Chung Hsing University in Taiwan. Mr. Kuo is also a director of Eagle Nice (International) Holdings Limited ("Eagle Nice"), whose shares are listed on the Stock Exchange, Wealthplus and certain subsidiaries of the Company.

Biographical Details of Directors and Senior Management

Mr. Chan Lu Min, aged 60, joined the Group in 2001, is in charge of finance and accounting of the Group. He has 34 years of finance and accounting experience in Taiwan. Mr. Chan is a graduate of Chung Hsing University in Taiwan. Mr. Chan is the chairman of PCC and also a director of Wealthplus and certain subsidiaries of the Group. PCC is a company having interests in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO. Mr. Chan was a director of Symphony Holdings Limited ("Symphony"), a company listed on the Stock Exchange prior to his resignation effective from September 1, 2013.

Mr. Lin Cheng-Tien, aged 55, graduated from South Fields College, United Kingdom majoring in shoe manufacturing. He joined the Group in 1990 and is an executive vice president of the Group responsible for the production, sales and marketing of certain footwear brand customers of the Group. He is also a director of certain subsidiaries of the Company. Mr. Lin has more than 24 years of experience in the footwear sector. Prior to joining the Group, Mr. Lin had worked with a renowned footwear manufacturing company in Taiwan responsible for the business and development of different brands.

Mr. Lee Shao Wu, aged 51, holds a Master of International Enterprise Administration Degree granted by China Culture University, Taiwan and a Bachelor of Mechanical Engineering Degree granted by Central University. Mr. Lee was the managing director of Barits Securities (HK) Ltd before he joined Infovision Optoelectronics (KunShan) Co., Ltd., a TFT-LCD panel manufacturer in China as CFO and vice president of administration center in 2004. Mr. Lee then joined the Company as Head of Strategic Investment Planning Department and was appointed as an executive director of the Company in January 2011. He is also a director of certain subsidiaries of the Company.

Mr. Tsai Ming-Lun, Ming, aged 37, holds a Bachelor's Degree of Science from National Taiwan University. He graduated from Harvard University in 2004 and holds a Master's Degree in Design Studies with Major in Project Management. Mr. Tsai is specialized in factory management and is responsible for business development and production operation of major customers, and the sourcing of certain footwear materials. Mr. Tsai has served the Group since 2005 and was appointed as an executive director of the Company on June 28, 2013. He is also a director of certain subsidiaries of the Company. Mr. Tsai is a cousin of Ms. Tsai Pei Chun, Patty, the managing director and an executive director of the Company.

Mr. Hu Chia-Ho, aged 46, graduated from the University of Wisconsin, Madison, the United States of America with a Master's degree of Science. He joined PCC in 1997 and is the head of the Human Resources Department of PCC. Mr. Hu has extensive experiences in human resources management and business development. Prior to joining PCC, Mr. Hu had worked with Citibank Taiwan and was responsible for corporate financing and the related businesses.

Mr. Liu George Hong-Chih, aged 42, holds a Master of Business Administration Degree in Finance and Entrepreneurial Management from The Wharton School of University of Pennsylvania and Bachelor of Arts Degree in Economics and International Studies from Yale University. Mr. Liu worked as a management consultant with Bain & Company in the U.S. and Beijing, China, after graduating from the university. Mr. Liu was with Morgan Stanley from 2000 to 2010 with primary responsibility in deal origination and execution and client coverage in Greater China. Mr. Liu last held the position of executive director with Morgan Stanley. In June 2010, Mr. Liu joined China International Capital Corporation as managing director and head of Hong Kong Investment Banking Department. Mr. Liu joined the Company on April 29, 2013 and was appointed as an executive director of the Company on June 28, 2013. He is also a director of certain subsidiaries of the Company. In addition, Mr. Liu has also been a non-executive director of Symphony since August 20, 2014.

Independent Non-executive Directors

Mr. Leung Yee Sik, aged 53, graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and an associate member of both the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung was appointed as an independent non-executive director of the Company in January 2009. He had worked with KPMG and BDO Limited and is currently a partner of an accounting firm in Hong Kong.

Mr. Huang Ming Fu, aged 74, graduated from Soochow University in Taiwan in 1964. Mr. Huang was appointed as an independent non-executive director of the Company in March 2010. He worked for Formosa Plastics Corporation in Taiwan from 1966 to 1994. He then joined Chailease Finance Co. Ltd. until 2008 and he was the chairman of IBT Management Corp. until October 2010, an affiliate of Industrial Bank of Taiwan. Mr. Huang is also an independent director of two TSE listed companies, namely Alpha Networks Inc. and Solartech Energy Corp. He was appointed as a supervisor of San Fu Chemical Co., Ltd. in October 2012, a company listed on TSE.

Mr. Chu Li-Sheng, aged 46, holds a Bachelor's Degree in Business Administration from Tatung University and Master's Degree in Business Administration from National Taiwan University. Mr. Chu was appointed as an independent non-executive director of the Company in June 2011. Mr. Chu is an independent director of Wellpool Co., Ltd., a company listed on OTC market in Taiwan, a lecturer in the Department of Business Administration at Asia University, and a supervisor of Trade-Van Information Services Co., a company listed on TSE. Mr. Chu was a supervisor of Global Life Insurance Co., Ltd. from July 2012 to December 2013. Mr. Chu was appointed as an independent director of PharmaEngine, Inc. in June 2013, a company listed on OTC market in Taiwan.

Biographical Details of Directors and Senior Management

Ms. Yen Mun-Gie (also known as Teresa Yen), aged 45, holds an undergraduate degree from University of California at Berkeley and a Master's Degree in Business Administration from University of Southern California, Marshall School of Business. Ms. Yen was appointed as an independent non-executive director of the Company in November 2012. Ms. Yen is a non-executive director of HKC (Holdings) Limited ("HKC"), a company listed on the Stock Exchange, and a senior advisor to Cerberus Asia Capital Management, LLC.("Cerberus"), a substantial shareholder of HKC. Prior to joining Cerberus, Ms. Yen had worked with KPMG real estate consulting, Sumitomo Bank, Long-Term Credit Bank of Japan and Heller Financial.

Mr. Hsieh, Yung Hsiang (also known as Alfred Hsieh), aged 65, holds a Bachelor's degree in Business Administration from National Taiwan University and a Master's degree in Business Administration from National Cheng-chi University in Taiwan. Mr. Hsieh was appointed as an independent non-executive director of the Company in March 2014. Mr. Hsieh commenced his career in corporate banking in 1975. He acted as the chief financial officer of Great Electric Co., Ltd. from 1987 to 1991. He was the managing director of Hanlink Capital Ltd. from 1994 to 2008. He took up the role of independent director of First Sino Bank from November 2008 to December 2013. He was the supervisor of Young Optics Inc. ("Young Optics"), a company listed on the TSE from 2006 to 2012 and has been a director of Young Optics. since June 2012 and an independent director of Wistron Information Technology & Services Corporation, a company listed on the Gre Tai Securities Market in Taiwan, since November 2011.

Senior Management

Mr. Chang Chia Li, aged 57, joined the Group in 1997 and is a vice president of the Group responsible for the business development and production management of certain major brands. He is a college graduate and has 18 years of experience in the footwear business.

Mr. Hsiao Tsai Yuan, aged 56, joined the Group in 1981 and is a vice president of the Group in charge of the business development and production of certain major brands.

Mr. Lee Cheng Chuan, aged 51, joined the Group in 1989 and is a vice president of the Group in charge of business development and production management of certain brands. He graduated from National Taipei University of Technology.

Mr. Lee Chun Yen, aged 47, joined the Group in 1990 and is an executive assistant vice president of the Group mainly responsible for the business development and production of certain major brands.

Mr. Shih Chih-Hung, aged 49, joined the Group in 1991 and is an executive assistant vice president of the Group mainly responsible for the promulgation and implementation of administrative policies of the Group in Indonesia, Vietnam, Bangladesh, Cambodia and Myanmar. He graduated from Chung-Yuan University.

Mr. Chau Chi Ming, Dickens, aged 51, is the company secretary and a director of Finance & Treasury, responsible for daily financial management and treasury functions of the Group. Mr. Chau had nine years of corporate banking experience before joining the Group in 1993. He graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree, majoring in Finance. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants of the UK.

Mr. Chow Sai Kin, aged 63, serves as a senior accounting manager overseeing the Group's accounting activities. He graduated from The Chinese University of Hong Kong in 1975, majoring in Economics. Mr. Chow holds a Bachelor of Social Science Degree, and has 33 years of working experience in the accounting and auditing fields. Before joining the Group in 1994, he was the chief accountant at a financial institution.

Ms. Yau Suet Fong, Christina, aged 54, joined the Group in 1993 and is a senior accounting manager of the Group responsible for the financial and management accounting of several major subsidiaries of the Group, tax review and special projects. She holds a Bachelor of Business (Accounting) Degree from Charles Sturt University, Australia and has more than 23 years of accounting experience.

Mr. Shum, Jerry, aged 49, is the head of the Investor Relations Department and joined the Group in 2008. He holds a Bachelor of Arts Degree from McGill University and holds the designations CA (Canada), CPA (USA), CPA (HK) and CFA. Prior to joining the Group, he worked for various international financial institutions in the areas of investment products, debt and equity capital markets.

Directors' Report

The Directors have the pleasure to present their annual report and the audited consolidated financial statements for the year ended December 31, 2014.

Principal Activities

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

Results and Appropriations

The results of the Group for the year ended December 31, 2014 are set out in the consolidated income statement on page 51 of this annual report.

An interim dividend of HK$0.35 per share was paid to the Shareholders during the year ended December 31, 2014. The Directors recommend the payment of a final dividend of HK$0.80 per share to the Shareholders whose names appear on the register of members of the Company on June 8, 2015, amounting to approximately HK$1,316,959,000.

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group as at December 31, 2014 are set out in Notes 50, 19 and 21 to the consolidated financial statements respectively.

Share Capital

Details of the share capital of the Company are set out in Note 36 to the consolidated financial statements.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in Note 13 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Donations

During the year ended December 31, 2014, the Group made charitable and other donations totalling approximately US$1.5 million.

Distributable Reserves of the Company

As at December 31, 2014, the Company's reserves available for distribution to the Shareholders were US$435,537,000, which comprises contributed surplus of US$38,126,000, other reserve of US$18,272,000, investment revaluation reserve of US$635,000 and retained profits of US$378,504,000 of the Company.

Distributable Reserves of the Company (continued)

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

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

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

Directors and Directors' Service Contracts

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

Executive directors:

Lu Chin Chu *(Chairman)*	(appointed on March 26, 2014)
Tsai Pei Chun, Patty *(Managing Director)*	
Kuo Tai Yu	
Chan Lu Min	
Lin Cheng-Tien	(appointed on March 20, 2015)
Lee Shao Wu	
Tsai Ming-Lun, Ming	
Hu Chia-Ho	(appointed on March 20, 2015)
Liu George Hong-Chih	
Tsai Chi Neng	(held chairmanship until March 26, 2014 and retired on May 30, 2014)
Kung Sung Yen	(retired on March 7, 2015)
Li I Nan, Steve	(retired on March 7, 2015)

Independent non-executive directors:

Leung Yee Sik	
Huang Ming Fu	
Chu Li-Sheng	
Yen Mun-Gie	
Hsieh Yung Hsiang	(appointed on March 26, 2014)
Liu Len Yu	(retired on May 30, 2014)

Directors' Report

Directors and Directors' Service Contracts (continued)

Ms. Tsai Pei Chun, Patty, Mr. Chan Lu Min, Mr. Chu Li-Sheng and Ms. Yen Mun-Gie will retire by rotation at the forthcoming annual general meeting of the Company to be held on May 29, 2015 ("2015 AGM") in accordance with No. 87 of the Bye-laws of the Company (the "Bye-laws") and, being eligible, offer themselves for re-election. Mr. Lin Cheng-Tien and Mr. Hu Chia-Ho, who were appointed to fill the casual vacancies, will hold office until the 2015 AGM in accordance with No. 86(2) of the Bye-laws and, be eligible, offer themselves for re-election.

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

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

None of the Directors being proposed for re-election at the 2015 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executives' Interests in Securities

As at December 31, 2014, the interests or short positions of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of 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:

(a) Interests in the ordinary shares and underlying shares of HK$0.25 each of the Company

Name of director	Capacity	Number of shares held *(Long position)*	Percentage of the issued share capital of the Company
Lu Chin Chu	Beneficial owner *(Note 1)*	45,000	0.00%
Tsai Pei Chun, Patty	Beneficiary of a trust *(Note 2)*	101,126,262	6.13%
Lee Shao Wu	Beneficial owner *(Note 1)*	45,000	0.00%
Liu George Hong-Chih	Beneficial owner *(Note 1)*	45,000	0.00%

Notes:

1. Each of Mr. Lu Chin Chu, Mr. Lee Shao Wu and Mr. Liu George Hong-Chih is interested in 45,000 ordinary shares, which were granted by the Company with vesting conditions pursuant to the share award scheme of the Company adopted on January 28, 2014.

2. Ms. Tsai Pei Chun, Patty is deemed to be interested in 101,126,262 ordinary shares by virtue of her capacity as a beneficiary of a discretionary trust.

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

(b) Interests in the ordinary shares of HK$0.01 each of Pou Sheng, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of director	Capacity	Number of shares held *(Long position)*	Percentage of the issued share capital of Pou Sheng
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	0.36%
Chan Lu Min	Beneficial owner	851,250	0.02%
Liu George Hong-Chih	Interest of child under 18 or spouse	350,000	0.01%

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at December 31, 2014.

Directors' Interests in Competing Businesses

Between the Company and Pou Sheng

The Company has a 61.27% indirect interest in Pou Sheng as at December 31, 2014, which is accounted for as a subsidiary of the Company. Pou Sheng is listed on the main board of the Stock Exchange. The principal businesses of Pou Sheng and its subsidiaries (collectively, the "Pou Sheng Group") are the retail and wholesale of footwear and sportswear in the Greater China region.

As at December 31, 2014, Ms. Tsai Pei Chun, Patty and Mr. Li I Nan, Steve who were Directors, were also directors of Pou Sheng. Ms. Tsai Pei Chun, Patty also holds certain shares in Pou Sheng.

As the Company and Pou Sheng are separate listed entities and run by separate and independent management teams, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from, Pou Sheng. As Pou Sheng no longer has any footwear manufacturing business, it is expected that there will not be any competition between the Pou Sheng Group and the Group in terms of the Group's footwear manufacturing business.

Between the Company and Symphony

The Company also has an investment in Symphony. The principal activities of Symphony and its subsidiaries (collectively, the "Symphony Group") are, inter alia, the retail and wholesale of apparel and footwear as well as outlet mall operation in the PRC.

As at December 31, 2014, Mr. Li I Nan, Steve, who was a Director, was also a director of Symphony prior to his retirement on June 11, 2014 and Mr. Liu George Hong-Chih, who was a Director, was also a non-executive director of Symphony since August 20, 2014.

Directors' Report

Directors' Interests in Competing Businesses (continued)

Between the Company and Symphony (continued)

As Symphony 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 arms length from, Symphony. As Symphony does not engage in footwear manufacturing business, it is expected that there will not be any competition between the Symphony Group and the Group in terms of the Group's footwear manufacturing business. As the Company's listed subsidiary, Pou Sheng, through its subsidiaries, engages in the retail and wholesale of sportswear and footwear in the PRC, Mr. Li I Nan, Steve as the common director may still have an interest in a competing business by virtue of his directorship in Symphony prior to his retirement on June 11, 2014.

Between the Company and Eagle Nice

The Company holds indirectly 38.42% of the issued share capital of Eagle Nice as at December 31, 2014 whose shares are listed on the main board of the Stock Exchange. As the principal business activities of Eagle Nice and its subsidiaries are the manufacturing and trading of sportswear and garments, the retail and wholesale businesses of sportswear of the Group through Pou Sheng potentially competes with the businesses of Eagle Nice.

As at December 31, 2014, Mr. Kuo Tai Yu, who was a Director, was also a director of Eagle Nice.

As the Company and Eagle Nice are operated under separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from, Eagle Nice.

Save as disclosed above, as at December 31, 2014, 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.

Share Incentive Schemes

(a) Share Option Scheme of the Company

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

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

No share option was granted under the Yue Yuen Share Option Scheme since its adoption.

Further details of the Yue Yuen Share Option Scheme are set out in Note 39 to the consolidated financial statements.

Share Incentive Schemes (continued)

(b) Share Award Scheme of the Company

On January 28, 2014, the Company adopted a share award scheme (the "Yue Yuen Share Award Scheme") to recognise the contributions by certain personnel of the Group (and/or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company including subsidiaries at such controlling shareholder) and to attract suitable personnel for further development of the Group. Under the Yue Yuen Share Award Scheme, the Board may at its discretion grant any eligible participants awarded shares provided that the total number of awarded shares shall not exceed two percent of the issued share capital of the Company as at the date of grant, as it may determine appropriate. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed one percent of the issued share capital of the Company from time to time. Subject to early termination determined by the Board, the Yue Yuen Share Award Scheme is valid and effective for a period of ten years commencing on January 28, 2014, after which no further contribution to the trust fund will be made by the Company.

Details of the awards, including the number of shares which were awarded according to the terms of the Yue Yuen Share Award Scheme during the year ended December 31, 2014 were as follows:

			Number of awarded shares			
	Date of grant	Vesting date	Balance as at January 1, 2014	Granted during the year	Lapsed/ Cancelled during the year	Balance as at December 31, 2014
Directors of the Company						
Lu Chin Chu	27.03.2014	27.03.2016	–	45,000	–	45,000
Lee Shao Wu	27.03.2014	27.03.2016	–	45,000	–	45,000
Liu George Hong-Chih	27.03.2014	27.03.2016	–	45,000	–	45,000
Sub-total				135,000	–	135,000
Employees of the Company	27.03.2014	27.03.2016	–	1,372,500	(45,000)	1,327,500
	29.05.2014	29.05.2016	–	22,500	–	22,500
Sub-total			–	1,395,000	(45,000)	1,350,000
Total			–	1,530,000	(45,000)	1,485,000

During the year ended December 31, 2014, the Group recognised a total expense of US$1,417,000 as the equity-settled share-based payments in relation to the shares awarded under the Yue Yuen Share Award Scheme.

Further details of the Yue Yuen Share Award Scheme are set out in Note 39 to the consolidated financial statements.

Directors' Report

Share Incentive Schemes (continued)

(c) Share Option Scheme of Pou Sheng

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

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

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

No share option was granted or exercised under the Pou Sheng Share Option Scheme during the year ended December 31, 2014.

During the year ended December 31, 2014, the Group recognised a net expense of US$1,000 as equity-settled share-based payments in relation to the Pou Sheng Share Option Scheme.

Share Incentive Schemes (continued)

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

Pursuant to the Pou Sheng Share Option Scheme, movements in Pou Sheng's share options during the year were listed below:

	Date of grant	Exercise price HK$	Exercisable period	Number of share options: Balance as at January 1, 2014	Lapsed/ cancelled during the year	Balance as at December 31, 2014
Employees/Consultants of Pou Sheng						
	21.01.2010	1.62	21.01.2011 – 20.01.2018	2,895,450	–	2,895,450
			21.01.2012 – 20.01.2018	2,895,450	–	2,895,450
			21.01.2013 – 20.01.2018	5,790,900	–	5,790,900
			21.01.2014 – 20.01.2018	7,721,200	(400,000)	7,321,200
	20.01.2011	1.23	20.01.2012 – 19.01.2019	5,977,500	–	5,977,500
			20.01.2013 – 19.01.2019	5,977,500	–	5,977,500
			20.01.2014 – 19.01.2019	5,977,500	(477,500)	5,500,000
			20.01.2015 – 19.01.2019	5,977,500	(1,177,500)	4,800,000
	07.03.2012	1.05	07.03.2013 – 06.03.2020	375,000	–	375,000
			07.03.2014 – 06.03.2020	375,000	–	375,000
			07.03.2015 – 06.03.2020	375,000	–	375,000
			07.03.2016 – 06.03.2020	375,000	–	375,000
Sub-total				**44,713,000**	**(2,055,000)**	**42,658,000**
Former Employees of Pou Sheng						
	21.01.2010	1.62	21.01.2011 – 20.01.2018	1,605,000	–	1,605,000
			21.01.2012 – 20.01.2018	1,605,000	–	1,605,000
			21.01.2013 – 20.01.2018	999,000	–	999,000
			21.01.2014 – 20.01.2018	–	–	–
	20.01.2011	1.23	20.01.2012 – 19.01.2019	5,760,000	–	5,760,000
			20.01.2013 – 19.01.2019	2,010,000	–	2,010,000
			20.01.2014 – 19.01.2019	–	–	–
			20.01.2015 – 19.01.2019	–	–	–
	07.03.2012	1.05	07.03.2013 – 06.03.2020	375,000	–	375,000
			07.03.2014 – 06.03.2020	–	–	–
			07.03.2015 – 06.03.2020	–	–	–
			07.03.2016 – 06.03.2020	–	–	–
Sub-total				12,354,000	–	12,354,000
Grand total				57,067,000	(2,055,000)	55,012,000

Further details of the Pou Sheng Share Option Scheme are set out in Note 39 to the consolidated financial statements.

Directors' Report

Share Incentive Schemes (continued)

(d) Share Award Scheme of Pou Sheng

On May 9, 2014, Pou Sheng adopted a share award scheme (the "Pou Sheng Share Award Scheme") for recognising the contributions by certain persons, including directors of Pou Sheng and employees of the Pou Sheng Group, by providing incentives to retain them for the continual operation and development of the Pou Sheng Group, and to attract suitable personnel for further development of the Pou Sheng Group. The Pou Sheng Share Award Scheme shall be valid and effective for a term of ten years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of Pou Sheng and approved by the Pou Sheng Board.

The total number of shares to be awarded under the Pou Sheng Share Award Scheme shall not exceed two percent of the issued share capital of Pou Sheng as at the date of grant. The maximum number of shares which may be awarded to a selected participant (including vested and non-vested shares) shall not exceed one percent of the issued share capital of Pou Sheng from time to time.

Pursuant to the Pou Sheng Share Award Scheme, movements in Pou Sheng's awarded shares during the year were listed below:

			Number of awarded shares			
	Date of grant	Vesting date	Balance as at January 1, 2014	Granted during the year	Lapsed/ Cancelled during the year	Balance as at December 31, 2014
Director of Pou Sheng						
Kwan, Heh-Der	01.09.2014	01.09.2017	–	1,200,000	–	1,200,000
Employees of Pou Sheng						
In aggregate	01.09.2014	01.09.2017	–	11,000,000	(700,000)	10,300,000
Total			–	12,200,000	(700,000)	11,500,000

Further details of the Pou Sheng Share Award Scheme are set out in Note 39 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "Share Incentive Schemes" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 in Securities

As at December 31, 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following Shareholders had notified the Company of their relevant interests in the ordinary shares and underlying shares of HK$0.25 each of the Company, which represent 5% or more of the issued share capital of the Company:

Name of Shareholder	Notes	Number of ordinary shares held	Percentage of the issued share capital of the Company
		Long position	
PCC	(a)	824,143,835	49.98%
Wealthplus	(a)	773,156,303	46.88%
Mr. Tsai Chi Jui	(b)	115,321,998	6.99%
Ms. Tsai Huang Shu Man	(b)	115,321,998	6.99%
Royal Bank of Canada Trust Company (Cayman) Limited	(c)	101,126,262	6.13%
Accord Management Limited	(d)	101,126,262	6.13%
Mr. Tsai Chi Neng	(e)	101,126,262	6.13%
Mr. David N.F. Tsai	(e)	101,126,262	6.13%
Ms. Tsai Hsu Li Min	(e)	101,126,262	6.13%
Ms. Tsai Hsu Shu Chun	(e)	101,126,262	6.13%
Merrill Lynch & Co. Inc.	(f)	99,315,703	6.02%
Citigroup Inc.	(g)	121,357,416	7.36%
		Short position	
Merrill Lynch & Co. Inc.	(f)	109,341,792	6.63%
Citigroup Inc.	(g)	93,533,884	5.67%

Directors' Report

Interests of Substantial Shareholders (continued)

Notes:

(a) Of the 824,143,835 ordinary shares beneficially owned by PCC, 773,156,303 ordinary shares were held by Wealthplus and 50,987,532 ordinary shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. Lu Chin Chu and Mr. Chan Lu Min, who are Directors, are also Directors of PCC. Ms. Tsai Pei Chun, Patty, Mr. Chan Lu Min, Mr. Kuo Tai Yu (who are Directors) and Mr. Kung Sung Yen (who was a Director up to March 6, 2015) are directors of Wealthplus. Mr. Chan Lu Min is a director of Win Fortune.

(b) Mr. Tsai Chi Jui, the elder brother of Mr. Tsai Chi Neng (retired on May 30, 2014) and father of Ms. Tsai Pei Chun Patty, is deemed to be interested in (i) 101,126,262 ordinary shares held by six discretionary trusts by virtue of his capacity as a founder of such discretionary trusts and (ii) 13,875,736 ordinary shares held directly by Moby Dick Enterprises Limited ("Moby Dick") by virtue of his interest in more than one-third of the voting shares of Moby Dick. Moby Dick is wholly-owned by Max Creation Industrial Limited ("Max Creation"), which is in turn 56.07% owned by World Future Investments Limited, which is in turn wholly-owned by Mr. Tsai Chi Jui. Mr. Tsai Chi Jui holds 320,000 ordinary shares directly. Mr. Tsai Chi Neng, who was a Director up to May 30, 2014, is a director of Moby Dick and Max Creation. Ms. Tsai Huang Shu Man, being the spouse of Mr. Tsai Chi Jui, is deemed to be interested in the 115,321,998 ordinary shares in which Mr. Tsai Chi Jui is interested by virtue of the SFO.

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

(d) Accord Management Limited is wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited. Accord Management Limited is deemed to be interested in 80,494,822 ordinary shares held directly by Quicksilver Profits Limited ("Quicksilver") and 20,631,440 ordinary shares held directly by Red Hot Investments Limited ("Red Hot") by virtue of its interest in more than one-third of the voting shares in Quicksilver and Red Hot respectively. Mr. Tsai Chi Neng, who was a Director up to May 30, 2014, is also a director of Quicksilver and Red Hot.

(e) Each of Mr. Tsai Chi Neng and Mr. David N.F. Tsai is deemed to be interested in 101,126,262 ordinary shares by virtue of his capacity as a beneficiary of a discretionary trust. Each of Ms. Tsai Hsu Li Min, being the spouse of Mr. Tsai Chi Neng, and Ms. Tsai Hsu Shu Chun, being the spouse of Mr. David N.F. Tsai, is deemed to be interested in the 101,126,262 ordinary shares in which each of Mr. Tsai Chi Neng and Mr. David N.F. Tsai is interested by virtue of the SFO. Mr. Tsai Chi Neng was a Director up to May 30, 2014.

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

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

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

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

Interests of Substantial Shareholders (continued)

Notes: (continued)

(g) The 121,357,416 ordinary shares (long position) are held as to 94,399,318 ordinary shares as corporate interest, 25,212,098 ordinary shares in the capacity as Custodian Corporation/approved lending agent and 1,746,000 ordinary shares as security interest. Further, 93,533,884 ordinary shares in short position are held as corporate interest. Of the 121,357,416 ordinary shares in long position, 92,247,920 and 1,147,500 ordinary shares represent underlying interests in physically settled and cash settled unlisted derivatives respectively. Of the 93,533,884 ordinary shares in short position, 92,431,420 ordinary shares represent underlying interests in cash settled unlisted derivatives.

Of the 121,357,416 ordinary shares (long position) held by Citigroup Inc., 93,970,077 ordinary shares (long position) are directly held by Citigroup Global Markets Hong Kong Limited, 2,164,166 ordinary shares (long position) are directly held by Citigroup Global Markets Limited, 10,000 ordinary shares (long position) are directly held by Citigroup Global Markets Inc., 25,212,098 ordinary shares (long position) are directly held by Citibank N.A., 895 ordinary shares (long position) are directly held by Automated Trading Desk Financial Services, LLC and 180 ordinary shares (long position) are directly held by Citicorp Trust South Dakota.

Of the 93,533,884 ordinary shares (short position) interested by Citigroup Inc., 93,006,077 ordinary shares (short position) are directly held by Citigroup Global Markets Hong Kong Limited and 527,807 ordinary shares (short position) are directly held by Citigroup Global Markets Limited.

Each of Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Inc. is wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Limited is wholly-owned by Citigroup Global Markets Europe Limited, which is in turn owned as to 30.83% by Citigroup Financial Products Inc., 18.74% by Citigroup Global Markets International LLC and 50.16% by Citigroup Global Markets (International) Finance AG. Each of Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG is wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Asia Limited is wholly-owned by Citigroup Global Markets Hong Kong Holdings Limited, which is in turn wholly-owned by Citigroup Global Markets Overseas Finance Limited, which is in turn owned as to 51.86% by Citigroup Global Markets (International) Finance AG and 48.14% by Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets Switzerland Holding GmbH is wholly-owned by Citigroup Financial Products Inc.. Automated Trading Desk Financial Services, LLC is wholly-owned by Automated Trading Desk, LLC which is in turn wholly-owned by Automated Trading Desk Holdings, Inc.. Automated Trading Desk Holdings, Inc. is wholly-owned by Citigroup Acquisition LLC which is in turn wholly-owned by Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is therefore deemed to be interested in an aggregate of 96,145,138 ordinary shares (long position) and 93,533,884 ordinary shares (short position). Citigroup Financial Products Inc. is wholly-owned by Citigroup Global Markets Holdings Inc., which is in turn wholly-owned by Citigroup Inc..

Citicorp Trust South Dakota is wholly-owned by Citibank N.A., which is in turn wholly-owned by Citicorp Holdings Inc., which is in turn wholly-owned by Citigroup Inc.. Citicorp Holdings Inc. is therefore deemed to be interested in an aggregate of 25,212,278 ordinary shares (long position).

In light of the above, Citigroup Inc. is deemed to be interested in an aggregate of 121,357,416 ordinary shares (long position) and 93,533,884 ordinary shares (short position). The above has been prepared based on the disclosure of interest form filed with the Company.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at December 31, 2014.

Directors' Report

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year ended December 31, 2014 are set out in Note 48(I) and (II) to the consolidated financial statements. The Company has complied with all the rule requirements for connected transactions under the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has reviewed the continuing connected transactions and the report of the auditor and engaged the auditor of the Company to perform certain works on continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended December 31, 2014, the continuing connected transactions:

(i) had been approved by the Board;

(ii) were, in all material aspects, in accordance with the pricing policies of the Group for transactions involving provision of goods and services by the Group;

(iii) were entered into, in all material aspects, in accordance with the relevant agreement governing such transactions; and

(iv) had not exceeded the relevant cap amounts for the financial year ended December 31, 2014.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have confirmed that the transactions were entered into in the ordinary course of business of the Group, on normal commercial terms or better, and according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed in Note 48(I) and (II):

(i) no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year; and

(ii) there was no transaction which needs to be disclosed as connected transaction in accordance with Chapter 14A of the Listing Rules.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were approximately 50% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 21% of the Group's total sales for the year.

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

At no time during the year did a Director, an associate of a Director or a Shareholder, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers or suppliers of the Group.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2014 interim report on August 13, 2014 are set out below:

On August 20, 2014, Mr. Liu George Hong-Chih, an executive director of the Company, has been appointed as a non-executive director of Symphony.

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

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

As at December 31, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that the trustee of the Yue Yuen Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,730,000 shares in the Company at a total consideration of approximately HK$68,347,000 (equivalent to approximately US$8.8 million).

Emolument Policy

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

The emoluments of the Directors are recommended by the remuneration committee of the Company and are decided by the Board, as authorised by Shareholders at the annual general meeting, having regard to the Group's operating results, the Directors' individual performance and comparable market statistics.

Pre-Emptive Rights

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

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 48 of this annual report.

Directors' Report

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

Event after the Reporting Period

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

Auditor

There was no change in the Company's auditor in the preceding three years. A resolution will be proposed at the 2015 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Tsai Pei Chun, Patty
Managing Director

Hong Kong, March 20, 2015

Corporate Governance Report

The Company believes that good corporate governance provides a framework that is essential for effective management, healthy corporate culture, successful business growth and thereby enhancing Shareholders' value. It is committed to maintaining a high standard of corporate governance practices through the establishment of a comprehensive and efficient framework of policies, procedures and systems throughout the Group.

Corporate Governance Practices

During the year ended December 31, 2014, the Company has applied the principles of and has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended December 31, 2014.

Board of Directors

Currently, the Board comprises the following fourteen Directors:

Executive Directors

Mr. Lu Chin Chu *(Chairman)*
Ms. Tsai Pei Chun, Patty *(Managing Director)*
Mr. Kuo Tai Yu
Mr. Chan Lu Min
Mr. Lin Cheng-Tien
Mr. Lee Shao Wu
Mr. Tsai Ming-Lun, Ming
Mr. Hu Chia-Ho
Mr. Liu George Hong-Chih

Independent Non-executive Directors

Mr. Leung Yee Sik
Mr. Huang Ming Fu
Mr. Chu Li-Sheng
Ms. Yen Mun-Gie
Mr. Hsieh Yung Hsiang

During the year ended December 31, 2014, the Company has at all times met the requirements under Rules 3.10(1) and (2), and 3.10A of the Listing Rules by appointing sufficient number of independent non-executive directors with at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of its independent non-executive directors an annual confirmation confirming their independence pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance Report

Relationship between Board Members

Ms. Tsai Pei Chun, Patty is the cousin of Mr. Tsai Ming-Lun, Ming and both of them are members of the Tsai family. Save as disclosed herein, none of the members of the Board are related to one another.

Functions of the Board

The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval (after taking into consideration of the recommendations made by the relevant committees) of all policies, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors make decisions objectively and in the interests of the Company.

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

Board meetings and practices

The Board meets regularly and board meetings are held at least four times a year at approximately quarterly intervals. Notices of regular board meetings are served to all Directors at least fourteen days before the meetings to ensure that all Directors are given the opportunity to attend the meetings. Matters which are material and may cause potential conflicts of interest will be dealt with by physical Board meetings instead of by written resolutions of the Directors. Draft minutes of Board meetings are circulated to all Directors for review and comments within a reasonable time after the meetings prior to confirmation. Minutes are recorded in sufficient detail of the matters considered by the Board and decisions reached. The final versions of the minutes would be opened for inspection at any reasonable notice by any Directors.

During the year ended December 31, 2014, thirteen Board meetings and two Shareholders' meetings were held. The attendance rate of each Board members at such meetings are set out in the section entitled "Attendance rate of meetings".

General Meetings

The summary of the matters resolved at the general meetings of the Company held in 2014 are as follows:

Date	Type of general meeting	Matters resolved
May 30, 2014	AGM	• Adopted the financial statements; and • Approved the re-election of directors, reappointment of auditors and grant of general mandates to issue and repurchase shares.
November 27, 2014	Special general meeting	• Approved the renewal of certain continuing connection transactions

The 2015 AGM of the Company is scheduled to be held on May 29, 2015 at 2:00 p.m.. Shareholders may refer to the notice of the aforesaid AGM dated April 24, 2015 for details.

All resolutions at the general meetings of the Company shall be decided by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

Directors' Continuous Professional Development

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

The Company has received from all Directors of their respective training records. A summary of the trainings participated by the Directors during the year ended December 31, 2014 is as follows:

	Mode of CPD Training	
	Reading materials	**Attending seminars**
Executive Directors		
Tsai Chi Neng[1]	–	1 hour
Lu Chin Chu[2]	2 hours	2.25 hours
Tsai Pei Chun, Patty	2 hours	2.25 hours
Kuo Tai Yu	2 hours	–
Kung Sung Yen[3]	2 hours	–
Chan Lu Min	2 hours	2.25 hours
Li I Nan, Steve[3]	2 hours	2.25 hours
Lin Cheng-Tien[4]	N/A	N/A
Lee Shao Wu	2 hours	2.25 hours
Tsai Ming-Lun, Ming	2 hours	2.25 hours
Hu Chia-Ho[4]	N/A	N/A
Liu George Hong-Chih	2 hours	2.25 hours
Independent Non-executive Directors		
Liu Len Yu[1]	–	1 hour
Leung Yee Sik	2 hours	2.25 hours
Huang Ming Fu	2 hours	2.25 hours
Chu Li-Sheng	2 hours	2.25 hours
Yen Mun-Gie	2 hours	1.25 hours
Hsieh Yung Hsiang[2]	2 hours	1.25 hours

Notes:

1. Mr. Tsai Chi Neng and Dr. Liu Len Yu retired as executive director and independent non-executive director of the Company respectively on May 30, 2014.

2. Mr. Lu Chin Chu and Mr. Hsieh Yung Hsiang were appointed as executive director and independent non-executive director of the Company respectively on March 26, 2014.

3. Mr. Kung Sung Yen and Mr. Li I Nan, Steve retired as executive directors of the Company on March 7, 2015.

4. Mr. Lin Cheng-Tien and Mr. Hu Chia-Ho were appointed as executive directors of the Company on March 20, 2015.

Corporate Governance Report

Directors' Liability Insurance and Indemnity

The Company has arranged for appropriate liability insurance to cover the liabilities of the Directors that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended December 31, 2014, no claim was made against any Directors.

Chairman and Managing Director

The position of the chairman of the Company was held by Mr. Tsai Chi Neng up to March 26, 2014 and by Mr. Lu Chin Chu since the aforesaid date. The position of the managing director of the Company is held by Ms. Tsai Pei Chun, Patty. The roles of the chairman and the managing director are clearly segregated and are not exercised by the same individual.

The chairman of the Company provides leadership to the Group and is responsible for the effective functioning of the Board whereas the managing director of the Company is in charge of the Group's day-to-day management and operations, development of strategic plans and implementation of the objectives, policies and strategies approved by the Board.

Appointment and Re-Election of Directors

Any appointment of a new Director is recommended by the nomination committee of the Company and the Board and is subject to the approval by the Shareholders in general meetings. Any Director who is appointed by the Board to fill a casual vacancy shall retire at the first general meeting of the Company after appointment. Any Director who is appointed as an addition number to the Board shall hold office only until the next following annual general meeting of the Company.

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

Board Committees

Currently, the Board has established three principal committees, namely the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. Each committee is delegated with specific authorities by the Board in assisting the Board to discharge its duties and to administer particular aspects of the Group's activities. The roles and functions of each committee are summarized below:

Nomination Committee

The Nomination Committee was established on December 29, 2011 with written terms of reference which are available under the Corporate Governance section of the Company's website at www.yueyuen.com (the "Company's Website").

The Nomination Committee currently comprises Mr. Huang Ming Fu (chairman of the Nomination Committee), Ms. Tsai Pei Chun, Patty, Mr. Chu Li-Sheng and Ms. Yen Mun-Gie. All of the Nomination Committee members are independent non-executive directors of the Company except for Ms. Tsai Pei Chun, Patty who is an executive director of the Company.

Board Committees (continued)

Nomination Committee (continued)

The primary duties of the Nomination Committee are: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) to identify individuals suitably qualified to become board members; (iii) to assess the independence of independent non-executive directors of the Company; (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (v) to review the Board Diversity Policy of the Company and make recommendation to the Board on any revisions of the same, if appropriate.

The Nomination Committee held one meeting during the year ended December 31, 2014. The attendance rate of each committee members are set out in the section entitled "Attendance rate of meetings".

The following is a summary of the work performed by the Nomination Committee for the year ended December 31, 2014:

- Considered and made recommendations to the Board for the appointment of two new Directors;

- Considered the extension of appointment of one Director and the re-appointment of two Directors upon expiry of their respective service agreements in 2014;

- Elected the new chairman of the Nomination Committee and recommended the appointment of a new member of the Nomination Committee for the Board's approval;

- Assessed and reviewed the independence of the independent non-executive directors of the Company; and

- Recommended the retirement and re-election of Directors at the 2014 AGM for the Board's approval.

Remuneration Committee

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

The Remuneration Committee currently comprises Mr. Leung Yee Sik (chairman of the Remuneration Committee), Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie and Mr. Hsieh Yung Hsiang. All of the Remuneration Committee members are independent non-executive directors of the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on (i) the Company's policy and structure for all Directors' and senior management's remuneration; (ii) the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, etc.; and (iii) the remuneration of non-executive directors.

The Remuneration Committee held one meeting during the year ended December 31, 2014. The attendance rate of each committee members are set out in the section entitled "Attendance rate of meetings".

Corporate Governance Report

Board Committees (continued)

Remuneration Committee (continued)

The following is a summary of the work performed by the Remuneration Committee for the year ended December 31, 2014:

- Considered the granting of shares under the Yue Yuen Share Award Scheme to certain grantees and made recommendation for the Board's approval;
- Considered the remuneration packages of the candidates for the positions of executive director and independent non-executive director, and made recommendations for the Board's approval;
- Reviewed the terms of the service agreements of three Directors for renewal in 2014 and made recommendations for the Board's approval;
- Reviewed the Company's 2013 remuneration for Directors with reference to the salaries of the directors paid by comparable companies;
- Reviewed and made recommendation to the Board on the amendments to the remuneration policy of the Company; and
- Made sure that no Director or his/her associate was involved in deciding his/her own remuneration.

Pursuant to B.1.5 of the CG Code, the remuneration of the senior management of the Company by band for the year ended December 31, 2014 was set out in Note 10 to the consolidated financial statements.

Audit Committee

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

The Audit Committee currently comprises Mr. Leung Yee Sik (chairman of the Audit Committee), Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie and Mr. Hsieh Yung Hsiang. All of the Audit Committee members are independent non-executive directors of the Company and none of them is a former partner of the Company's existing external auditors. The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2014.

Board Committees (continued)

Audit Committee (continued)

The primary duties of the Audit Committee are: (i) to make recommendation to the Board on the appointment, reappointment and removal of the external auditors; (ii) to approve the remuneration and terms of engagement of the external auditors; (iii) to monitor integrity of the Company's financial statements, interim and annual reports, and to review significant financial reporting judgments contained in such documents; and (iv) to oversee the Company's financial reporting system and internal control procedures. At least twice a year the Audit Committee meets with the external auditors to discuss any area of concern during the audit or review.

The Audit Committee held four meetings during the year ended December 31, 2014 (two of which have met with the external auditors of the Company). The attendance rate of each committee members are set out in the table herein below.

The following is a summary of the major works performed by the Audit Committee for the year ended December 31, 2014:

- Reviewed the Group's final results for the year ended December 31, 2013 and the interim results for the six months period ended June 30, 2014;
- Reviewed the Group's quarterly results for the three months ended March 31, 2014 and for the nine months ended September 30, 2014 respectively;
- Reviewed the internal audit report prepared by the Company and the "Report to the Audit Committee" prepared by the external auditors, both for the year ended December 31, 2013 and the six months ended June 30, 2014 respectively. Evaluated and advised on the internal control procedures and risk management matters;
- Reviewed the connected parties transactions of the Group for the year ended December 31, 2013;
- Introduced the implementation of the "Code of Ethics and Integrity for Managers"; and
- Made recommendation to the Board for re-appointment of Deloitte Touche Tohmatsu as the Group's external auditors for 2015.

Corporate Governance Report

Board Committees (continued)

Attendance rate of meetings

The attendance rate of the Board, principal committees and shareholders' meetings held in 2014 are as follows:

	Shareholders' Meetings	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
	Number of Meeting(s) Attended/Held				
Executive Directors					
Tsai Chi Neng[1]	0/1	1/7	N/A	N/A	N/A
Lu Chin Chu[2]	2/2	9/10	N/A	N/A	N/A
Tsai Pei Chun, Patty	1/2	13/13	N/A	N/A	1/1
Kuo Tai Yu	0/2	2/13	N/A	N/A	N/A
Kung Sung Yen[3]	0/2	2/13	N/A	N/A	N/A
Chan Lu Min	2/2	13/13	N/A	N/A	N/A
Li I Nan, Steve[3]	2/2	13/13	N/A	N/A	N/A
Lin Cheng-Tien[4]	N/A	N/A	N/A	N/A	N/A
Lee Shao Wu	1/2	10/13	N/A	N/A	N/A
Tsai Ming-Lun, Ming	1/2	5/13	N/A	N/A	N/A
Hu Chia-Ho[4]	N/A	N/A	N/A	N/A	N/A
Liu George Hong-Chih	2/2	13/13	N/A	N/A	N/A
Independent Non-Executive Directors					
Liu Len Yu[1]	0/1	6/7	1/1	1/1	1/1
Leung Yee Sik	2/2	10/13	4/4	1/1	N/A
Huang Ming Fu	1/2	8/13	4/4	1/1	1/1
Chu Li-Sheng	1/2	11/13	4/4	1/1	1/1
Yen Mun-Gie	1/2	11/13	4/4	1/1	N/A
Hsieh Yung Hsiang[2]	1/2	7/10	3/3	N/A	N/A

Notes:

1. Mr. Tsai Chi Neng and Dr. Liu Len Yu retired as executive director and independent non-executive director of the Company respectively on May 30, 2014, during which period seven Board meetings and one Shareholders' meeting were held.

2. Mr. Lu Chin Chu and Mr. Hsieh Yung Hsiang were appointed as executive director and independent non-executive director of the Company respectively on March 26, 2014. Ten Board meetings and two Shareholders' meetings were held since their appointments.

3. Mr. Kung Sung Yen and Mr. Li I Nan, Steve retired as executive directors of the Company on March 7, 2015.

4. Mr. Lin Cheng-Tien and Mr. Hu Chia-Ho were appointed as executive directors of the Company on March 20, 2015.

Corporate Governance Functions

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

(a) To develop and review the Company's policies and practices on corporate governance and make changes as required;

(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 applicable to the Company's employees and directors; and

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

The Board has already adopted a "Statement of Policy on Corporate Governance" which sets out the key corporate governance principles observed by the Company and illustrates the practices and systems established by the Board in line with those principles. It serves as a framework guideline to assist the Board in supervising the management of the business and affairs of the Group. In addition, the Company has confirmed the implementation of the code of ethics and integrity in 2014 and requested its employees above certain grades to sign the "Code of Ethics and Integrity for Managers" as an initiative to promote integrity within the Group.

Board Diversity Policy Summary

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. As mentioned in the "Board Diversity Policy" adopted by the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board.

Auditors' Remuneration

During the year ended December 31, 2014, the remuneration paid to the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

	US$'000
Audit services	2,070
Non-audit services	520
Total	2,590

Corporate Governance Report

Auditors' Remuneration (continued)

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

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

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of the Group's affairs and results. In doing so, the generally accepted accounting standards and suitable accounting policies in Hong Kong are adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 49 to 50 of this annual report.

Company Secretary

The company secretary of the Company (the "Company Secretary") is an employee of the Company and is appointed by the Board. The Company Secretary confirmed that he has taken at least 15 hours of relevant professional training during the year under review in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

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

The procedures for shareholders to convene a special general meeting

Pursuant to No. 58 of the Bye-laws, Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, to require a special general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act.

Shareholders' Rights (continued)

The procedures for sending enquiries to the Board

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

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

The procedures for shareholders to put forward proposals at shareholders' meetings

Pursuant to Sections 79 and 80 of the Companies Act, registered Shareholders are entitled to put forward proposals at general meetings if they (i) represent not less than one-twentieth of the total voting rights at general meetings of the Company at the date of deposit of the requisition; or (ii) are not less than 100 registered Shareholders. The written requisition stating the resolution(s) should be duly signed by the registered Shareholder(s) concerned, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with must be deposited at the Company's principal place of business in Hong Kong. The requisition will be verified by the Company's share registrar in Hong Kong and upon their confirmation that the same is proper and in order, the Company Secretary will arrange to include the proposed resolution in the agenda of the general meeting.

The procedures for shareholders to propose a person for election as a director

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

Information Disclosure and Investor Relations

The Board maintains an on-going dialogue with the Shareholders and the investment community mainly through the Company's financial reports, annual general meetings and by making available its corporate communications and publications on the Company's Website.

There is no change in the Memorandum of Association and Bye-laws of the Company during the year ended December 31, 2014. The aforesaid constitutional document is available for public inspection at the Company's Website.

Shareholders Communication Policy

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

Corporate Governance Report

Internal Controls

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

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

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

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 168, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 20, 2015

Consolidated Income Statement

For the year ended December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Turnover	5	**8,013,432**	7,582,471
Cost of sales		**(6,239,840)**	(5,935,840)
Gross profit		**1,773,592**	1,646,631
Other income		**144,297**	170,952
Fair value changes on investment properties	13	**3,842**	1,387
Fair value changes on derivative financial instruments	6	**(20,514)**	7,978
Fair value changes on consideration payable for acquisition of business		**1,576**	(43)
Selling and distribution expenses		**(679,183)**	(623,917)
Administrative expenses		**(603,195)**	(563,475)
Other expenses		**(296,083)**	(208,370)
Gain on disposal of subsidiaries	43	**52**	28,452
Impairment loss on property, plant and equipment	14	**–**	(5,640)
Impairment loss on consideration receivable for disposal of properties		**–**	(4,061)
Impairment loss on investments in joint ventures	21(ii)	**–**	(585)
Impairment loss on amounts due from joint ventures	22	**(4,140)**	(8,345)
Impairment loss on intangible assets	16	**–**	(11,025)
Finance costs	7	**(18,601)**	(24,483)
Share of results of associates		**45,443**	42,812
Share of results of joint ventures		**32,972**	5,951
Profit before taxation		**380,058**	454,219
Income tax expense	8	**(37,312)**	(25,232)
Profit for the year	9	**342,746**	428,987
Attributable to:			
Owners of the Company		**331,020**	434,768
Non-controlling interests		**11,726**	(5,781)
		342,746	428,987
		US cents	US cents
Earnings per share	12		
– Basic		**20.09**	26.37
– Diluted		**19.01**	24.97

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	2014 US$'000	2013 US$'000
Profit for the year	**342,746**	428,987
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	**(36,716)**	27,340
Reclassification adjustment of translation reserve upon disposal of subsidiaries	**–**	(1,235)
Fair value (loss) gain on available-for-sale investments	**(763)**	5,664
Other comprehensive (expense) income for the year	**(37,479)**	31,769
Total comprehensive income for the year	**305,267**	460,756
Total comprehensive income attributable to:		
Owners of the Company	**302,714**	459,836
Non-controlling interests	**2,553**	920
	305,267	460,756

Consolidated Statement of Financial Position

At December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Non-current assets			
Investment properties	13	**41,382**	42,763
Property, plant and equipment	14(a)	**1,817,638**	1,770,899
Deposits paid for acquisition of property, plant and equipment	14(b)	**30,659**	11,682
Prepaid lease payments	15	**174,808**	164,878
Intangible assets	16	**113,405**	118,201
Goodwill	17	**273,549**	273,962
Investments in associates	19	**446,028**	433,853
Amounts due from associates	20	**2,499**	2,499
Investments in joint ventures	21	**435,964**	423,122
Amounts due from joint ventures	22	**42,136**	37,952
Long-term loan receivables	24	**8,044**	8,246
Available-for-sale investments	25	**28,394**	29,156
Rental deposits and prepayments		**17,480**	19,729
Deferred tax assets	35	**12,362**	8,858
		3,444,348	3,345,800
Current assets			
Inventories	29	**1,320,447**	1,239,676
Trade and other receivables	30	**1,405,985**	1,457,497
Prepaid lease payments	15	**5,558**	5,080
Available-for-sale investment	25	**–**	166
Taxation recoverable		**7,533**	7,621
Investments held for trading	26	**2,489**	2,983
Derivative financial instruments	27	**6**	5,685
Structured bank deposit	28(a)	**–**	2,144
Bank balances and cash	28(b)	**969,433**	926,054
		3,711,451	3,646,906
Assets classified as held for sale	31	**15,321**	–
		3,726,772	3,646,906

Consolidated Statement of Financial Position

At December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Current liabilities			
Trade and other payables	32	**1,343,605**	1,232,997
Taxation payable		**19,551**	22,653
Derivative financial instruments	27	**14,835**	–
Consideration payable for acquisition of additional interest in a subsidiary	42	**550**	–
Bank overdrafts	28(c)	**–**	20,220
Bank borrowings	33	**229,345**	519,299
		1,607,886	1,795,169
Liabilities associated with assets classified as held for sale	31	**5,716**	–
		1,613,602	1,795,169
Net current assets		**2,113,170**	1,851,737
Total assets less current liabilities		**5,557,518**	5,197,537
Non-current liabilities			
Long-term bank borrowings	34	**720,000**	400,000
Consideration payable for acquisition of business		**16,436**	18,016
Consideration payable for acquisition of additional interest in a subsidiary	42	**–**	550
Deferred tax liabilities	35	**39,639**	42,521
		776,075	461,087
Net assets		**4,781,443**	4,736,450
Capital and reserves			
Share capital	36	**53,211**	53,211
Reserves		**4,345,771**	4,285,447
Equity attributable to owners of the Company		**4,398,982**	4,338,658
Non-controlling interests	49	**382,461**	397,792
Total equity		**4,781,443**	4,736,450

The consolidated financial statements on pages 51 to 168 were approved and authorised for issue by the Board of Directors on March 20, 2015 and are signed on its behalf by:

Tsai Pei Chun, Patty
MANAGING DIRECTOR

Liu George Hong-Chih
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended December 31, 2014

	Equity attributable to owners of the Company														
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000 (note c)	Property revaluation reserve US$'000	Shares held under share award scheme US$'000	Share award reserve US$'000	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2013	53,211	695,536	6,121	(16,688)	45,212	4,551	519	–	–	31,682	123,002	3,059,642	4,002,788	418,608	4,421,396
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	20,639	–	20,639	6,701	27,340
Reclassification adjustment of translation reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,235)	–	(1,235)	–	(1,235)
Fair value gain on available-for-sale investments	–	–	5,664	–	–	–	–	–	–	–	–	–	5,664	–	5,664
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	434,768	434,768	(5,781)	428,987
Total comprehensive income for the year	–	–	5,664	–	–	–	–	–	–	–	19,404	434,768	459,836	920	460,756
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options not yet vested	–	–	–	–	–	–	–	–	–	–	–	–	–	(51)	(51)
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	(171)	171	–	(171)	(171)
Realised on disposal of joint ventures	–	–	–	–	–	–	–	–	–	–	(601)	601	–	–	–
Realised on disposal of an associate	–	–	–	–	–	–	–	–	–	–	(452)	452	–	–	–
Disposal of subsidiaries (Note 43)	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,209)	(2,209)
Deemed partial disposal of interests in subsidiaries without losing control	–	–	–	–	(710)	–	–	–	–	–	–	–	(710)	710	–
Refund of investment cost in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(50)	(50)
Acquisition of additional interests in subsidiaries	–	–	–	–	3,619	–	–	–	–	–	–	–	3,619	(12,870)	(9,251)
Dividends (Note 11)	–	–	–	–	–	–	–	–	–	–	–	(127,548)	(127,548)	–	(127,548)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,422)	(6,422)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	–	–	4,202	–	(4,202)	–	–	–
Release upon lapse of contingently issuable shares	–	–	–	–	–	–	–	–	–	–	–	673	673	(673)	–
At December 31, 2013	53,211	695,536	11,785	(16,688)	48,121	4,551	519	–	–	35,884	141,182	3,364,557	4,338,658	397,792	4,736,450
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(27,543)	–	(27,543)	(9,173)	(36,716)
Fair value loss on available-for-sale investments	–	–	(763)	–	–	–	–	–	–	–	–	–	(763)	–	(763)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	331,020	331,020	11,726	342,746
Total comprehensive (expense) income for the year	–	–	(763)	–	–	–	–	–	–	–	(27,543)	331,020	302,714	2,553	305,267
Purchase of shares under share award scheme	–	–	–	–	–	–	–	(8,814)	–	–	–	–	(8,814)	(1,168)	(9,982)
Recognition of equity-settled share-based payments, net of amounts forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	–	1,417	–	–	–	1,417	83	1,500
Realised on deregistration of joint ventures	–	–	–	–	–	–	–	–	–	–	(35)	35	–	–	–
Realised on deregistration of subsidiaries	–	–	–	–	3,652	–	–	–	–	–	770	(4,422)	–	(1)	(1)
Disposal of subsidiaries (Note 43)	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,457)	(5,457)
Acquisition of additional interests in subsidiaries	–	–	–	–	(1,204)	–	–	–	–	–	–	–	(1,204)	(1,614)	(2,818)
Dividends (Note 11)	–	–	–	–	–	–	–	–	–	–	–	(233,789)	(233,789)	–	(233,789)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,727)	(9,727)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	–	–	8,736	–	(8,736)	–	–	–
At December 31, 2014	**53,211**	**695,536**	**11,022**	**(16,688)**	**50,569**	**4,551**	**519**	**(8,814)**	**1,417**	**44,620**	**114,374**	**3,448,665**	**4,398,982**	**382,461**	**4,781,443**

Consolidated Statement of Changes In Equity

For the year ended December 31, 2014

notes:

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

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

Up to December 31, 2014, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

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

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

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**380,058**	454,219
Adjustments for:			
Release of prepaid lease payments		**5,439**	5,080
Depreciation of property, plant and equipment		**228,977**	240,401
Amortisation of intangible assets		**7,822**	8,215
Written off of goodwill upon deregistration of subsidiaries		**413**	–
Dividend income from available-for-sale investments		**(809)**	(471)
Finance costs		**18,601**	24,483
Interest income		**(11,778)**	(9,276)
Impairment loss on property, plant and equipment		**–**	5,640
Impairment loss on consideration receivable for disposal of properties		**–**	4,061
Impairment loss on intangible assets		**–**	11,025
Impairment loss on trade and other receivables		**4,803**	3,596
Impairment loss on investments in joint ventures		**–**	585
Impairment loss on amounts due from joint ventures		**4,140**	8,345
Written back of impairment loss on amount due from a joint venture		**(10,000)**	(2,000)
Allowance for inventories, net		**17,568**	7,184
Provision of increased contribution for social insurance benefit and housing provident fund		**90,000**	–
Reversal of share-based payment expense of a listed subsidiary		**–**	(51)
Equity-settled share-based payment		**1,500**	–
Loss (gain) on disposal of joint ventures		**100**	(1,543)
Loss on disposal of property, plant and equipment		**4,350**	15,702
Gain on disposal of land leases		**–**	(3,859)
Gain on disposal of subsidiaries	43	**(52)**	(28,452)
Loss (gain) on disposal of associates		**29**	(3,423)
Gain on deregistration of joint venture		**–**	(790)
Gain on deregistration of subsidiaries		**(52)**	–
Gain on disposal of available-for-sale investments		**(34)**	–
Loss on deregistration of an associate		**–**	133
(Gain) loss on deemed disposal of an associate		**(17)**	179
Fair value changes on investment properties		**(3,842)**	(1,387)
Fair value changes on derivative financial instruments		**20,514**	(7,978)
Fair value changes on consideration payable for acquisition of business		**(1,576)**	43
Share of results of associates		**(45,443)**	(42,812)
Share of results of joint ventures		**(32,972)**	(5,951)

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Operating cash flows before movements in working capital		677,739	680,898
Increase in inventories		(113,157)	(29,201)
Decrease (increase) in trade and other receivables		31,642	(151,779)
Decrease in rental deposits and prepayments		1,270	4,037
Decrease in investments held for trading		494	6,041
Increase in trade and other payables		20,129	144,726
Cash generated from operations		618,117	654,722
Hong Kong Profits Tax paid		(17)	(30)
Overseas taxation paid		(48,941)	(33,551)
Refund of overseas taxation		1,539	2,562
NET CASH FROM OPERATING ACTIVITIES		570,698	623,703
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(305,225)	(172,643)
Deposit paid for acquisition of property, plant and equipment		(20,141)	(11,671)
Prepaid land leases		(10,148)	(7,509)
Investment in structured bank deposit		(9,743)	(2,144)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	(4,741)	–
Investments in associates		(1,943)	(4,453)
Proceeds on disposal of subsidiaries (net of cash and cash equivalents disposed of)	43	(1,567)	40,256
Investments in joint ventures		(250)	(500)
Proceeds from disposal of associates		22	15,718
Proceeds from disposal of joint ventures		52	1,543
Proceeds from disposal of available-for-sale investments		200	–
Proceeds from deregistration of joint ventures		213	–
Refund of investment costs in joint ventures		300	429
Dividends received from available-for-sale investments		809	471
Repayment from joint ventures		1,144	17,803
Interest received		11,778	8,984
Release of structured bank deposit		11,887	–
Dividends received from joint ventures		20,034	15,181
Proceeds from disposal of property, plant and equipment		23,811	26,997
Dividends received from associates		25,456	23,901
Purchase of available-for-sale investments		–	(166)
Refund of investment cost in a subsidiary		–	(50)
Refund of investment cost in an associate		–	62
Interest received from convertible note receivable		–	282
Proceeds from disposal of investment properties		–	383
Repayment of advance from associates		–	2,407
Proceeds on disposal of prepaid lease		–	5,567
NET CASH USED IN INVESTING ACTIVITIES		(258,052)	(39,152)

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	NOTES	2014 US$'000	2013 US$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(1,957,210)**	(2,281,715)
Dividends paid		**(233,789)**	(265,868)
Interest paid on bank borrowings		**(18,601)**	(24,483)
Purchase of shares for unvested shares under share award schemes		**(9,982)**	–
Dividends paid to non-controlling interests of subsidiaries		**(9,727)**	(6,422)
Acquisition of additional interests in subsidiaries		**(2,818)**	(8,701)
Bank borrowings raised		**1,987,041**	2,098,181
NET CASH USED IN FINANCING ACTIVITIES		**(245,086)**	(489,008)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**67,560**	95,543
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,071)**	1,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**905,834**	809,153
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**971,323**	905,834
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**969,433**	926,054
Bank overdrafts		**–**	(20,220)
Bank balances and cash classified as assets held for sale		**1,890**	–
		971,323	905,834

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

1. General

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

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

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after July 1, 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

HKFRS 9 "Financial Instruments" (continued)

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

The directors anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and financial liabilities as at December 31, 2014.

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

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

3. Significant Accounting Policies

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

Business combinations (continued)

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

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

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 reassessment, 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 fair value or, when applicable, on the basis specified in another standard.

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

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

3. Significant Accounting Policies (continued)

Business combinations (continued)

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit ("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. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment 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.

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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.

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an assoicate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group 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 carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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 income can be measured reliably).

Investment properties

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

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

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

Property, plant and equipment

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

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

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

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment, other than construction in progress and freehold land, less their residual values over their estimated useful lives, using either the straight-line method or reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets

Intangible assets acquired in a business combination

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

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

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

Leasing

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

The Group as lessor

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

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee

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

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

The financial assets at FVTPL of the Group comprise of investments held for trading and derivatives that are not designated and effective as a hedging instrument.

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivatives that are not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank overdrafts, bank borrowings, consideration payable for acquisition of business and consideration payable for acquisition of additional interest in a subsidiary) are subsequently measured at amortised cost, using the effective interest method.

USD Call Option

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3. 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:

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

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options at the grant date and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vested, with a corresponding increase in equity.

3. Significant Accounting Policies (continued)

Share-based payment arrangements (continued)

Equity-settled share-based payment transactions (continued)

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

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

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

Awarded shares granted to employees

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

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

When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares vested is reversed from share award reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share award reserve.

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. Taxable profit differs from "profit 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, 2014

3. 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

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

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

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

Borrowing costs

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

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

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

Retirement benefit costs

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

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the entity's accounting policies

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

(i) Provision of social insurance benefit and housing provident fund (collectively the "Employee Benefit Payments") (the "Employee Benefit Payments Provision")

The Group is required to make contributions to social insurance benefit and housing provident fund.

During the year ended December 31, 2014, the Group has recognised the increased contributions amounting to an additional US$90,000,000 as other expenses in the consolidated financial statements. The directors of the Company are of the opinion that this amount of the increased contributions to the Employee Benefit Payments is over and above the amount of the contributions under the prevailing practice. Following the review of the Group's employee benefits policy, the Group recognised such increased contributions in profit or loss in the Group's consolidated financial statements accordingly.

(ii) Property interest in land

Despite the Group has paid substantially the full purchase consideration as detailed in Notes 13, 14(a) and 15, formal titles of certain of the Group's rights to the use of the land were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these land use rights does not impair the carrying value of the relevant properties to the Group.

(iii) Intangible assets with indefinite useful lives

The directors of the Company considered that the brandnames, as set out in Note 16, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. They will be tested for impairment annually.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Critical judgments in applying the entity's accounting policies (continued)

(iv) Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

(i) Employee Benefit Payments Provision

In April 2014, some employees of the Group's factory in Gaobu went on strike and demanded for adjustment for the Employee Benefit Payments (the "Gaobu Factory Incident").

For the purposes of stabilising the Group's workforce following the Gaobu Factory Incident in April 2014, as set out in the Company's announcement dated May 20, 2014, the Group has raised its contributions to the Employee Benefit Payments previously applied for its employees in Gaobu factory. In addition, the Group has also taken the initiative and reviewed its employee benefits policy for its other factories in the PRC. Following such review, the Group has decided to raise its contributions over and above the amount of the contributions under the prevailing practice to the Employee Benefit Payments for employees of the Group's other factories in the PRC in order to assist the Group in staff retention and recruitment under the increasingly competitive labour market conditions in the PRC and to enhance its normal business operation and production. Accordingly, the Group recognised an increased contribution expense amounting to US$90,000,000 in its consolidated income statement for the year ended December 31, 2014 as other expenses, which has been estimated by the Group primarily based on survey results with the relevant employees of Gaobu factory and the other factories in respect of their intention to apply for and make payments for their own part of the increased contributions to Employee Benefit Payments and the relevant employees' length of services and their relevant wage levels. In the opinion of the directors, based on all the information currently available, the Employee Benefit Payments Provision, which is included in trade and other payables, is their best estimate of the amount of increased contributions ultimately payable by the Group. The amount and timing of outflow of resources are uncertain as the actual payment may vary from the amount provided which is subject to the actual number of applications received and the completion of relevant governmental procedures of such applications. Any variance between the amount provided and the actual payment will be recognised by the Group through profit or loss in the period when any such variance is determined to be probable.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

(i) Employee Benefit Payments Provision (continued)

During the year ended December 31, 2014, the increased contribution for Employee Benefit Payments of US$47,333,000 has been paid and the remaining unsettled amount of the increased contribution of US$42,667,000 is included in trade and other payables as at December 31, 2014.

(ii) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 18.

(iii) 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.

(iv) Allowance 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.

(v) Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where inputs of Level 1 and 2 are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and non-financial instruments. Notes 13 and 41(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

5. Turnover and Segmental Information

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

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

	2014 US$'000	2013 US$'000
Turnover		
Manufacturing Business	6,037,686	5,855,940
Retailing Business	1,975,746	1,726,531
Total turnover	8,013,432	7,582,471

Revenue from major products

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

	2014 US$'000	2013 US$'000
Athletic shoes	3,870,449	3,813,275
Casual/outdoor shoes	1,429,081	1,356,859
Sports sandals	85,085	86,197
Soles and components	600,079	526,768
Retail sales - shoes and apparel	1,960,306	1,712,598
Others	68,432	86,774
	8,013,432	7,582,471

5. Turnover and Segmental Information (continued)

Geographical information

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

	2014 US$'000	2013 US$'000
US	**2,210,346**	2,219,541
Europe	**1,497,565**	1,500,783
PRC	**2,518,907**	2,178,813
Others	**1,786,614**	1,683,334
	8,013,432	7,582,471

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

	2014 US$'000	2013 US$'000
PRC	**1,158,546**	1,213,216
Vietnam	**559,160**	463,077
Indonesia	**408,726**	407,747
Others	**68,940**	44,112
	2,195,372	2,128,152

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

Information about major customers

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

	2014 US$'000	2013 US$'000
Customer A	**1,697,783**	1,663,948
Customer B	**1,250,176**	1,185,202

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6. Fair Value Changes on Derivative Financial Instruments

	2014 US$'000	2013 US$'000
(Loss) gain on changes in fair value of:		
– derivative embedded in convertible note receivable	–	5,098
– other derivative financial instruments (Note 27)	(20,514)	2,880
	(20,514)	7,978

7. Finance Costs

	2014 US$'000	2013 US$'000
Interest on bank borrowings wholly repayable within five years	18,601	24,483

8. Income Tax Expense

	2014 US$'000	2013 US$'000
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax (note i)		
– current year	22	30
– underprovision in prior years	49	–
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	24,092	15,167
– overprovision in prior years	(1,830)	(569)
Overseas taxation (note iii)		
– current year	20,268	19,147
– under(over)provision in prior years	1,855	(56)
	44,456	33,719
Deferred tax credit (Note 35)	(7,144)	(8,487)
	37,312	25,232

8. Income Tax Expense (continued)

notes:

(i) Hong Kong

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

(ii) PRC

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

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 years.

(iii) Overseas

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

Taxation arising in other jurisdictions including Vietnam, Indonesia and Taiwan is calculated at the rates prevailing in the respective jurisdictions, which were 22% (2013: 25%), 25% (2013: 25%) and 17% (2013: 17%) respectively.

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

	2014 US$'000	2013 US$'000
Profit before taxation	**380,058**	454,219
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**40,003**	73,259
Tax effect of share of results of associates and joint ventures	**(8,787)**	(8,724)
Tax effect of expenses not deductible for tax purpose	**78,190**	43,256
Tax effect of income not taxable for tax purpose	**(57,910)**	(59,492)
Tax effect of tax losses not recognised	**22,116**	13,579
Effect of tax holidays granted to PRC subsidiaries	**(2,279)**	(256)
Effect of tax exemption granted to overseas subsidiaries	**(33,470)**	(38,906)
Deferred tax relating to dividend withholding tax	**(625)**	237
Under(over)provision in prior years	**74**	(625)
Tax effect of capital gain on disposal of a subsidiary	**–**	2,904
Income tax expense for the year	**37,312**	25,232

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

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9. Profit for the Year

	2014 US$'000	2013 US$'000
Profit for the year has been arrived at after charging:		
Employee benefit expense (note a), including directors' emoluments		
– basic salaries, bonus and allowances	**1,840,090**	1,743,680
– retirement benefit scheme contributions	**200,066**	90,831
– share-based payments	**1,500**	(51)
	2,041,656	1,834,460
Release of prepaid lease payments	**5,439**	5,080
Auditor's remuneration	**2,070**	2,087
Impairment loss on intangible assets	**–**	11,025
Amortisation of intangible assets (included in selling and distribution expenses)	**7,822**	8,215
Written off of goodwill upon deregistration of subsidiaries	**413**	–
Impairment loss on property, plant and equipment	**–**	5,640
Depreciation of property, plant and equipment	**228,977**	240,401
Loss on disposal of property, plant and equipment (included in other expenses)	**4,350**	15,702
Research and development expenditure (included in other expenses)	**177,289**	174,808
Impairment loss recognised on trade and other receivables (included in other expenses)	**4,803**	3,596
Loss on disposal of joint ventures (included in other expenses)	**100**	–
Loss on disposal of an associate (included in other expenses)	**29**	–
Loss on deregistration of an associate	**–**	133
Loss on deemed disposal of an associate	**–**	179
Allowance for inventories, net (included in cost of sales)	**17,568**	7,184
Share of taxation of associates (included in share of results of associates)	**6,885**	6,553
Share of taxation of joint ventures (included in share of results of joint ventures)	**8,984**	14,211
and after crediting in other income:		
Interest income	**11,778**	9,276
Dividend income from available-for-sale investments	**809**	471
Net exchange gain	**1,419**	22,106
Written back of impairment loss on amount due from a joint venture	**10,000**	2,000
Gain on disposal of prepaid leases	**–**	3,859
Gain on disposal of associates	**–**	3,423
Gain on disposal of joint ventures	**–**	1,543
Gain on deregistration of a joint venture	**–**	790
Gain on deregistration of subsidiaries	**52**	–
Gain on deemed disposal of an associate	**17**	–
Gain on disposal of available-for-sale investments	**34**	–
Subsidies, rebates and other income from suppliers	**29,174**	29,504
Utility income from provision of electricity and water supply	**6,181**	9,256
Subcontracting income	**183**	472
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$217,000 (2013: US$252,000)	**9,076**	9,908

notes:

(a) Employee benefit expense includes the Employee Benefit Payments Provision of US$90 million (2013: Nil). Details are set out in Note 4.

(b) For the years ended December 31, 2014 and 2013, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

10. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 16 (2013: 16) directors are set out as follows:

	Fees US$'000	Salaries and other benefits US$'000	Bonus US$'000	Retirement benefit scheme contributions US$'000	Share based payments US$'000	Total US$'000
For the year ended December 31, 2014						
Executive directors:						
Tsai Chi Neng (note i)	–	107	344	–	–	451
Lu Chin Chu (note ii)	–	100	541	–	43	684
Kuo Tai Yu	–	113	645	–	–	758
Kung Sung Yen	–	109	645	–	–	754
Chan Lu Min	–	277	181	–	–	458
Li I Nan, Steve	–	157	52	1	–	210
Tsai Pei Chun, Patty	–	101	206	–	–	307
Lee Shao Wu	–	130	52	1	43	226
Liu George Hong-Chih (note vii)	–	211	155	2	43	411
Tsai Ming-Lun, Ming (note vii)	–	93	129	–	–	222
Independent non-executive directors:						
Liu Len Yu (note iii)	14	–	–	–	–	14
Leung Yee Sik	36	–	–	–	–	36
Huang Ming Fu	35	–	–	–	–	35
Chu Li-Sheng	35	–	–	–	–	35
Yen Mun-Gie	35	–	–	–	–	35
Hsieh Yung Hsiang (note iv)	22	–	–	–	–	22
	177	1,398	2,950	4	129	4,658
For the year ended December 31, 2013						
Executive directors:						
Tsai Chi Neng (note i)	–	258	826	–	–	1,084
David N.F. Tsai (note v)	–	167	464	–	–	631
Kuo Tai Yu	–	130	727	–	–	857
Kung Sung Yen	–	126	726	–	–	852
Chan Lu Min	–	124	181	–	–	305
Li I Nan, Steve	–	214	52	2	–	268
Tsai Pei Chun, Patty	–	101	206	–	–	307
Lee Shao Wu	–	133	52	1	–	186
Kuo Li Lien (note vi)	–	38	7	–	–	45
Liu George Hong-Chih (note vii)	–	108	103	1	–	212
Tsai Ming-Lun, Ming (note vii)	–	46	83	–	–	129
Independent non-executive directors:						
Liu Len Yu (note iii)	33	–	–	–	–	33
Leung Yee Sik	34	–	–	–	–	34
Huang Ming Fu	33	–	–	–	–	33
Chu Li-Sheng	33	–	–	–	–	33
Yen Mun-Gie	33	–	–	–	–	33
	166	1,445	3,427	4	–	5,042

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10. Directors' and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

notes:

(i) Mr. Tsai Chi Neng retired as an executive director on May 30, 2014.

(ii) Mr. Lu Chin Chu was appointed as an executive director on March 26, 2014.

(iii) Dr. Liu Len Yu retired as an independent non-executive director on May 30, 2014.

(iv) Mr. Hsieh Yung Hsiang was appointed as an independent non-executive director on March 26, 2014.

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

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

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2013: one) individual were as follows:

	2014 US$'000	2013 US$'000
Basic salaries and other allowances	356	130
Bonus	262	456
Retirement benefit scheme contributions	2	–
Share-based payments	8	–
	628	586

The emoluments of the remaining one individual were within the following band:

	2014 Number of employees	2013 Number of employees
HK$4,500,001 to HK$5,000,000	1	1

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

10. Directors' and Employees' Emoluments (continued)

(c) Emoluments of senior management

Of the ten (2013: eleven) senior management of the Group for the year ended December 31, 2014, none (2013: none) of them are directors of the Company and none (2013: one) of the senior management is one of the top five highest paid individuals and the respective remuneration has been disclosed in Note 10(b).

The emoluments of the remaining ten (2013: ten) individuals for the year were within the following bands:

	2014 Number of employees	2013 Number of employees
HK$1,000,001 to HK$1,500,000	**2**	4
HK$1,500,001 to HK$2,000,000	**6**	3
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
	10	10

11. Dividends

	2014 US$'000	2013 US$'000
Dividends recognised as distribution during the year:		
2014 Interim dividend of HK$0.35 per share (2013: 2013 Interim dividend of HK$0.35 per share)	**74,398**	74,430
2013 Final dividend of HK$0.75 per share (2013: 2012 Final dividend of HK$0.25 per share)	**159,391**	53,118
	233,789	127,548

The directors recommend the payment of a final dividend of HK$0.80 per share for the year ended December 31, 2014. The proposed dividend of approximately HK$1,316,959,000 will be paid on or before June 16, 2015 to those shareholders whose names appear on the Company's register of members on June 8, 2015.

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

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For the year ended December 31, 2014

12. Earnings Per Share

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

	2014 US$'000	2013 US$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**331,020**	434,768

	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,647,525,053**	1,648,928,486
Effect of dilutive potential ordinary shares:		
– USD Call Options 2015	**92,247,920**	92,247,920
– Unvested awarded shares	**1,156,007**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,740,928,980**	1,741,176,406

The weighted average number of ordinary shares shown above for the year ended December 31, 2014 has been arrived at after deducting the shares held by the trustee of the share award scheme (see Note 39(b)).

note: The computation of diluted earnings per share for both years does not assume the exercise of share options of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, because the exercise price of those options was higher than the average market price of Pou Sheng's shares in each of the years.

13. Investment Properties

	Completed investment properties US$'000
FAIR VALUE	
At January 1, 2013	42,290
Realised gain on property revaluation recognised in profit or loss	45
Unrealised gain on property revaluation recognised in profit or loss	1,342
Transfer to property, plant and equipment (Note 14(a))	(531)
Disposals	(383)
At December 31, 2013	42,763
Unrealised gain on property revaluation recognised in profit or loss	3,842
Transfer from prepaid lease payments	271
Transfer from property, plant and equipment (Note 14(a))	1,309
Transfer to property, plant and equipment (Note 14(a))	(6,803)
At December 31, 2014	**41,382**

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

As at December 31, 2014 and December 31, 2013, the fair value of the Group's investment properties situated in the PRC of US$19,580,000 (2013: US$29,931,000) has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited ("DTZ") and Knight Frank Petty Limited ("Knight Frank") respectively, both are independent qualified professional valuers not connected with the Group. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the PRC.

Included in the balance as at December 31, 2014, certain of the Group's investment properties situated in the PRC of US$5,631,000 (2013: Nil) has been arrived at based on valuation carried out by DTZ as at November 30, 2014. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the PRC. In the opinion of the directors, the fair value of these investment properties approximates the carrying amount as at year ended.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

13. Investment Properties (continued)

As at December 31, 2014, the fair value of the Group's investment property situated in the PRC and US of US$1,206,000 (2013: Nil) and US$14,965,000 (2013: US$12,832,000) respectively, has been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The fair value was determined by the directors of the Company based on market comparable approach, where the prices per unit area of the property are assessed by reference to market evidence of transaction prices for similar properties in the same location and conditions in the PRC and US respectively.

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

One of the key inputs used in valuing the investment properties situated in the PRC was the rental yield, which ranged from 7.5% to 9.0% (2013: 8.5% to 11.5%). A slight increase in the market yield used would result in a significant decrease in fair value measurement of the respective investment properties, and vice versa.

One of the key inputs used in valuing the investment property situated in the US was the price per square feet, which ranged from US$95 to US$105 (2013: US$85 to US$89). A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2014 and December 31, 2013 are as follows:

	Level 3 As at December 31,		Fair value As at December 31,	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Investment properties located in:				
PRC	**26,417**	29,931	**26,417**	29,931
US	**14,965**	12,832	**14,965**	12,832

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

	2014 US$'000	2013 US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term lease land use rights in the PRC	**1,225**	1,216
– medium-term lease land use rights in the PRC	**25,192**	28,715
– freehold land in the US	**14,965**	12,832
	41,382	42,763

13. Investment Properties (continued)

As at December 31, 2014, the Group had not obtained the formal land use rights for certain of its investment properties, the carrying value of which at that date was approximately US$7.4 million (2013: US$4.0 million). In the opinion of the directors, the absence of formal title to these land use rights does not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

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

(a) Property, plant and equipment

	Buildings	Freehold land	Land and buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(note i)		(notes i, ii & iii)						
COST OR VALUATION									
At January 1, 2013	1,335,385	4,496	103,180	48,966	1,351,724	361,649	217,579	39,787	3,462,766
Exchange realignment	2,060	–	301	–	704	3,300	978	98	7,441
Additions	23,552	–	–	26,197	93,252	21,690	16,722	2,928	184,341
Reclassification	45,870	–	–	(45,870)	–	–	–	–	–
Transfer from investment properties (Note 13)	–	–	531	–	–	–	–	–	531
Disposals	(9,461)	–	–	–	(264,213)	(38,260)	(32,533)	(6,856)	(351,323)
Disposal of subsidiaries (Note 43)	–	–	–	–	(7,702)	(1,639)	(435)	(357)	(10,133)
At December 31, 2013	1,397,406	4,496	104,012	29,293	1,173,765	346,740	202,311	35,600	3,293,623
Exchange realignment	(1,853)	–	(273)	–	(241)	(3,076)	(838)	(73)	(6,354)
Additions	39,610	–	–	72,334	138,815	29,802	21,996	3,818	306,375
Reclassification	15,523	–	–	(15,749)	–	226	–	–	–
Transfer from investment properties (Note 13)	–	–	6,803	–	–	–	–	–	6,803
Transfer to investment properties (Note 13)	(1,987)	–	–	–	–	–	–	–	(1,987)
Acquisition of subsidiaries (Note 42)	–	–	–	–	–	55	42	12	109
Disposals	(1,935)	–	–	–	(65,952)	(18,977)	(18,258)	(3,473)	(108,595)
Disposal of subsidiaries (Note 43)	(462)	–	–	(11)	(4,099)	–	(142)	(283)	(4,997)
Reclassified as held for sale (Note 31)	(3,811)	–	–	(13)	(2,016)	(927)	(346)	(241)	(7,354)
At December 31, 2014	**1,442,491**	**4,496**	**110,542**	**85,854**	**1,240,272**	**353,843**	**204,765**	**35,360**	**3,477,623**
Comprising:									
At cost	1,442,491	4,496	75,029	85,854	1,240,272	353,843	204,765	35,360	3,442,110
At valuation - 1995	–	–	35,513	–	–	–	–	–	35,513
	1,442,491	4,496	110,542	85,854	1,240,272	353,843	204,765	35,360	3,477,623

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

(a) Property, plant and equipment (continued)

	Buildings	Freehold land	Land and buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(note i)		(notes i, ii & iii)						
DEPRECIATION AND IMPAIRMENT									
At January 1, 2013	350,797	–	24,587	–	838,260	204,754	144,014	25,740	1,588,152
Exchange realignment	542	–	46	–	326	2,576	612	63	4,165
Provided for the year	58,374	–	2,502	–	113,204	38,933	23,336	4,052	240,401
Eliminated on disposals	(2,269)	–	–	–	(243,739)	(25,352)	(30,676)	(6,588)	(308,624)
Eliminated on disposal of subsidiaries (Note 43)	–	–	–	–	(5,339)	(958)	(375)	(338)	(7,010)
Impairment loss recognised in profit or loss (note iv)	–	–	–	–	4,924	–	716	–	5,640
At December 31, 2013	407,444	–	27,135	–	707,636	219,953	137,627	22,929	1,522,724
Exchange realignment	(549)	–	(46)	–	(198)	(2,471)	(660)	(49)	(3,973)
Provided for the year	60,535	–	2,306	–	109,503	32,375	20,462	3,796	228,977
Transfer to investment properties (Note 13)	(678)	–	–	–	–	–	–	–	(678)
Eliminated on disposals	(1,003)	–	–	–	(44,617)	(15,764)	(16,269)	(2,781)	(80,434)
Eliminated on disposal of subsidiaries (Note 43)	(159)	–	–	–	(2,339)	–	(89)	(167)	(2,754)
Reclassified as held for sale (Note 31)	(1,586)	–	–	–	(1,545)	(313)	(314)	(119)	(3,877)
At December 31, 2014	**464,004**	**–**	**29,395**	**–**	**768,440**	**233,780**	**140,757**	**23,609**	**1,659,985**
CARRYING VALUE									
At December 31, 2014	**978,487**	**4,496**	**81,147**	**85,854**	**471,832**	**120,063**	**64,008**	**11,751**	**1,817,638**
At December 31, 2013	989,962	4,496	76,877	29,293	466,129	126,787	64,684	12,671	1,770,899

notes:

(i) As at December 31, 2014, the Group had not obtained the formal land use rights and building ownership certificates for certain of the properties included in buildings and land and buildings above, the carrying values of which at that date were approximately US$99.9 million (2013: US$103.3 million) and US$4.6 million (2013: US$4.8 million), respectively. In the opinion of the directors, the absence of formal title to these land use rights and building ownership certificates do not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and buildings and the probability of being evicted on the ground of an absence of formal title is remote.

(ii) As at December 31, 2014, certain of the Group's properties included in land and buildings were carried at their 1995 valuation less subsequent depreciation. If such properties had not been revalued in 1995, the carrying value of these land and buildings would have been US$22,328,000 (2013: US$23,039,000) instead of US$21,838,000 (2013: US$22,549,000).

(iii) In the opinion of the directors, the land and building element of certain of properties held by the Group cannot be allocated reliably. Accordingly, they are presented on a combined basis as land and buildings as above. As at December 31, 2014, the carrying value of such properties situated in the PRC was US$81,147,000 (2013: US$76,877,000).

(iv) During the year ended December 31, 2013, the directors of the Company conducted a review of the property, plant and equipment of the Group and determined that certain assets were impaired, due to technical obsolescence. Management determined that the fair value less costs to sell of those assets (mainly comprises plant and machinery, and furniture, fixture and equipment) is less than its carrying amount. Accordingly, an impairment loss of US$5,640,000 (2014: 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.

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

(a) Property, plant and equipment (continued)

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

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

	2014 US$'000	2013 US$'000
The carrying value of the properties shown above comprises properties situated on:		
Land or land use rights under long-term leases in		
– PRC	**10,865**	12,923
– Indonesia	**193,581**	206,810
Land or land use rights under medium-term leases in		
– Hong Kong	**1,172**	1,183
– PRC	**556,970**	569,263
– Vietnam	**285,348**	264,305
– Mexico	**1,036**	1,189
– Bangladesh	**10,662**	11,166
Freehold land in Mexico	**4,496**	4,496
	1,064,130	1,071,335

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

Details of the related capital commitments are set out in Note 45.

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15. Prepaid Lease Payments

	2014 US$'000	2013 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– PRC	**6,549**	6,629
– Indonesia	**30,427**	31,068
Medium-term leases or land use rights in		
– PRC	**91,926**	94,044
– Myanmar	**14,702**	–
– Vietnam	**36,762**	38,217
	180,366	169,958
Analysed for reporting purposes as:		
Current asset	**5,558**	5,080
Non-current asset	**174,808**	164,878
	180,366	169,958

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As at December 31, 2014, the Group had not obtained the formal title to certain of these land interests, the carrying value of which at that date was approximately US$19.0 million (2013: US$20.3 million). In the opinion of the directors, the absence of formal title to these land interest does not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

16. Intangible assets

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At January 1, 2013	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
Acquired on acquisition of subsidiaries (Note 42)	–	–	5,900	–	5,900
Exchange realignment	(215)	(1,889)	(302)	(1,797)	(4,203)
At December 31, 2014	**8,592**	**75,183**	**16,021**	**71,564**	**171,360**
AMORTISATION AND IMPAIRMENT					
At January 1, 2013	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
Provided for the year	1,003	–	1,482	5,337	7,822
Exchange realignment	(109)	(241)	(68)	(911)	(1,329)
At December 31, 2014	**4,956**	**9,581**	**3,585**	**39,833**	**57,955**
CARRYING VALUE					
At December 31, 2014	**3,636**	**65,602**	**12,436**	**31,731**	**113,405**
At December 31, 2013	4,745	67,250	8,252	37,954	118,201

Additions of the Group's intangible assets during the year ended December 31, 2014 arose from the acquisition of Welcome Wealth Group (as defined in Note 42).

All of the intangible assets arose from acquisitions of businesses and were valued as of the respective dates of acquisitions by American Appraisal China Limited ("American Appraisal"), or APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation"), firms of professional valuers, on the following basis:

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16. Intangible assets (continued)

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 or the Relief from Royalty 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

During the year ended December 31, 2014, 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 a discount rate of 17% for Welcome Wealth Group. 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 loss of US$11,025,000 in relation to brandnames, non-compete agreements and customer relationship arising on acquisition of certain retail business that operate in chains of retails stores in Northern China and Liaoning Province, the PRC. The impairment losses arose due to the worse than expected operating results of the relevant CGU of the Retailing Business. The basis of the impairment loss is set out in Note 18 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 that year.

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 18.

17. Goodwill

	US$'000
COST	
At January 1, 2013 and December 31, 2013	273,962
Derecognised on deregistration of subsidiaries	(413)
At December 31, 2014	**273,549**

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

18. Impairment Testing on Goodwill and Intangible Assets

For the purposes of impairment testing of goodwill, the carrying value of goodwill with indefinite useful lives as detailed in Note 17 have been allocated to three groups of CGUs, as follows:

	Goodwill	
	2014 US$'000	2013 US$'000
Manufacture and marketing of footwear materials ("Unit A")	**182,127**	182,127
Manufacture and marketing of sports apparel ("Unit B")	**5,724**	5,724
Retailing Business - Retail sales of footwear and apparel ("Unit C")	**85,698**	86,111
	273,549	273,962

Management of the Group determined that there were no impairment in any of its CGUs containing goodwill during the years ended December 31, 2014 and 2013. The basis of the recoverable amounts of the above CGUs and their principal underlying assumptions are summarised below.

For the purposes of impairment testing of intangible assets, except for the licensing agreements of US$5,900,000 which acquired from acquisition of Welcome Wealth Group during the year ended December 31, 2014, intangible assets of the Group as set out in Note 16 are allocated to individual CGUs of Unit C, which consist of the chains of stores in Northern China, Zhejiang Province, Hebei Province and Liaoning Province, the PRC, that are expected to benefit from the intangible assets to generate future economic benefits.

As set out in Note 16, due to the worse than expected operating results of the chains of stores in Northern China and Liaoning Province, an aggregate impairment loss amounting to US$11,025,000 (2014: Nil) had been made during the year ended December 31, 2013.

The recoverable amounts of the above CGUs and group of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rates of 14% (2013: 15%) for all CGUs. The cash flows for the next five years are extrapolated using a steady growth rate of 2%, 2% and 3% (2013: 2%, 2% and 3%) for Unit A, Unit B and Unit C respectively. These growth rates are based on the forecasts of the relevant industries and do not exceed the average long-term growth rate for the relevant industries. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of Unit A, Unit B and Unit C to fall below their respective carrying amounts.

For the impairment testing of intangible assets of Welcome Wealth Group, cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 17% were determined. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%. 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 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.

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19. Investments in Associates

	2014 US$'000	2013 US$'000
Cost of investments in associates (note):		
Listed in Hong Kong	**57,947**	57,947
Listed in Taiwan	**92,505**	92,505
Unlisted	**108,907**	106,964
Share of post-acquisition profits and reserves, net of dividends received	**188,169**	177,937
Less: impairment losses	**(1,500)**	(1,500)
	446,028	433,853
Fair value of listed investments	**222,055**	250,712

note:

Included in cost of investments is goodwill of US$79,728,000 (2013: US$79,728,000) and the movements thereon are as follows:

	US$'000
COST	
At January 1, 2013	81,785
Recognised on acquisition of additional interest in an associate	76
Derecognised on disposal of an associate	(2,000)
Derecognised on deregistration of an associate	(133)
At December 31, 2013 and December 31, 2014	79,728

19. Investments in Associates (continued)

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

Name of entity	Form of entity	Country/ place of incorporation/ establishment	Principal place of operation	Class of shares held	Proportion of issued and fully paid up share capital held by the Group		Principal activities
					2014	2013	
Oftenrich	Incorporated	Bermuda	PRC	Ordinary	**45%**	45%	Investment holding and its subsidiaries are engaged in manufacture and sale of safety shoes and casual shoes
Prosperous	Incorporated	Cayman Islands	PRC	Ordinary	**30%**	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
San Fang (note)	Incorporated	Taiwan	Taiwan	Ordinary	**44.72%**	44.72%	Manufacture and trading of synthetic leather

note: The company is incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

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19. Investments in Associates (continued)

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

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

	2014					2013				
	Oftenrich	**Prosperous**	**San Fang**	**Others**	**Total**	Oftenrich	Prosperous	San Fang	Others	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	US$'000	US$'000	US$'000	US$'000	US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income										
Turnover	**367,059**	**193,626**	**315,875**	**2,445,159**	**3,321,719**	360,511	190,238	322,925	2,286,150	3,159,824
Profit for the year	**19,523**	**16,456**	**31,035**	**68,063**	**135,077**	13,094	20,747	25,842	93,739	153,422
Other comprehensive income (expense) for the year	**–**	**4,209**	**(7,245)**	**(20,895)**	**(23,931)**	50	(1,080)	(5,053)	(4,032)	(10,115)
Total comprehensive income for the year	**19,523**	**20,665**	**23,790**	**47,168**	**111,146**	13,144	19,667	20,789	89,707	143,307
Profit for the year, attributable to the Group	**8,785**	**4,937**	**13,879**	**17,842**	**45,443**	5,892	6,224	11,557	19,139	42,812
Other comprehensive income (expense) for the year, attributable to the Group	**–**	**1,263**	**(3,240)**	**(7,795)**	**(9,772)**	23	(324)	(2,260)	3,034	473
Total comprehensive income, for the year attributable to the Group	**8,785**	**6,200**	**10,639**	**10,047**	**35,671**	5,915	5,900	9,297	22,173	43,285
Dividends received from associate during the year	**4,500**	**4,500**	**7,197**	**9,259**	**25,456**	4,500	3,000	7,404	8,997	23,901

19. Investments in Associates (continued)

	2014 Oftenrich US$'000	2014 Prosperous US$'000	2014 San Fang US$'000	2014 Others US$'000	2014 Total US$'000	2013 Oftenrich US$'000	2013 Prosperous US$'000	2013 San Fang US$'000	2013 Others US$'000	2013 Total US$'000
Financial information of consolidated statement of financial position										
Non-current assets	**34,355**	**44,545**	**280,000**	**528,079**	**886,979**	31,832	41,505	268,102	578,713	920,152
Current assets	**207,239**	**108,688**	**102,759**	**1,269,571**	**1,688,257**	343,825	115,088	108,913	1,235,028	1,802,854
Current liabilities	**(116,708)**	**(33,049)**	**(64,153)**	**(831,180)**	**(1,045,090)**	(260,316)	(41,831)	(65,402)	(854,069)	(1,221,618)
Non-current liabilities	**(23)**	**(1,058)**	**(106,637)**	**(102,281)**	**(209,999)**	–	(1,302)	(107,341)	(118,824)	(227,467)
Non-controlling interests	**–**	**–**	**–**	**(14,551)**	**(14,551)**	–	–	–	(15,728)	(15,728)
	124,863	**119,126**	**211,969**	**849,638**	**1,305,596**	115,341	113,460	204,272	825,120	1,258,193
Reconciliation to the carrying amount of interest in the associate:										
Net assets attributable to the equity holders of the associate	**124,863**	**119,126**	**211,969**	**849,638**	**1,305,596**	115,341	113,460	204,272	825,120	1,258,193
Proportion of the Group's ownership interest in the associate	**45%**	**30%**	**44.72%**	**varies**	**varies**	45%	30%	44.72%	varies	varies
Net assets of the Group's interest in the associate	**56,188**	**35,738**	**94,793**	**184,959**	**371,678**	51,903	34,038	91,351	180,371	357,663
Goodwill	**16,110**	**11,474**	**35,586**	**16,558**	**79,728**	16,110	11,474	35,586	16,558	79,728
Impairment losses of interest in the associate	**–**	**–**	**–**	**(1,500)**	**(1,500)**	–	–	–	(1,500)	(1,500)
Other adjustments	**–**	**–**	**–**	**(3,878)**	**(3,878)**	–	–	–	(2,038)	(2,038)
Carrying amount of the Group's interest in the associate	**72,298**	**47,212**	**130,379**	**196,139**	**446,028**	68,013	45,512	126,937	193,391	433,853
Fair value of listed associate	**–**	**–**	**158,853**	**63,202**	**222,055**	–	–	171,308	79,404	250,712

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19. Investments in Associates (continued)

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

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

	2014 US$'000	2013 US$'000
Unrecognised share of (gain) losses of associates for the year	**(47)**	470

	2014 US$'000	2013 US$'000
Cumulative unrecognised share of losses of associates	**5,883**	5,930

20. Amounts Due from Associates

The amounts are unsecured, interest-free and are not expected to be repaid within one year and are therefore classified as non-current.

Before offering any new loans to associates, the Group assesses the associates' credit qualities and the intended usages of the loans by the associates. The recoverability of the loans is reviewed throughout the tenures of the loans. In the opinion of the directors, the associates are of good credit qualities. At December 31, 2014 and 2013, the loans were neither past due nor impaired.

21. Investments in Joint Ventures

	2014 US$'000	2013 US$'000
Cost of unlisted investments in joint ventures (note i)	**240,891**	236,548
Share of post-acquisition profits and reserves, net of dividends received	**200,963**	192,464
Less: impairment losses (note ii)	**(5,890)**	(5,890)
	435,964	423,122

notes:

(i) Included in cost of investments is goodwill of approximately US$11,327,000 (2013: US$11,327,000).

(ii) During the year ended December 31, 2013, impairment losses of US$585,000 were made in respect of the Group's interest 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. During the year ended December 31, 2014, no impairment losses were made.

(iii) During the year ended December 31, 2014, the Group recognised a loss on disposal of joint ventures US$100,000 (2013: gain on disposal of US$1,543,000) upon the disposal of these joint ventures during the year, calculated as the difference between the net disposal proceeds and the carrying amounts of the joint ventures.

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

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Class of shares held	Proportion of issued and fully paid share capital held by the Group		Principal activities
					2014	2013	
Din Tsun	Incorporated	British Virgin Islands ("BVI")	Vietnam	Ordinary	**50%**	50%	Manufacture of apparel
Ka Yuen	Incorporated	BVI	PRC	Ordinary	**50%**	50%	Manufacture and sale of rubber soles
Texas Clothing	Incorporated	US	US	Ordinary	**49.99%**	49.99%	Design, impact and sale of apparels

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21. Investments in Joint Ventures (continued)

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

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

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 amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	2014					2013				
	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income										
Turnover	178,820	132,939	356,542	895,183	1,563,484	129,175	137,510	321,078	1,017,591	1,605,354
Profit (loss) for the year	21,893	15,784	9,416	14,382	61,475	8,200	20,234	17,543	(53,511)	(7,534)
Other comprehensive (expense) income for the year	(25)	–	(957)	(9,952)	(10,934)	34	–	543	17,799	18,376
Total comprehensive income (expense) for the year	21,868	15,784	8,459	4,430	50,541	8,234	20,234	18,086	(35,712)	10,842
Profit (loss) for the year, attributable to the Group	10,947	7,892	4,707	9,426	32,972	4,100	10,117	8,770	(17,036)	5,951
Other comprehensive (expense) income for the year, attributable to the Group	(13)	–	(478)	(4,942)	(5,433)	17	–	271	8,468	8,756
Total comprehensive income (expense) for the year, attributable to the Group	10,934	7,892	4,229	4,484	27,539	4,117	10,117	9,041	(8,568)	14,707
Dividends received from joint venture during the year	–	5,750	–	14,284	20,034	–	3,000	–	12,181	15,181
The above profit (loss) for the year include the following:										
Depreciation and amortisation	(3,183)	(2,132)	(5,019)	(14,688)	(25,022)	(2,029)	(2,279)	(3,891)	(16,860)	(25,059)
Interest income	12	156	–	1,024	1,192	17	125	587	1,159	1,888
Interest expense	(19)	(241)	(2,371)	(3,339)	(5,970)	(22)	(191)	(2,575)	(3,587)	(6,375)
Income tax expense	(741)	(736)	(9,697)	(4,936)	(16,110)	(10)	(730)	(10,315)	(12,045)	(23,100)

21. Investments in Joint Ventures (continued)

	2014 Din Tsun US$'000	2014 Ka Yuen US$'000	2014 Texas Clothing US$'000	2014 Others US$'000	2014 Total US$'000	2013 Din Tsun US$'000	2013 Ka Yuen US$'000	2013 Texas Clothing US$'000	2013 Others US$'000	2013 Total US$'000
Financial information of consolidated statement of financial position										
Non-current assets	**45,674**	**30,529**	**55,946**	**334,945**	**467,094**	34,061	11,641	49,013	367,354	462,069
Current assets	**111,863**	**54,222**	**186,790**	**799,432**	**1,152,307**	86,644	66,296	202,334	775,954	1,131,228
Current liabilities	**(55,397)**	**(14,717)**	**(24,516)**	**(518,616)**	**(613,246)**	(40,788)	(12,122)	(37,775)	(523,107)	(613,792)
Non-current liabilities	**(15,443)**	**(2,030)**	**(48,842)**	**(84,950)**	**(151,265)**	(15,443)	(2,095)	(52,653)	(73,272)	(143,463)
Non-controlling interests	**(355)**	**–**	**–**	**(16,521)**	**(16,876)**	–	–	–	(17,905)	(17,905)
	86,342	**68,004**	**169,378**	**514,290**	**838,014**	64,474	63,720	160,919	529,024	818,137
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	**10,736**	**28,770**	**30,473**	**126,035**	**196,014**	7,227	16,904	17,172	103,351	144,654
Current financial liabilities (excluding trade and other payables and provision)	**–**	**(252)**	**–**	**(175,017)**	**(175,269)**	–	(1,572)	–	(188,059)	(189,631)
Non-current financial liabilities (excluding trade and other payables and provision)	**–**	**–**	**–**	**(77,085)**	**(77,085)**	–	–	(20,816)	(65,542)	(86,358)
Reconciliation to the carrying amount of interest in the joint venture:										
Net assets attributable to the equity holders of the joint venture	**86,342**	**68,004**	**169,378**	**514,290**	**838,014**	64,474	63,720	160,919	529,024	818,137
Proportion of the Group's ownership interest in the joint venture	**50%**	**50%**	**49.99%**	**varies**	**varies**	50%	50%	49.99%	varies	varies
Net assets of the Group's interest in the joint venture	**43,171**	**34,002**	**84,672**	**257,669**	**419,514**	32,237	31,860	80,444	262,131	406,672
Goodwill	**–**	**–**	**–**	**11,327**	**11,327**	–	–	–	11,327	11,327
Impairment losses of interest in the joint venture	**–**	**–**	**–**	**(5,890)**	**(5,890)**	–	–	–	(5,890)	(5,890)
Other adjustments	**–**	**–**	**11,033**	**(20)**	**11,013**	–	–	11,033	(20)	11,013
Carrying amount of the Group's interest in the joint venture	**43,171**	**34,002**	**95,705**	**263,086**	**435,964**	32,237	31,860	91,477	267,548	423,122

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21. Investments in Joint Ventures (continued)

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

Unrecognised share of losses of joint ventures is as follow:

	2014 US$'000	2013 US$'000
The unrecognised share of losses of joint ventures for the year	**2,727**	4,233

	2014 US$'000	2013 US$'000
Cumulative unrecognised share of losses of joint ventures	**8,058**	5,331

22. Amounts Due from Joint Ventures

Included in the balance are loans of US$17,246,000 (2013: US$23,063,000) receivable from certain joint ventures which are secured by the equity interests in the relevant joint ventures held by the other joint venture partners, interest bearing at the prevailing lending rate quoted by the People's Bank of China ("PBOC") and have no fixed terms of repayment.

The other amounts included in the balance are unsecured, interest-free and have no fixed repayment terms. The directors consider that the fair value of the loans to joint ventures approximate to their carrying amounts.

Before offering any new loans to joint ventures, the Group assesses the joint ventures' credit qualities and the intended usages of the loans by the joint ventures. The recoverability of the loans is reviewed throughout the tenure of the loans.

During the year ended December 31, 2014, impairment loss of US$4,140,000 (2013: US$8,345,000) was made in respect of the loans to certain joint ventures due primarily to their weakening financial positions and an impairment loss of US$10,000,000 (2013: US$2,000,000) was written back upon recovery of the loans. Other than the above, no balance of loans to other joint ventures has been past due at the end of the reporting period for which the Group has not provided for impairment loss. No provision for impairment loss for the balance not yet past due as at the end of the reporting period was considered necessary since there has been no past default history in respect of other joint ventures and the directors considers these counterparties are of good credit qualities based on their regular assessments.

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

23. Interests in Subsidiaries

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

Name of subsidiary	Principal place of operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
Pou Sheng Group	PRC	**38.73%**	38.73%	**1,801**	(14,857)	**335,584**	343,930
Individually immaterial subsidiaries with non-controlling interests				**9,925**	9,076	**46,877**	53,862
Total				**11,726**	(5,781)	**382,461**	397,792

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23. Interests in Subsidiaries (continued)

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

	2014 US$'000	2013 US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income		
Turnover	**1,980,575**	1,777,187
Net operating expenses	**(1,974,087)**	(1,815,684)
Profit (loss) for the year	**6,488**	(38,497)
Profit (loss) for the year attributable to owners of Pou Sheng	**4,649**	(38,670)
Profit (loss) for the year attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**2,848**	(23,813)
– non-controlling interests	**1,801**	(14,857)
	4,649	(38,670)
Other comprehensive (expense) income, attributable to		
– owners of the Company	**(13,361)**	11,030
– non-controlling interests	**(8,446)**	6,882
	(21,807)	17,912
Total comprehensive expense, attributable to		
– owners of the Company	**(10,513)**	(12,783)
– non-controlling interests	**(6,645)**	(7,975)
	(17,158)	(20,758)
Dividends paid to non-controlling interests of Pou Sheng Group	**2,038**	487

23. Interests in Subsidiaries (continued)

	2014 US$'000	2013 US$'000
Financial information of consolidated statement of financial position		
Non-current assets	**370,984**	391,815
Current assets	**957,478**	1,067,992
Current liabilities	**(405,368)**	(461,574)
Non-current liabilities	**(47,824)**	(101,301)
Non-controlling interests	**(14,564)**	(16,018)
	860,706	880,914
Equity attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**525,122**	536,984
– non-controlling interests	**335,584**	343,930
	860,706	880,914
Financial information of consolidated statement of cash flows		
Net cash from operating activities	**92,928**	29,804
Net cash used in investing activities	**(23,260)**	(14,826)
Net cash used in financing activities	**(67,352)**	(102,486)
Effect of foreign exchange rate changes	**(932)**	1,379
Net cash inflow/(outflow)	**1,384**	(86,129)

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24. Long-Term Loan Receivables

	2014 US$'000	2013 US$'000
The loan receivables are expected to be repayable as follows:		
Within one year	–	2,090
More than one year, but not exceeding two years	8,044	–
More than two years, but not exceeding five years	–	8,246
	8,044	10,336
Less: amount due within one year shown under current assets (Note 30)	–	(2,090)
Amount due after one year	8,044	8,246
Analysed as:		
Secured	8,044	9,487
Unsecured	–	849
	8,044	10,336

The balances represent loan receivables due from a third party (2013: certain former joint ventures and a third party) which carry fixed interest at 3% (2013: 0.01% to 5.25%) per annum.

The collaterals for the secured portion of these loans are certain property, plant and equipment of the relevant entities and 39,634,662 shares of HK$0.01 each of Pou Sheng which were issued for the acquisition of business in prior years. 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.

25. Available-for-Sale Investments

Available-for-sale investments comprise:

	2014 US$'000	2013 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**14,248**	16,411
– Equity securities listed overseas	**12,877**	11,476
	27,125	27,887
Unlisted investments:		
– Private entities	**1,269**	1,435
	28,394	29,322
Analysed for reporting purposes as:		
Current asset	**–**	166
Non-current asset	**28,394**	29,156
	28,394	29,322

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

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

All of the unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that their fair values could not be measured reliably.

The management considered that the available-for-sale investments as at the end of the reporting period are held for strategic purpose and are not to be disposed of in the foreseeable future, except for an unlisted investment of US$166,000 (2014: Nil) as at December 31, 2013 which were considered to be disposed of within one year from the end of the reporting period. The investment was disposed of during the year ended December 31, 2014.

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

	2014 US$'000	2013 US$'000
Hong Kong dollars ("HKD")	**14,248**	16,411
New Taiwan dollars ("NTD")	**12,877**	11,476

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26. Investments Held for Trading

Investments held for trading include:

	2014 US$'000	2013 US$'000
Unlisted overseas funds	**2,489**	2,983

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

27. Derivative Financial Instruments

		2014		2013	
	notes	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign currency derivatives:					
Currency structured forward contracts	(i)	**–**	**14,802**	1,404	–
Forward contracts	(ii)	**6**	**33**	4,281	–
		6	**14,835**	5,685	–

The derivative financial instruments that are denominated in currencies other than the functional currency of the group entities are set out below:

	2014		2013	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
RMB	**–**	**14,802**	5,685	–
Vietnamese Dong ("VND")	**6**	**33**	–	–
	6	**14,835**	5,685	–

27. Derivative Financial Instruments (continued)

notes:

(i) Currency structured forward contracts

The Group has entered into a number of USD/RMB structured forward contracts in which the Group is able to sell USD/buy RMB on a monthly basis at more favorable exchange rates than the market plain forward rates or spot rates prevailing on the trade dates of the transactions under certain RMB exchange rate scenario. However, the Group is obligated to sell USD/buy RMB for certain specified amounts at pre-determined exchange rates which are less favorable than the then prevailing market spot rates on settlements under certain scenario of depreciation of RMB against USD. As at December 31, 2014, the Group had outstanding USD/RMB structured forward contracts which cover monthly settlements up to March 2016.

(ii) Forward contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rates
As at December 31, 2014		
US$22 million	From January 2015 to February 2015	Sell USD/buy VND at 21,381 to 21,552
As at December 31, 2013		
US$122 million	From January 2014 to September 2014	Sell USD/buy RMB at 6.2348 to 6.3680

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

28. 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 was classified as current assets.

The structured bank deposit carried a minimum interest rate at 2.1% per annum plus a maximum additional interest rate of 1.5% per annum which was determined by reference to the returns of the underlying investments. The management considered the amount paid for the structured bank deposit approximated 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 was insignificant.

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28. Structured Bank Deposit/Bank Balances and Cash/Bank Overdrafts (continued)

(b) Bank balances and cash

The bank balances and short-term bank deposits are interest-bearing at market interest rate and are with an original maturity of three months or less. The bank deposits carry interest at rates ranged from 0.01% to 9.00% (2013: 0.01% to 8.00%) per annum during the year.

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

	2014 US$'000	2013 US$'000
USD	**3,855**	5,940
RMB	**174,834**	202,230
HKD	**6,887**	8,348
NTD	**1,620**	4,637
VND	**24,908**	9,682
Indonesian Rupiah ("IDR")	**10,884**	19,714

(c) Bank overdrafts

Bank overdrafts carried interest at market rates ranging from 5.88% to 6.10% (2013: 6.00% to 6.16%) per annum for the year ended December 31, 2014.

29. Inventories

	2014 US$'000	2013 US$'000
Raw materials	**278,588**	220,723
Work in progress	**159,058**	154,616
Finished goods	**882,801**	864,337
	1,320,447	1,239,676

30. Trade and Other Receivables

	2014 US$'000	2013 US$'000
Trade and bills receivables	**1,007,486**	1,028,008
Less: allowance for doubtful debts	**(16,592)**	(16,962)
	990,894	1,011,046
Other receivables (note)	**159,263**	174,860
Rental deposits, unamortised mould costs and prepayments	**108,613**	98,136
Deposits paid to trade suppliers	**61,482**	97,400
Value-added tax recoverable	**85,733**	66,604
Loan receivables (Note 24)	**–**	2,090
Consideration receivable for disposal of property	**–**	2,639
Consideration receivable for disposal of subsidiaries	**–**	4,722
	1,405,985	1,457,497

note: Included in other receivables are amounts due from associates, joint ventures, connected parties and a non-controlling interest of a subsidiary of US$10,489,000 (2013: US$11,120,000), US$15,646,000 (2013: US$12,083,000), US$6,397,000 (2013: US6,411,000) and US$4,826,000 (2013: Nil), respectively. Except for an aggregate amount of US$4,557,000 (2013: US$3,742,000) due from certain joint ventures which carries variable interest rate ranging from 2.88% to 6.16% (2013: 6.16% to 6.72%) per annum and US$4,826,000 (2013: Nil) due from a non-controlling interest of a subsidiary and carries fixed interest rate of 7.28% per annum, the remaining amounts are unsecured, non-interest bearing and repayable on demand. The remaining balance represents mainly the deposits paid for non-trade purchases and advances to suppliers for purchase of materials.

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of US$990,894,000 (2013: US$1,011,046,000) and an aged analysis based on invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	2014 US$'000	2013 US$'000
0 to 30 days	**647,422**	694,060
31 to 90 days	**315,265**	301,920
Over 90 days	**28,207**	15,066
	990,894	1,011,046

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

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30. Trade and Other Receivables (continued)

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$58,612,000 (2013: US$42,471,000) which were past due at the end of the reporting period but for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 90 days (2013: 90 days).

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

	2014 US$'000	2013 US$'000
Balance at beginning of the year	**16,962**	14,202
Impairment losses recognised on receivables	**3,839**	2,760
Amounts recovered during the year	**(4,209)**	–
Balance at end of the year	**16,592**	16,962

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$16,592,000 (2013: US$16,962,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

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

	2014 US$'000	2013 US$'000
RMB	**79,478**	63,710
HKD	**6,004**	4,849
NTD	**1,773**	6,109
VND	**10,197**	10,341
IDR	**4,227**	14,108

31. Assets Classified as Held for Sale

On December 31, 2014, the Group entered into a sale and purchase agreement with a non-controlling shareholder of Valuable Developments Ltd. ("Valuable Development") to dispose of 51% equity interests in Valuable Development for a consideration of approximately US$4.7 million. Valuable Development and its subsidiaries (collectively be referred to as "the Disposal Group") was principally engaged in manufacturing of foamed cotton. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months from December 31, 2014, 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, 2014.

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	2014 US$'000
Property, plant and equipment	3,477
Prepaid lease payments	711
Inventories	3,390
Trade and other receivables	5,853
Bank balances and cash	1,890
Total assets classified as held for sale	15,321
Trade and other payables	5,414
Bank borrowings	302
Total liabilities associated with assets classified as held for sale	5,716

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32. Trade and Other Payables

	2014 US$'000	2013 US$'000
Trade and bills payables	**459,897**	472,291
Accrued staff costs and bonus and other accruals	**488,929**	381,604
Other payables (note)	**320,640**	299,486
Construction payable	**15,305**	25,990
Receipts in advance from customers	**58,360**	53,151
Royalty payables	**–**	475
Consideration received in advance for assets classified as held for sale	**474**	–
	1,343,605	1,232,997

note: Included in other payables are amounts due to associates, joint ventures and connected parties of US$3,276,000 (2013: US$4,681,000), US$2,094,000 (2013: US$3,436,000) and US$23,880,000 (2013: US$20,647,000), respectively. The amounts relate to current accounts which are unsecured, non-interest bearing and repayable on demand. The remaining balances represented mainly deposits received from customers and value-added tax payables.

Included in trade and other payables are trade and bills payables of US$459,897,000 (2013: US$472,291,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2014 US$'000	2013 US$'000
0 to 30 days	**331,913**	340,889
31 to 90 days	**109,389**	112,363
Over 90 days	**18,595**	19,039
	459,897	472,291

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

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

	2014 US$'000	2013 US$'000
RMB	**142,329**	127,121
HKD	**13,189**	20,202
NTD	**38,158**	48,351
VND	**67,813**	55,721
IDR	**30,668**	36,155

33. Bank Borrowings

	2014 US$'000	2013 US$'000
Current portion of long-term bank borrowings (Note 34)	**–**	294,771
Short-term bank borrowings	**229,345**	224,528
Amount classified as current liabilities	**229,345**	519,299

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

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

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

	2014	2013
Effective interest rate:		
Variable rate borrowings	**1.02% to 6.33%**	0.80% to 7.02%

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

	2014 US$'000	2013 US$'000
USD	**58,610**	121,747
HKD	**–**	210,524
NTD	**1,421**	–

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34. Long-Term Bank Borrowings

	2014 US$'000	2013 US$'000
The long-term bank borrowings are unsecured and repayable:		
Within one year	–	294,771
In more than one year, but not exceeding two years	350,000	50,000
In more than two years, but not exceeding three years	–	350,000
In more than four years, but not exceeding five years	370,000	–
	720,000	694,771
Less: Amount due within one year included in current liabilities (Note 33)	–	(294,771)
Amount due after one year	720,000	400,000

notes:

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

	2014 US$'000	2013 US$'000
USD	–	50,000

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

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

	2014	2013
Effective interest rate:		
Variable rate borrowings	1.07% to 3.65%	1.09% to 2.98%

35. Deferred Taxation

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

	Accelerated tax depreciation US$'000	Revaluation of investment properties US$'000	Undistributed earnings of PRC and overseas entities US$'000 (note)	Fair value adjustments of intangible assets on business combinations US$'000	Tax losses US$'000	Accrual for severance allowance US$'000	Total US$'000
At January 1, 2013	4,562	3,801	3,437	33,508	(4,051)	–	41,257
(Credit) charge to profit or loss	(1,332)	335	237	(4,810)	1,139	(4,056)	(8,487)
Exchange realignment	–	–	60	853	(20)	–	893
At December 31, 2013	3,230	4,136	3,734	29,551	(2,932)	(4,056)	33,663
Acquired on acquisition of subsidiaries (Note 42)	–	–	–	1,403	–	–	1,403
(Credit) charge to profit or loss	(7,538)	1,174	(625)	(1,950)	1,849	(54)	(7,144)
Exchange realignment	–	–	(8)	(717)	80	–	(645)
At December 31, 2014	**(4,308)**	**5,310**	**3,101**	**28,287**	**(1,003)**	**(4,110)**	**27,277**

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

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

	2014 US$'000	2013 US$'000
Deferred tax assets	**(12,362)**	(8,858)
Deferred tax liabilities	**39,639**	42,521
	27,277	33,663

At December 31, 2014, the Group had unused tax losses of approximately US$423.6 million (2013: US$329.5 million). A deferred tax asset has been recognised in respect of such tax losses of approximately US$4.0 million (2013: US$11.8 million). No deferred tax asset has been recognised in respect of the remaining tax losses of US$419.6 million (2013: US$317.7 million) due to the unpredictability of future profit streams. Except for the unused tax losses of approximately US$186.1 million (2013: US$200.6 million) that will expire between 2015 and 2019, other unused tax losses may be carried forward indefinitely.

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35. Deferred Taxation (continued)

Deferred taxation has not been provided in respect of certain undistributed earnings of the Group's PRC subsidiaries arising after January 1, 2008, because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the relevant laws of PRC, withholding tax is also imposed on dividend declared in respect of profits earned by the subsidiaries of the Group. At December 31, 2014, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately US$306.1 million (2013: US$266.6 million).

Under the relevant laws of Taiwan, withholding tax is also imposed on dividend declared in respect of profits earned by the subsidiaries of the Group. The aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was US$1.9 million (2013: US$3.6 million).

On October 24, 2012, the Ministry of Finance of Vietnam issued Circular 180/2012/TT-BTC ("Circular 180") guiding financial treatment on severance allowance. According to the Circular 180, the accrual of severance allowance is no longer allowed and neither regarded as deductible expense since the effective date of Circular 180. Only the payment of severance allowance in line with Circular 180 shall be recorded as deductible overhead expense for Corporate Income Tax purpose. The amount of the temporary differences between the accrued expenses and payment of the severance allowance was US$54,000 (2013: US$4,056,000) which was recognised as deferred tax credit for the year.

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

36. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each		
At January 1, 2013, December 31, 2013 and December 31, 2014	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At January 1, 2013, December 31, 2013 and December 31, 2014	1,648,928,486	412,232

	US$'000
Shown in the consolidated financial statements as at December 31, 2013 and 2014	53,211

37. Information on the Financial Position of the Company

	2014 US$'000	2013 US$'000
ASSETS		
Property, plant and equipment	**493**	368
Investments in subsidiaries	**60,832**	60,832
Amounts due from subsidiaries	**1,462,773**	2,968,364
Available-for-sale investments	**9,130**	12,958
Sundry receivables	**3,850**	676
Derivative financial instruments	**–**	5,686
Bank balances and cash	**380,728**	344,106
	1,917,806	3,392,990
LIABILITIES		
Sundry payables	**2,934**	10,568
Dividend payable	**–**	28
Derivative financial instruments	**14,802**	–
Bank borrowings	**720,000**	630,524
Amounts due to subsidiaries	**3,183**	1,422,798
	740,919	2,063,918
NET ASSETS	**1,176,887**	1,329,072
CAPITAL AND RESERVES		
Share capital	**53,211**	53,211
Reserves (Note 38)	**1,123,676**	1,275,861
	1,176,887	1,329,072

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38. Reserves of the Company

	Share premium US$'000	Contributed surplus US$'000 (note a)	Other reserve US$'000 (note b)	Investments revaluation reserve US$'000	Shares held under share award scheme US$'000	Share award reserve US$'000	Retained profits US$'000	Total US$'000
At January 1, 2013	695,536	38,126	18,272	5,606	–	–	646,772	1,404,312
Profit for the period	–	–	–	–	–	–	240	240
Fair value loss on available-for-sale investments	–	–	–	(1,143)	–	–	–	(1,143)
Dividends (Note 11)	–	–	–	–	–	–	(127,548)	(127,548)
At December 31, 2013	695,536	38,126	18,272	4,463	–	–	519,464	1,275,861
Profit for the year	–	–	–	–	–	–	92,829	92,829
Fair value loss on available-for-sale investments	–	–	–	(3,828)	–	–	–	(3,828)
Purchase of shares under share award scheme	–	–	–	–	(8,814)	–	–	(8,814)
Recognition of equity-settled share-based payments	–	–	–	–	–	1,417	–	1,417
Dividends (Note 11)	–	–	–	–	–	–	(233,789)	(233,789)
At December 31, 2014	**695,536**	**38,126**	**18,272**	**635**	**(8,814)**	**1,417**	**378,504**	**1,123,676**

notes:

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

(b) Other reserves consist of USD Call Option 2015.

The premium received by the Company for USD Call Option 2015 of approximately US$18,272,000 was recognised as equity and presented in reserves as "other reserve".

Up to December 31, 2014, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

39. Share-Based Payment Transactions

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

(a) Share option scheme of the Company

The Company's share option scheme (the "Yue Yuen Share Option Scheme") was adopted pursuant to a resolution passed on February 27, 2009 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on February 26, 2019. Under the Yue Yuen Share Option Scheme, the board of directors of the Company may at its discretion grant any eligible participant, including inter alia, directors and employees of the Company and its subsidiaries, share options, as it may determine appropriate.

Without prior approval from the Company's shareholders,

(i) the total number of shares in respect of which options may be granted under the Yue Yuen Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue on the adoption date of the Yue Yuen Share Option Scheme. As at the date of this report, the total number of shares available for issue under the Yue Yuen Share Option Scheme is 164,892,848 shares representing 10% of the issued share capital of the Company; and

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

The exercise price is to be determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grants, (ii) the average closing price of the Company's shares for the five business days immediately proceeding the date of grant; and (iii) the nominal value of the Company's share.

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

(b) Share award scheme of the Company

On January 28, 2014, the Company adopted a share award scheme (the "Yue Yuen Share Award Scheme") to recognise the contributions by certain personnel of the Group and/or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder (the "Associated Entity") and to attract suitable personnel for further development of the Group. Under the Yue Yuen Share Award Scheme, the board of directors of the Company may at its discretion grant any eligible participant awarded shares, provided that the total number of awarded shares shall not exceed 2% of the issued share capital of the Company as at the date of grant, as it may determine appropriate. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital of the Company from time to time. Subject to early termination determined by the board of directors of the Company, the Yue Yuen Share Award Scheme is valid and effective for a period of ten years commencing on January 28, 2014, after which no further contribution to the trust fund of the Yue Yuen Share Award Scheme will be made by the Company.

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39. Share-Based Payment Transactions (continued)

(b) Share award scheme of the Company (continued)

The Yue Yuen Share Award Scheme is operated through a trustee which is independent of the Group. After the notification and instruction by the Company, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the period at which the directors of the Company are prohibited from dealing in shares by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. The directors would notify the trustee of the Yue Yuen Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the selected participant. Vesting of the award shares will be conditional on the selected participant remaining as an employee of the Group and/or Associated Entity on a vesting date and the board has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Company). An award shall automatically lapse forthwith when a selected participant has taken unpaid leave of absence and does not return to work before the expiry of 24 months from the original vesting date, or ceases to be an employee of the Group or an Associated Entity, or the company by which a selected participant is employed ceases to be a subsidiary of the Group or an Associated Entity, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or selected participant's employment is terminated for cause if the award has not been vested.

During the year ended December 31, 2014, 2,730,000 ordinary shares of the Company have been acquired at an aggregate cost of HK$68,347,000 (equivalent to approximately US$8,814,000). A total of 1,530,000 shares were granted to selected participants on March 27, 2014 and May 29, 2014 respectively but had not vested on December 31, 2014. The awarded shares shall be vested in the grantees provided that none of the performance evaluation rankings of the respective grantees during the vesting period is lower than specified level.

39. Share-Based Payment Transactions (continued)

(b) Share award scheme of the Company (continued)

Details of the awards, including the number of shares which were awarded according to the terms of the Yue Yuen Share Award Scheme during the year ended December 31, 2014 were as follows:

			Number of awarded shares			
	Date of grant	Vesting date	Balance as at January 1, 2014	Granted during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2014
Directors of the Company						
Lu Chin Chu	03.27.2014	03.27.2016	–	45,000	–	45,000
Lee Shao Wu	03.27.2014	03.27.2016	–	45,000	–	45,000
Liu George Hong-Chih	03.27.2014	03.27.2016	–	45,000	–	45,000
Sub-total			–	135,000	–	135,000
Employees of the Company	03.27.2014	03.27.2016	–	1,372,500	(45,000)	1,327,500
	05.29.2014	05.29.2016	–	22,500	–	22,500
Sub-total			–	1,395,000	(45,000)	1,350,000
Total			–	1,530,000	(45,000)	1,485,000

The fair values of the share awards as at the date of grant, determined by APAC Asset Valuation using the Black-Scholes Option Pricing Model, were totally amounted to HK$29,784,000 (equivalent to approximately US$3,842,000). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	March 27, 2014	May 29, 2014
Closing share price at the date of grant	HK$24.40	HK$24.15
Annual risk free rate	0.417%	0.300%
Expected volatility	30%	30%
Vesting period	2 years	2 years
Expected dividend yield	4.5%	4.5%

The closing prices of the Company's shares immediately before the grant of the awards on March 27, 2014 and May 29, 2014 were HK$23.95 and HK$24.35 per share respectively.

During the year ended December 31, 2014, the Group recognised a net expense of US$1,417,000 (2013: Nil) as equity-settled share-based payments in relation to the Yue Yuen Share Award Scheme.

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39. Share-Based Payment Transactions (continued)

(c) Share option scheme of Pou Sheng

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

Without prior approval from Pou Sheng's shareholders,

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

(ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time; and

(iii) options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors.

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

39. Share-Based Payment Transactions (continued)

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

The following tables disclose movements in the share options under the Pou Sheng Share Option Scheme during the two years ended December 31, 2014:

				Number of share options				
	Date of grant	Exercise price HK$	Exercisable period	Balance as at January 1, 2013	Lapsed/ cancelled during the year	Balance as at December 31, 2013	Lapsed/ cancelled during the year	Balance as at December 31, 2014
Current and former Employees/consultants of Pou Sheng								
	01.21.2010	1.62	01.21.2011 – 01.20.2018	6,159,000	(1,658,550)	4,500,450	–	4,500,450
			01.21.2012 – 01.20.2018	6,159,000	(1,658,550)	4,500,450	–	4,500,450
			01.21.2013 – 01.20.2018	10,368,000	(3,578,100)	6,789,900	–	6,789,900
			01.21.2014 – 01.20.2018	13,824,000	(6,102,800)	7,721,200	(400,000)	7,321,200
	01.20.2011	1.23	01.20.2012 – 01.19.2019	11,737,500	–	11,737,500	–	11,737,500
			01.20.2013 – 01.19.2019	8,362,500	(375,000)	7,987,500	–	7,987,500
			01.20.2014 – 01.19.2019	8,362,500	(2,385,000)	5,977,500	(477,500)	5,500,000
			01.20.2015 – 01.19.2019	8,362,500	(2,385,000)	5,977,500	(1,177,500)	4,800,000
	03.07.2012	1.05	03.07.2013 – 03.06.2020	750,000	–	750,000	–	750,000
			03.07.2014 – 03.06.2020	750,000	(375,000)	375,000	–	375,000
			03.07.2015 – 03.06.2020	750,000	(375,000)	375,000	–	375,000
			03.07.2016 – 03.06.2020	750,000	(375,000)	375,000	–	375,000
Total				76,335,000	(19,268,000)	57,067,000	(2,055,000)	55,012,000
Exercisable as at January 1, 2013, December 31, 2013 and December 31, 2014				24,055,500		36,265,800		49,462,000

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39. Share-Based Payment Transactions (continued)

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

During the year ended December 31, 2014, the Group recognised a net expense of US$1,000 (2013: net income of US$51,000) as equity-settled share-based payments in the consolidated income statement under the Pou Sheng Share Option Scheme 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$159,000 (2013: US$662,000).

(d) Share award scheme of Pou Sheng

Pou Sheng's share award scheme (the "Pou Sheng Share Award Scheme") was adopted pursuant to a board resolution passed on May 9, 2014. The objective of the Pou Sheng Share Award Scheme is to recognise the contributions by certain persons, including directors of Pou Sheng and employees of Pou Sheng Group (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of Pou Sheng Group, and to attract suitable personnel for further development of Pou Sheng Group. The Pou Sheng Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Pou Sheng Share Award Scheme is operated through a trustee which is independent of Pou Sheng Group. After the notification and instruction by Pou Sheng, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the period at which the directors of Pou Sheng are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by Pou Sheng.

The directors of Pou Sheng would notify the trustee of the Pou Sheng Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the Selected Participant. Vesting of the award shares will be conditional on the Selected Participants remaining an employee of Pou Sheng Group on a vesting date and the board of Pou Sheng has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Pou Sheng). An award shall automatically lapse forthwith when a Selected Participant has taken unpaid leave of absence and does not return to work before the expiry of 24 months from the original vesting date, or ceases to be an employee of Pou Sheng Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary, or an order for the winding-up of Pou Sheng is made or a resolution is passed for the voluntary winding-up of Pou Sheng, or Selected Participant's employment is terminated for cause if the award has not been vested.

During the year ended December 31, 2014, 20,000,000 ordinary shares of Pou Sheng were acquired for an aggregate cost of HK$9,084,000 (equivalent to approximately US$1,168,000).

39. Share-Based Payment Transactions (continued)

(d) Share award scheme of Pou Sheng (continued)

The following table discloses movements in the Pou Sheng's share awards under the Pou Sheng Share Award Scheme during the year ended December 31, 2014:

			Number of awarded shares			
	Date of grant	Vesting date	Balance as at January 1, 2014	Granted during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2014
Director of Pou Sheng						
Kwan, Heh-Der	09.01.2014	09.01.2017	–	1,200,000	–	1,200,000
Employees of Pou sheng	09.01.2014	09.01.2017	–	11,000,000	(700,000)	10,300,000
Total			–	12,200,000	(700,000)	11,500,000

The fair values of the share awards as at the date of grant, determined by APAC Asset Valuation using the Black-Scholes Option Pricing Model, amounted to HK$6,100,000 (equivalent to approximately US$787,000). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	September 1, 2014
Closing share price at the date of grant	HK$0.72
Annual risk free rate	0.71%
Expected volatility	47%
Vesting period	3 years
Expected dividend yield	Nil

The closing price of the Pou Sheng's shares immediately before the grant of the awards on September 1, 2014 was HK$0.75 per share.

During the year ended December 31, 2014, the Group recognised US$82,000 as equity-settled share-based payments in the consolidated income statement under the Pou Sheng Share Award Scheme.

The board of directors of Pou Sheng approved on March 20, 2015 to grant an aggregate of 8,900,000 awarded shares to certain employees of Pou Sheng Group pursuant to the Pou Sheng Share Award Scheme.

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40. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the bank borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

41. Financial Instruments

(a) Categories of financial instruments

	2014 US$'000	2013 US$'000
Financial assets		
Derivative financial instruments	6	5,685
Loans and receivables (including cash and cash equivalents)	2,120,346	2,105,511
Available-for-sale investments	28,394	29,322
Investments held for trading	2,489	2,983
Structured bank deposit	–	2,144
Financial liabilities		
Derivative financial instruments	14,835	–
Amortised cost	1,714,657	1,674,228
Consideration payable for acquisition of business	16,436	18,016

(b) Financial risk management objectives and policies

The Group's financial instruments include amounts due from associates, amounts due from joint ventures, long-term loan receivables, available-for-sale investments, derivative financial instruments, investments held for trading, trade and other receivables, bank balances and cash, structured bank deposit, bank overdrafts, trade and other payables, bank borrowings, consideration payable for acquisition of business and consideration payable for acquisition of additional interest in a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

41. Financial Instruments (continued)

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

Market risk

(i) Currency risk

Majority of the Group's turnover are denominated in USD. However, the Group has certain trade and other receivables, trade and other payables, bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate the currency risk, the Group has entered into forward and other foreign currency contracts to partially hedge USD against RMB. Details of the contracts are set out in Note 27. The Group regularly reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

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

	Assets		Liabilities	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
USD	**3,855**	5,940	**58,610**	171,747
RMB	**254,312**	265,940	**157,131**	127,121
NTD	**16,270**	25,205	**39,579**	48,351
VND	**35,111**	20,023	**67,846**	55,721
IDR	**15,111**	33,823	**30,668**	36,155
HKD	**27,139**	31,154	**13,189**	230,726

Sensitivity analysis

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

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

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41. Financial Instruments (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2013: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive (negative) number below indicates an increase (decrease) in profit before taxation when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (2013: 5%) weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	notes	**2014 US$'000**	2013 US$'000
(Loss) gain in relation to:			
– USD	(i)	**(2,738)**	(8,290)
– RMB	(i)	**4,859**	6,941
– NTD	(ii)	**(1,165)**	(1,157)
– VND	(ii)	**(1,637)**	(1,785)
– IDR	(ii)	**(778)**	(117)

notes:

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

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to amounts due from joint ventures (Note 22), long-term loan receivables (note 24), bank balances (Note 28(b)), bank overdrafts (Note 28(c)) and bank borrowings (Notes 33 and 34) due to the fluctuation of the prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The directors consider the Group's exposure of the bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

41. Financial Instruments (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For amounts due from joint ventures, variable-rate bank borrowings and bank overdrafts, the analysis is prepared assuming the carrying amount of assets and liabilities which carried floating interest rates and outstanding at the end of the reporting period were outstanding for the whole year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. A 100 basis points (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest-bearing amounts due from joint ventures, structured bank deposit, bank overdrafts and bank borrowings had been 100 basis points (2013: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the year would decrease by US$9,275,000 (2013: decrease by US$9,002,000). If interest rates were lower by 100 basis points (2013: 100 basis points), there would be an equal and opposite impact on the profit before taxation for the year.

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

(iii) Other price risk

The Group's available-for-sale investments and foreign currency derivatives at the end of the reporting period exposed the Group to other price risk. The Group's other price risk is mainly concentrated on equity instruments which operate in footwear industry. Details of those are set out in Notes 25 and 27.

Sensitivity analysis

(a) Available-for-sale investments

The Group is exposed to equity price risk through its available-for-sale equity investments. If the market price of the listed investment had increased/decreased by 10% (2013: 10%), the Group's reserve would increase/decrease by US$2,713,000 (2013: US$2,789,000) at December 31, 2014.

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41. Financial Instruments (continued)

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

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

(b) Foreign currency derivatives

For the outstanding foreign currency derivatives contracts, if the market forward exchange rate of USD had strengthened/weakened against RMB by 5% (2013: 5%), profit before taxation for the year ended December 31, 2014 would decrease/increase by US$740,000 (2013: decrease/increase by US$284,000) as a result of the changes in the market foreign currency forward exchange rate of USD against RMB.

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

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the guarantee given as set out in Note 46.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 56% (2013: 51%) of the trade receivables and the largest trade receivable was approximately 21% (2013: 22%) of the Group's total trade receivables. For both years, the five largest customers, which are internationally well known companies engaging in sports footwear and sportswear business with good financial position by reference to their respective published financial statements, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

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

41. Financial Instruments (continued)

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

Credit risk (continued)

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

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

The Group's concentration of credit risk by geographical locations of customers are mainly in the US, Europe and Asia which accounted for 30%, 21% and 40% (2013: 31%, 23% and 36%, respectively), respectively, of the trade receivables at December 31, 2014.

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

Liquidity risk

The Group has net current assets of US$2,113,170,000 (2013: US$1,851,737,000) as at December 31, 2014. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

41. Financial Instruments (continued)

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

Liquidity risk (continued)

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

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1 – 3 months US$'000	3 months to 1 year US$'000	1 – 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2014 US$'000
As at December 31, 2014							
Non-derivative financial liabilities							
Trade and other payables	–	663,213	86,773	14,776	–	764,762	764,762
Bank borrowings – variable rate	1.27	118,210	104,822	15,462	739,392	977,886	949,345
Consideration payable for acquisition for business	–	–	–	–	16,436	16,436	16,436
Consideration payable for acquisition of additional interest in a subsidiary	–	–	–	550	–	550	550
Financial guarantee contracts	–	100,601	–	–	–	100,601	–
		882,024	191,595	30,788	755,828	1,860,235	1,731,093
Derivatives - net settlement currency							
Structured forward contracts	–	14,835	–	–	–	14,835	14,835

41. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2013
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at December 31, 2013							
Non-derivative financial liabilities							
Trade and other payables	–	634,157	86,531	13,471	–	734,159	734,159
Bank borrowings – variable rate	2.06	206,150	11,908	305,759	405,257	929,074	919,299
Bank overdrafts	6.08	20,322	–	–	–	20,322	20,220
Consideration payable for acquisition for business	–	–	–	–	18,016	18,016	18,016
Consideration payable for acquisition of additional interest in a subsidiary	–	–	–	–	550	550	550
Financial guarantee contracts	–	92,933	–	–	–	92,933	–
		953,562	98,439	319,230	423,823	1,795,054	1,692,244
Derivatives - net settlement currency							
Structured forward contracts	–	–	–	–	–	–	–

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

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

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For the year ended December 31, 2014

41. Financial Instruments (continued)

(c) Fair value measurements of financial instruments

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

	2014 US$'000	2013 US$'000	Fair value hierarchy
Financial assets at FVTPL			
Structured bank deposit (note i)	**–**	2,144	Level 3
Derivative financial instruments Foreign currency derivatives (note ii)	**6**	5,685	Level 2
Investments held for trading (note iii)	**2,489**	2,983	Level 1
Available-for-sale investments			
Listed equity securities (note iv)	**27,125**	27,887	Level 1
Total	**29,620**	38,699	
Financial liabilities at FVTPL			
Derivative financial instruments Foreign currency derivatives (note ii)	**14,835**	–	Level 2
Consideration payable for acquisition of business (note v)	**16,436**	18,016	Level 3
	31,271	18,016	

41. Financial Instruments (continued)

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

notes:

(i) The fair value of the structured bank deposit was based on its redemption price from the bank, where a significant key input in the valuation model was the yields of the underlying debt instruments.

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

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

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

(v) Consideration payable for acquisition of business represents the amount that the Group may have to compensate vendor for the shortfall, if any, of the market value of the ordinary shares of Pou Sheng issued for the acquisition of a business in prior years below HK$4 each at the expiry of a pre-determined restricted period, until which the shares issued by Pou Sheng are placed in an escrow account and Pou Sheng's consent is required for any withdrawal.

The valuation technique adopted is Binomial Option Pricing Model whereas the key inputs to the valuation models include the share price of Pou Sheng's share at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model include the expected volatility with reference to the historical price volatility and the expected dividend yield of Pou Sheng. Both inputs are positively related to the fair value of the consideration payable for acquisition of business. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the consideration payable for acquisition of business would not be significant.

The fair value of the guaranteed compensation as at December 31, 2014 and 2013 are determined by APAC Asset Valuation, using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	2014	2013
Share price of Pou Sheng's share at date of valuation	**HK$0.74**	HK$0.40
Exercise price per share	**HK$4.00**	HK$4.00
Risk free rate	**0.58%**	0.65%
Expected volatility	**47%**	44%
Expected life of the guaranteed compensation	**1.89 years**	2.89 years
Expected dividend yield	**Nil**	Nil

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For the year ended December 31, 2014

41. Financial Instruments (continued)

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

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

	Structured bank deposit US$'000	Consideration payable for acquisition of business US$'000
At January 1, 2013	–	(17,980)
Unrealised loss, recognised in profit or loss (included in fair value changes in consideration payable for acquisition of business)	–	(43)
Purchase	2,144	–
Exchange realignment	–	7
At December 31, 2013	2,144	(18,016)
Unrealised gain, recognised in profit or loss (included in fair value changes in consideration payable for acquisition of business)	–	1,576
Purchase	9,743	–
Released on maturity	(11,887)	–
Exchange realignment	–	4
At December 31, 2014	**–**	**(16,436)**

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

At the end of the reporting period, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values, except for the available-for-sale investments measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

42. Acquisition of Subsidiaries/Acquisition of Additional Interests in Subsidiaries

For the year ended December 31, 2014

On April 7, 2014, the Group completed the acquisition of the entire equity interest in Welcome Wealth Properties Limited and its subsidiaries (the "Welcome Wealth Group"), which own a chain of retail stores of sportswear products and footwear products in the PRC and Taiwan, including the related tangible and intangible assets, from independent third parties, for the purpose of strengthening its market position and geographical coverage in the PRC and Taiwan sportswear market. The Group obtained control over the business on the date of completion of the acquisition, which has been accounted for using the purchase method. Further details of the acquisition, including considerations paid, assets acquired and liabilities recognised are set out below.

42. Acquisition of Subsidiaries/Acquisition of Additional Interests in Subsidiaries (continued)

For the year ended December 31, 2014 (continued)

	US$'000
Consideration for the acquisition:	
Cash consideration	6,760
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	109
Rental deposits and prepayments	703
Intangible assets	5,900
Inventories	4,375
Trade and other receivables (note i)	5,873
Bank balances and cash	2,019
Trade and other payables	(7,516)
Bank borrowings	(3,300)
Deferred tax liabilities	(1,403)
	6,760

	US$'000
Cash flows arising on acquisition:	
Cash consideration paid for acquisition	(6,760)
Less: bank balances and cash acquired	2,019
Net cash outflows	(4,741)
Acquisition-related cost (note ii)	15

notes:

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

(ii) The acquisition-related cost was recognised as an expense during the year.

(iii) Pro-forma revenue and profit

Included in the profit for the year ended December 31, 2014 was loss of US$51,000 attributable to the additional businesses generated by Welcome Wealth Group. Revenue for the year ended December 31, 2014 included US$26,331,000 generated from Welcome Wealth Group. Had the acquisition been completed on January 1, 2014, total Group revenue for the year ended December 31, 2014 would have been US$8,020,843,000, and the profit for the same year would have been US$342,517,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2014, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

42. Acquisition of Subsidiaries/Acquisition of Additional Interests in Subsidiaries (continued)

For the year ended December 31, 2013

During the year ended December 31, 2013, the Group acquired the remaining 18.32% equity interest in Grand Wealth Group Limited ("Grand Wealth") and 25.5% equity interest in New Peak Services Limited ("New Peak") for considerations of approximately US$3,754,000 and approximately US$5,497,000 respectively. Of the total consideration, approximately US$550,000 shall be payable after one year from the end of the reporting period and was classified as non-current (2014: payable within one year and classified as current). Grand Wealth and New Peak were investment holding companies and both of them became wholly-owned subsidiaries of the Group after the acquisition. The difference of approximately US$3,619,000 between the proportionate share of the carrying amount of the net assets and the consideration for the additional interest had been credited to other reserve.

43. Disposal of Subsidiaries

For the year ended December 31, 2014

During the year ended December 31, 2014, the Group disposed of 51% equity interest in High Shine Investments Limited and its subsidiaries ("High Shine") at an aggregate consideration of US$5,859,000. High Shine is principally engaged in manufacturing and sale of plastic shoe materials injection.

The aggregate amounts of the assets and liabilities attributable to the High Shine on the date of disposal are as follows:

	US$'000
Net assets disposed of:	
Property, plant and equipment	2,243
Inventories	5,105
Trade and other receivables	8,770
Bank balances and cash	1,794
Trade and other payables	(6,648)
Total net assets	11,264
Less: Non-controlling interests	(5,457)
	5,807
Gain on disposal of subsidiaries:	
Consideration received	5,859
Net assets disposed of	(11,264)
Non-controlling interests	5,457
Gain on disposal	52
Net cash outflow arising on disposal:	
Cash consideration received	227
Less: bank balances and cash disposed of	(1,794)
	(1,567)

43. Disposal of Subsidiaries (continued)

For the year ended December 31, 2014 (continued)

The subsidiary disposed of during the year ended December 31, 2014 did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

For the year ended December 31, 2013

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

43. Disposal of Subsidiaries (continued)

For the year ended December 31, 2013 (continued)

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

	US$'000
Net assets disposed of:	
Property, plant and equipment	3,123
Prepaid lease payments	18,527
Inventories	2,785
Trade and other receivables	8,305
Bank balances and cash	7,501
Trade and other payables	(6,317)
Total net assets	33,924
Less: Non-controlling interests	(2,209)
	31,715
Gain on disposal of subsidiaries:	
Consideration received and receivable	57,768
Net assets disposed of	(33,924)
Non-controlling interests	2,209
Fair value of 20% retained interest in Pou Ming as interest in an associate (note)	1,164
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	1,235
Gain on disposal	28,452
Net cash inflow arising on disposal:	
Cash consideration received during the year ended December 31, 2013	47,757
Less: bank balances and cash disposed of	(7,501)
	40,256

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

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

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

44. Operating Leases

The Group as lessee

The Group made the following lease payments during the year:

	2014 US$'000	2013 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	**31,012**	21,103
– retail shops	**57,099**	54,950
– plant and machinery	**203**	1,196
	88,314	77,249
Contingent rentals:		
– retail shops	**180,235**	157,379
	268,549	234,628

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

	2014 US$'000	2013 US$'000
Within one year	**53,052**	70,583
In the second to fifth year inclusive	**64,696**	83,336
After five years	**47,654**	43,730
	165,402	197,649

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

Included in the above are commitments under non-cancellable operating leases of approximately US$15.6 million as at December 31, 2014 which expire in 2017 (2013: US$6.1 million which expire in 2014), payable to related companies, Godalming Industries Limited ("Godalming") and its subsidiaries, details of which are set out in Note 48(e).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

44. Operating Leases (continued)

The Group as lessor

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

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

	2014 US$'000	2013 US$'000
Within one year	9,173	7,827
In the second to fifth year inclusive	16,204	12,753
After five years	33,920	44,341
	59,297	64,921

In addition to the basic rental receipts as disclosed above, the lease agreements with certain tenants also include provisions for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the turnover generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year ended December 31, 2014 was US$20,278,000 (2013: US$21,510,000), of which contingent terms of rental income arising from contingent lease contracts amounted to US$11,202,000 (2013: US$11,602,000).

45. Commitments

	2014 US$'000	2013 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	58,492	33,759
– acquisition of property, plant and equipment	10,265	3,991
– acquisition of the remaining interests in a joint venture	–	11,565
	68,757	49,315

Save as disclosed above, the Group had no other material capital commitments at December 31, 2014 and 2013.

46. Contingencies

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

	2014 US$'000	2013 US$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	**66,099**	62,208
– amount utilised	**41,335**	36,925
(ii) associates		
– amount guaranteed	**34,502**	30,725
– amount utilised	**2,217**	7,995

47. Retirement Benefits Schemes

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

The workers under subcontracting agreements and employees of the Group's subsidiaries in the PRC are subject to retirement benefit schemes established in the PRC. Specified percentages of their payroll are contributed to retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the contributions at rate specified under the schemes. No forfeited contributions are available to reduce the contribution payable in the future years.

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48. Connected and Related Party Transactions and Balances

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

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

(I) Connected and Related Parties

Name of connected and related party	Nature of transactions/balances	2014 US$'000	2013 US$'000
Substantial shareholder of the Company with significant influence:			
PCC and its subsidiaries, other than members of the Group (collectively the "PCC Group")	Purchase of raw materials and shoe-related products by the Group (note a)	**630**	450
	Merchandise costs reimbursed to PCC under the Services Agreements by the Group (note b)	**291,556**	288,216
	Expense reimbursed to PCC under the Services Agreements by the Group (note b)	**93,233**	96,953
	Service fees paid to PCC under the Services Agreements by the Group (note b)	**16,111**	15,187
	Rental expenses under the Rental Agreements paid by the Group (note c)	**874**	1,240
	Other rental expenses paid	**–**	56
	Interest expenses paid by the Group	**58**	86
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes by the Group (note a)	**5,017**	7,627
	Management services income received by the Group (note d)	**226**	324
	Balance due from/to as at year end and included in:		
	– trade receivables	**980**	2,705
	– trade payables	**33,879**	34,905
	– other receivables (note f)	**6,028**	6,227
	– other payables (note f)	**22,340**	19,184

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

(I) Connected and Related Parties (continued)

Name of connected and related party	Nature of transactions/balances	2014 US$'000	2013 US$'000
Companies controlled by a substantial shareholder of the Company with significant influence:			
Golden Brands Developments Limited ("Golden Brands") and its subsidiaries (collectively the "Golden Brands Group")	Management services income received by the Group (note d)	**53**	55
	Interest expenses paid by the Group	**310**	164
	Balance due from/to as at year end and included in:		
	– other receivables (note f)	**11**	11
	– other payables (note f)	**1,375**	1,460
Company of which a director of the Company is among the ultimate discretionary beneficiaries			
Godalming	Rentals paid on land and buildings by the Group (note e)	**4,880**	5,682
	Balance due from/to as at year end and included in:		
	– other receivables (note f)	**358**	173
	– other payables (note f)	**165**	3

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

(II) Connected Parties

Name of connected party	Nature of transactions/balances	2014 US$'000	2013 US$'000
Non-controlling shareholders of subsidiaries of the Company			
Power Plus Limited	Consideration paid by the Group for acquisition of additional interest in a subsidiary	–	3,754
	Consideration received by the Group for disposal of a joint venture	–	1,543
Wonderful World International Co., Ltd.	Consideration paid and payable by the Group for acquisition of additional interest in a subsidiary	–	5,497

(III) Other Related Parties

Name of related party	Nature of transactions/balances	2014 US$'000	2013 US$'000
Joint ventures	Purchase of raw materials by the Group	**134,975**	155,362
	Sales of shoe-related products by the Group	**18,029**	2,806
	Sales of sportswear products by the Group	**2,529**	3,905
	Management service income received by the Group	**2,724**	7,099
	Interest income received by the Group	**960**	1,055
	Interest expenses paid by the Group	**196**	124
	Rental income received by the Group	**1,280**	–
	Consideration received by the Group for disposal of High Shine (Note 43)	**5,859**	–
	Balance due from/to as at year end and included in:		
	– trade receivables	**1,733**	2,063
	– trade payables	**43,701**	39,196
	– other receivables (note f)	**15,646**	12,083
	– other payables (note f)	**2,094**	3,436

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

(III) Other Related Parties (continued)

Name of related party	Nature of transactions/balances	2014 US$'000	2013 US$'000
Associates	Purchase of raw materials by the Group	**49,288**	52,036
	Sales of shoe-related products by the Group	**7,425**	664
	Management service income received by the Group	**2,770**	4,143
	Service fee paid by the Group	**2,467**	1,340
	Exercise of convertible note receivables	**–**	10,362
	Consideration received by the Group for disposal of an associate	**–**	5,000
	Interest expenses paid by the Group	**24**	–
	Rental income received by the Group	**1,074**	–
	Balance due from/to as at year end and included in:		
	– trade receivables	**4,067**	4,430
	– trade payables	**7,195**	8,975
	– other receivables (note f)	**10,489**	11,120
	– other payables (note f)	**3,276**	4,681

(IV) Compensation of Key Management Personnel

	2014 US$'000	2013 US$'000
Short term benefits	**4,654**	5,038
Post employment benefits	**4**	4
	4,658	5,042

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

notes:

(a) During the year, the Group sold leather, moulds, finished and semi-finished shoe products and packaging boxes to PCC Group. In addition, the Group purchased raw materials, production tools and shoe-related products from the PCC Group. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on September 28, 2011 and by the board of directors on September 12, 2014. PCC is owned indirectly through Plantegenet Group Limited as to 7.24% by members of Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng (retired as an executive director of the Company on May 30, 2014), Ms. Tsai Pei Chun, Patty and Mr. David N.F. Tsai (resigned as an executive director of the Company on June 28, 2013).

(b) Pursuant to services agreement dated February 22, 1997, first supplemental services agreement dated January 9, 2007, second supplemental services agreement dated November 20, 2008, third supplemental services agreement dated August 25, 2011, fourth supplemental services agreement dated September 15, 2014 for a term of 3 months ended December 31, 2014 and fifth supplemented services agreement dated October 21, 2014 for a term of 3 years commencing from January 1, 2015 entered into between the Company and PCC (collectively the "Services Agreements"), the Company has engaged PCC to provide product research and development, know-how, technical and marketing services and to source raw materials and recruit staff in relation to the production and sale of the Group's products. The services to be provided by PCC may be provided by or through members of the PCC Group, but PCC will remain fully liable for the provision of these services. In consideration of the services provided by the PCC Group under the Services Agreements, the Company is obligated to reimburse the merchandise costs and expenses incurred by PCC.

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

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

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

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

(c) Certain subsidiaries of the Company and the PCC Group entered into four lease agreements on January 9, 2007 and the respective supplemental lease agreements on November 20, 2008 and August 25, 2011 (collectively the "Rental Agreements") for leasing of PCC Group's premises for a term of 3 years commencing from October 1, 2011. Details of the Rental Agreements are as follows:

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

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

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

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

For Rental Agreements disclosed in item (ii) above, the parties have entered into supplemental lease agreements on September 15, 2014 and October 21, 2014 for a term of 3 months ended December 31, 2014 and a term of 3 years commencing from January 1, 2015 respectively.

For Rental Agreements disclosed in item (iii) above, the parties have entered into supplemental lease agreement on September 15, 2014 for a term of 3 months ended December 31, 2014.

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

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

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

notes: (continued)

(d) Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into certain supplemental management service agreements with PCC and Golden Brands on January 9, 2007, November 20, 2008, August 25, 2011, September 15, 2014 for a term of 3 months ended December 31, 2014 and October 21, 2014 for a term of 3 years commencing from January 1, 2015 for the provision of management services to PCC and Golden Brands and their subsidiaries.

Golden Brands is owned as to 94.12% by a discretionary trust set up by Mr. Tsai Chi Jui, a substantial shareholder of the Company with significant influence, for the benefits of certain members of the Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng (retired as an executive director of the Company on May 30, 2014) and Ms. Tsai Pei Chun, Patty.

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

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

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

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

(iv) in respect of accommodation–related services, a services charge with reference to the price charged to independent third party for similar service.

(e) Godalming is owned by Power Point Developments Limited and a discretionary trust set up for the benefits of Mr. Tsai Chi Jui and certain members of the Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng (retired as an executive director of the Company on May 30, 2014) and Ms. Tsai Pei Chun, Patty. The rentals on properties paid to Godalming were based on a tenancy agreement dated June 8, 1992, together with a supplemental tenancy agreement which was entered into between the Group and subsidiaries of Godalming on August 25, 2011 for a lease term of 3 years commencing from October 1, 2011. The Group and the subsidiaries of Godalming have entered into supplemental tenancy agreements on September 15, 2014 and October 21, 2014 for a term of 3 months ended December 31, 2014 and a term of 3 years commencing from January 1, 2015 respectively.

The rental is based on the open market rates which are referenced to valuation performed by independent professional valuers.

(f) Except for the amounts due from joint ventures of approximately US$42,136,000 (2013: US$37,952,000) and amounts due from associates of approximately US$2,499,000 (2013: US$2,499,000), which are non-current in nature, the remaining amounts due from/to are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

49. Non-Controlling Interests

	Interests attributable to shares held in subsidiaries US$'000	Share options reserve of a listed subsidiary US$'000 (note i)	Other reserve of a listed subsidiary US$'000 (note ii)	Shares held under share award scheme of a listed subsidiary US$'000	Share award reserve of a listed subsidiary US$'000	Total US$'000
At January 1, 2013	405,820	6,063	6,725	–	–	418,608
Exchange difference arising on the translation of foreign operations	6,701	–	–	–	–	6,701
Loss for the year	(5,781)	–	–	–	–	(5,781)
Total comprehensive income for the year	920	–	–	–	–	920
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options not yet vested	794	(845)	–	–	–	(51)
Deemed partial disposal of interests in subsidiaries without losing control	710	–	–	–	–	710
Realised on deregistration of subsidiaries	(171)	–	–	–	–	(171)
Disposal of subsidiaries	(2,209)	–	–	–	–	(2,209)
Acquisition of additional interests in subsidiaries	(12,870)	–	–	–	–	(12,870)
Refund of investment cost in a subsidiary	(50)	–	–	–	–	(50)
Dividends paid to non-controlling interests of subsidiaries	(6,422)	–	–	–	–	(6,422)
Release upon lapse of contingently issuable shares	6,052	–	(6,725)	–	–	(673)

49. Non-Controlling Interests (continued)

	Interests attributable to shares held in subsidiaries US$'000	Share options reserve of a listed subsidiary US$'000 (note i)	Other reserve of a listed subsidiary US$'000 (note ii)	Shares held under share award scheme of a listed subsidiary US$'000	Share award reserve of a listed subsidiary US$'000	Total US$'000
At December 31, 2013	392,574	5,218	–	–	–	397,792
Exchange difference arising on the translation of foreign operations	(9,173)	–	–	–	–	(9,173)
Profit for the year	11,726	–	–	–	–	11,726
Total comprehensive income for the year	2,553	–	–	–	–	2,553
Purchase of shares under share award scheme	–	–	–	(1,168)	–	(1,168)
Recognition of equity-settled share-based payments, net of amounts forfeited relating to share options and share awards not yet vested	–	1	–	–	82	83
Realised on deregistration of subsidiaries	(1)	–	–	–	–	(1)
Disposal of subsidiaries	(5,457)	–	–	–	–	(5,457)
Acquisition of additional interests in subsidiaries	(1,614)	–	–	–	–	(1,614)
Dividends paid to non-controlling interests of subsidiaries	(9,727)	–	–	–	–	(9,727)
At December 31, 2014	**378,328**	**5,219**	**–**	**(1,168)**	**82**	**382,461**

notes:

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

50. Principal Subsidiaries

Details of the Company's principal subsidiaries at December 31, 2014 and 2013 are as follows:

Name of subsidiary	Country/ place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2014	2013	Principal activities
A-Grade Holdings Limited	BVI	US$9,000	**61.27%+**	61.27%+	Investment holding
Bangladesh Pou Hung Industrial Ltd	Bangladesh	US$4,800,000	**100%**	100%	Manufacture and sales of footwear
Baosheng Daoji (Beijing) Trading Company Limited	PRC**	US$40,000,000	**61.27%+**	61.27%+	Retailing of sportswear
Dah-Chen Shoe Materials Ltd.	Vietnam	US$437,500	**51%**	51%	Manufacture of shoe pads
Diodite (China) Sports Good Co., Ltd	PRC**	US$20,000,000	**61.27%+**	61.27%+	Retailing of sportswear
Dragon Light (China) Sporting Goods Co., Ltd	PRC**	US$66,000,000	**61.27%+**	61.27%+	Investment holding
Farsighted International Limited	BVI	US$100	**61.27%+**	61.27%+	Investment holding and its subsidiaries are engaged in retailing of sportswear and sports footwear
Forearn Company Ltd.	BVI	US$1	**100%**	100%	Manufacture of shoe moulds
Gold Plenty International Limited	BVI	US$1	**100%**	100%	Manufacture and sales of footwear
Great Pacific Investments Ltd.	BVI	US$1,000	**100%**	100%	Investment holding
Harbin Baosheng Sports Goods Company Limited	PRC***	RMB7,000,000	**61.27%+**	61.27%+	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC***	RMB1,000,000	**61.27%+**	61.27%+	Retailing of sportswear
High Shine Investments Limited	BVI	US$100	**–###**	51%	Investment holding

50. Principal Subsidiaries (continued)

Name of subsidiary	Country/ place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2014	2013	Principal activities
Highfull Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Idea (Macao Commercial Offshore) Limited	Macau	MOP100,000	**100%**	100%	Manufacture and sales of footwear
Key International Co., Ltd.	BVI	US$1	**100%**	100%	Investment holding
Kunshan Taisong Trading Co. Ltd.	PRC	US$14,000,000	**61.27%##**	–	Distribution of licensed products
Major Focus Management Limited	BVI	US$1	**100%**	100%	Investment holding
Murata Profits Limited	BVI	US$1	**100%**	100%	Investment holding
Myanmar Pou Chen Company Limited	Myanmar	US$29,880,000	**100%#**	–	Manufacture of footwear
P.T. Glostar Indonesia	Indonesia	US$12,000,000	**100%**	100%	Manufacture and sale of footwear
P.T. Nikomas Gemilang	Indonesia	IDR56,680,000,000	**99.38%**	99.38%	Manufacture and sale of footwear
P.T. Pou Chen Indonesia	Indonesia	US$24,000,000	**90%**	90%	Manufacture and sale of footwear
P.T. Pou Yuen Indonesia	Indonesia	US$9,000,000	**100%#**	–	Manufacture of footwear
Pou Yuen Cambodia Enterprise Limited	Cambodia	US$4,000,000	**100%**	100%	Manufacture and sales of footwear
Pau Yuen Trading Corporation	Taiwan	NTD50,000,000	**55.14%++**	55.14%++	Distribution of licenced products
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	**100%**	100%	Manufacture and sales of footwear
Pou Chien Chemical Co., Ltd.	Taiwan	NTD1,050,000,000	**100%**	100%	Investment holding
Pou Chien Chemical (Holdings) Limited	BVI	US$1	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

50. Principal Subsidiaries (continued)

Name of subsidiary	Country/ place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2014	2013	Principal activities
Pou Sheng	Bermuda*	HK$53,788,000	**61.27%**	61.27%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$57,000,000	**100%**	100%	Manufacture and sale of footwear
Pou Yu (Chengdu) Trading Co., Ltd	PRC**	US$22,400,000	**61.27%+**	61.27%+	Retailing of sportswear
Pou Yuen Industrial (Holdings) Limited	Hong Kong	Ordinary – HK$12,000,000	**100%**	100%	Investment holding and property holding
		6% cumulative preference – HK$433,600,000	**100%**	100%	
Pouyuen Vietnam Company Limited	Vietnam	US$86,406,000	**100%**	100%	Manufacture and sale of footwear
Prime Asia (S.E. Asia) Leather Corporation	BVI	US$1,000	**100%**	100%	Manufacture and sale of leather
Prime Asia Leather Corporation	BVI	US$50,000	**100%**	100%	Investment holding
Pro Kingtex Industrial Company Limited	BVI	US$13,792,810	**91.68%**	91.68%	Manufacture of apparel
Selangor Gold Limited	BVI	US$1,000	**61.27%+**	61.27%+	Investment holding
Sheng Gao Yisen Industry Co., Ltd.	PRC**	US$29,240,000	**100%**	100%	Manufacture and sale of footwear
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd	PRC**	US$66,000,000	**61.27%+**	61.27%+	Investment holding
Solar Link International Inc.	US	US$9,000,000	**100%**	100%	Manufacture and sale of footwear
Taiwan Taisong Trading Co. Ltd.	Taiwan	NTD30,000,000	**61.27%##**	–	Distribution of licensed products
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	**100%**	100%	Manufacture and sale of footwear

50. Principal Subsidiaries (continued)

Name of subsidiary	Country/ place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			2014	2013	
Top Units Developments Limited	BVI	US$100	**51%**	51%	Investment holding
Upturn Investments Limited	BVI	US$1	**100%**	100%	Manufacture of paper inner boxes and carton boxes
Wellmax Business Group Limited	BVI	US$9,000	**61.27%+**	61.27%+	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC***	RMB1,000,000	**61.27%+**	61.27%+	Retailing of sportswear
Yue Ming International Limited	Hong Kong	HK$1	**61.27%+**	61.27%+	Retailing of sportswear
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000 Non-voting deferred – HK$47,000,000	**100%** **100%**	100% 100%	Investment holding and property holding
Yunnan Orientsport Trading Co., Ltd.	PRC**	RMB56,100,000	**31.25%++**	31.25%++	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC***	RMB87,500,000	**36.76%++**	36.76%++	Property leasing and management
YY Sports Holdings Limited	BVI	US$1	**61.27%+**	61.27%+	Investing holding
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC***	RMB164,000,000	**61.27%+**	61.27%+	Retailing of sportswear

* Pou Sheng is a listed company on the Stock Exchange.
** These companies are wholly-foreign owned enterprises established in the PRC.
*** These companies are wholly-domestic owned enterprises established in the PRC.
\+ These companies were wholly-owned subsidiaries of Pou Sheng as at the end of the reporting period.
++ These companies were non-wholly owned subsidiaries of Pou Sheng as at the end of the reporting period.
\# These companies have been incorporated during the year.
\## These companies have been acquired during the year and were wholly-owned subsidiaries of Pou Sheng as at the end of the reporting period.
\### The company has been disposed of during the year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

50. Principal Subsidiaries (continued)

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

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

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

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

Principal activities	Country/place of incorporation/ establishment	Number of subsidiaries	
		2014	2013
Manufacturing and/or sales of footwear	PRC	**28**	28
	Indonesia	**7**	6
	Vietnam	**7**	7
	Macau	**2**	2
	Others	**8**	7
Investment holding and/or property holding	PRC	**19**	19
	HK	**39**	41
	Taiwan	**2**	2
	Macau	**1**	1
	Others	**86**	92
Manufacturing and/or sales of apparel and others	PRC	**13**	14
	Indonesia	**1**	1
	Vietnam	**7**	7
	Taiwan	**5**	5
	Others	**19**	21
Retailing business	PRC	**48**	52
	HK	**1**	1
	Taiwan	**3**	2
		296	308

FINANCIAL SUMMARY

	For the year ended September 30,		For the fifteen months ended December 31,	For the year ended December 31,	
	2010	2011	2012	2013	**2014**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	5,788,208	7,045,373	9,193,226	7,582,471	**8,013,432**
Profit before taxation	530,863	511,728	636,900	454,219	**380,058**
Income tax expense	(35,025)	(28,203)	(25,578)	(25,232)	**(37,312)**
Profit for the year/period	495,838	483,525	611,322	428,987	**342,746**
Attributable to:					
Owners of the Company	479,507	449,829	623,701	434,768	**331,020**
Non-controlling interests	16,331	33,696	(12,379)	(5,781)	**11,726**
	495,838	483,525	611,322	428,987	**342,746**

	As at September 30,		As at December 31,		
	2010	2011	2012	2013	**2014**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	5,725,322	6,473,264	6,836,110	6,992,706	**7,171,120**
Total liabilities	(1,948,819)	(2,366,587)	(2,414,714)	(2,256,256)	**(2,389,677)**
	3,776,503	4,106,677	4,421,396	4,736,450	**4,781,443**
Equity attributable to:					
Owners of the Company	3,371,056	3,653,768	4,002,788	4,338,658	**4,398,982**
Non-controlling interests	405,447	452,909	418,608	397,792	**382,461**
	3,776,503	4,106,677	4,421,396	4,736,450	**4,781,443**

Corporate Social Responsibility

企業社會責任

Corporate Social Responsibility
企業社會責任

By adhering to sustainable development as a strategy, the Group aims at providing safe and healthy working environment to its employees, strengthening talent development and training as well as promoting and enhancing implementation of supply chain management policies, environmental protection, community involvement and participation etc. through formulating and implementing various administrative policies which align the objectives of sustainable development and business operations.

本集團秉承永續發展策略，於為僱員提供安全健康的工作環境、人才培養及訓練、推動執行供應鏈管理政策、環境保護以及社區投入與參與等方面均有配套的管理政策、機制及措施，以貫徹永續發展及經營之目的。

1. Occupational safety and health

Realizing that employees are the most important partners to the Group's operation and production, the Group has been establishing a safe and standardized administration system to provide a safe and healthy working environment for the employees. On top of proactively promoting the evaluation and control over safety and health risks, the Group continues to improve working environment, as well as to prevent the occurrence of damages, illnesses and incidents related to work. The Group is also devoted to enhance employees awareness towards occupational safety, thereby reducing the injury risks of the employees at the workplace.

As such, besides complying with the laws and regulations pertaining to safety and hygiene, the Group has also set up the following administrative mechanisms and measures:

Administrative mechanisms on occupational safety and health

With respect to the systematic administration of safety and health at the workplace, the factories of the Group comply with the principles of the Occupational Health and Safety Assessment Series 18001(OHSAS 18001) and establish an administrative mechanism applicable to all factories according to their requirements. The risks on occupational safety and hygiene related to production are examined in a systematic manner, and improved and monitored on the basis of "Plan-Do-Check-Action" model to ensure the risks on occupational safety are administered and controlled effectively.

In the meantime, the Group has set up environmental, safety and hygiene committee ("ESH Committee") at each factory as well as the corresponding administration center. The committee reviews administrative matters related to environment, safety and hygiene on a monthly basis, so as to facilitate the effective and self administration of those matters. The results on the review at each factory area, as well as outstanding achievements, are shared and uploaded to the internal administration platform of the Group. By doing so, the overall achievements in the administration of safety and hygiene have been enhanced through the interactive learning and exchange opportunities.

1. 職業安全與健康

員工是本集團營運生產最重要的夥伴，為向僱員提供安全健康的工作環境，本集團逐步建立安全及標準化的管理制度。除積極推動安全健康風險的評估與管控，持續改善工作環境，防止與工作有關之傷害、疾病與事故的發生外，亦致力提升員工對職業安全之意識，降低員工職場受傷之風險。

為此，本集團除了遵守安全衛生的法規外，亦設立下列管理制度與措施：

職業安全衛生管理制度

在職場安全衛生的系統化管理方面，本集團旗下工廠參照職業安全健康管理體系18001(OHSAS 18001)之精神，依其需求建立各工廠適用之管理機制，系統化地徹查生產製造相關的職業安全衛生風險，並依照「規劃－執行－查核－行動」模式進行改善與監督，以確保有效地管理及控制職業安全的風險。

同時，本集團於每間工廠及各廠區行政中心均成立了環保能源暨安全衛生(「環安衛」)委員會，每月定期檢討環安衛相關的管理事項，以利有效自主管理環安衛與能源永續事項，並把各區環安衛相關事項的檢討結果及績優事項分享，上載至本集團內部管理平台，藉著提供互動溝通的學習交流機會，提升安全衛生管理的整體績效。

Corporate Social Responsibility
企業社會責任

1. Occupational safety and health (continued)

Standardized administrative measures

Other than complying with the relevant laws and regulations of the respective jurisdictions of the operation as well as the requirements of the customers, the Group also formulated its own "Administration Standards on Environment, Energy, Safety and Hygiene" and as a series of related administrative measures for compliance and implementation by all factories based on the Fair Labour Association's "Workplace Code of Conduct". The administration of occupational safety and health measures are being implemented in phases and in increasing intensity. The Group's ESH Committee is responsible for periodically conducting promotion and guidance over the progress of the abovementioned matters, and follow up on its implementation. Top-to-bottom evaluation is conducted at each factory area by the personnel assigned by the ESH Committee at the end of each year on the occupational safety and health mechanisms and their implementation results as a mean to monitor how the administrative measures as formulated by the Group are implemented by the factories at each area.

Machinery safety management

Machinery are used during the process of shoe manufacturing. Hence, the Group is particularly concerned with the safety issues for the employees who operate the machines and equipments and conducts safety control on the production machines with high risks and hazardous characteristics:

(1) Newly purchased machinery with high risks: machinery safety conditions are stipulated and required as one of the requisites for procurement and acceptance of the machinery.

(2) Existing machinery with high risks: proactively discuss with the machinery manufacturers on reasonable and effective solutions to improve safety, and gradually apply the solutions to all factories.

The Group expects to reduce the safety hazards of machinery so as to provide a safe working environment for its employees.

Administration of chemicals

Glue and chemical solution containing organic solvents are used in the course of shoes production. To minimize the health risks exposed to employees during the use of organic solvents, in addition to complying with the local laws as to the labeling and classified storage of the chemicals according to their names and hazardous level, the Group has also formulated codes for the safe use of chemicals and related general measures against hazards, including:

1. 職業安全與健康(續)

標準化管理措施

除符合營運業務所在地的相關法規及客戶要求外，本集團亦參照公平勞動協會「工廠行為守則」制定「環保能源暨安全衛生管理準則」以及一系列的配套管理辦法，供所有工廠遵循執行，並分階段關注各項職業安全衛生事項的深化管理。本集團環安衛委員會負責定期進行宣導及跟進落實狀況，於每年年底派員至各地廠區，由上而下進行職業安全健康管理制度及執行績效評估，藉此督導各區工廠落實執行本集團所訂之管理辦法。

機器安全管理

製鞋過程中需要使用機器輔助生產，因此，本集團特別關注操作員工使用機械設備時的安全問題，以及針對具高風險、高危害特性的生產機器來進行安全管控：

(1) 新購高危機器：設定機器安全條件，並列為採購及驗收的必要項目之一。

(2) 既有高危機器：主動與機器生產商討論合理、有效的安全改善方案，並逐步推展方案至所有工廠。

本集團期望能降低機器設備的安全隱患，為員工提供安全的工作環境。

化學品管理

製鞋生產過程中需使用到含有有機溶劑的膠水與化學藥水，為降低使用有機溶劑對員工健康帶來的風險，本集團除了遵守當地法例對化學品依其名稱及危害性進行標籤及分類存放外，亦制定化學品安全使用守則及相關的危害通識措施，包括：

1. Occupational safety and health (continued)

Administration of chemicals (continued)

(1) where quality requirements permit, water-soluble glue and water-soluble paint and ink will be gradually adopted for production in accordance with the customers' policies so as to reduce the diffusion of volatile organic solvent vapour;

(2) warning notices are posted at prominent locations close to the entrance of chemical storage area;

(3) employees working at the chemical storage area must wear personal protective equipment so as to prevent himself/herself from prolonged contact or inhalation of hazardous substances;

(4) emergency measures upon the occurrence of chemicals accidents have been formulated, for instance, in the event of a leakage, the source of leakage shall be completely cut off as well as using fire sand or aspiration cotton as blockage to avoid further leakage and to prevent chemicals from flowing into sewage, external water sources and soils; and

(5) education and training with relevant employees are conducted regularly, including knowledge on the hazardous feature of chemicals as well as its application, personal protective equipment and emergency measures. Meanwhile, emergency response drills for to chemicals leakage or fire are conducted regularly.

At present, the materials used by the Group's factories do not contain substances that are highly hazardous to human or to the environment. In particular, the glue that is used to bond the uppers and soles of shoes is gradually being switched to water solvent glue that is not hazardous to the environment and human.

1. 職業安全與健康(續)

化學品管理(續)

(1) 在品質要求容許下，配合客戶政策逐步使用水溶性膠與水溶性油漆墨作生產，以降低揮發性有機溶劑氣體的逸散；

(2) 在化學品存放區入口之顯眼位置張貼危害警告；

(3) 在化學品存放區工作之人員需配戴個人防護裝備，以防止長時間接觸或吸入有害物質；

(4) 制定化學品意外緊急應變措施：如在發生洩漏時應切斷洩漏源，並用消防沙或吸液棉等進行圍堵，防止進一步擴散；避免化學品流入排水溝、外部水源及土壤等；及

(5) 定期對相關員工進行教育訓練，包括：認識化學品的危害特性、使用注意事項、個人防護裝備及緊急應變措施等，並定期進行化學品洩漏或火災緊急應變演習。

目前，本集團工廠所使用的物料中並無對人體或環境具有高毒害疑慮之材料，其中黏合鞋面與鞋底之膠水也逐步改用對環境與人體無害之水溶性膠。

Corporate Social Responsibility
企業社會責任

1. Occupational safety and health (continued)

Administration of incidents regarding environment, safety and hygiene

The Group is concerned with the safety of the workplace and the employees. Various safety and hygiene administration projects have been continuously implemented so as to minimize the occurrence of injuries or accidents. Meanwhile, a major event notification mechanism was established by which environment, safety and hygiene incidents are classified into different levels according to the degree of seriousness. The incidents are notified according to the stated level and proceed with the implementation and monitoring of the improvement plan. In addition, the Group has also created administrative mechanisms on electronic notification, registration, investigation, improvement and case closing to facilitate effective case follow-up and maintenance of relevant information. The Group also conducts monthly statistical analysis on the data of each area as reported from the system so as to assess the reasons for the incidents and determine prevention strategies accordingly.

Fire safety management

In order to safeguard life and property, the Group adopts various measures to actively improve fire safety, such as preventing fire at the sources, preventing the expansion of disaster, emergency response and relief, etc. by investing in the improvement and implementation of relevant management mechanism so as to reduce the risk of fire.

(1) Improvement of fire fighting equipment: The Group has formulated the "administrative measures for fire safety" unifying and stipulating the fire fighting equipment required and safety design for the factories. All factories that are newly-constructed, added and altered shall comply with the design requirements provided by the Group, such as division of fire area, safety passages, fire extinguishers, fire sprinkler systems, fire chemical system, fire alarm equipments, exit signs, emergency lighting, etc.. A unified management mechanism has been set up for the design, construction, inspection and acceptance, maintenance and repair of the fire fighting equipment.

(2) Implementation of fire inspection: Independent fire inspection is carried out by the factories monthly. The administration centers of various regions also carry out joint fire inspection quarterly targeting power management, high-risk machinery and equipment, processes involving fire, fire prevention plan and fire fighting equipment, etc. Daily power control and inspection in the night time are also strengthened to prevent fire hazards.

1. 職業安全與健康（續）

環安衛事故管理

本集團關注工作環境與工作人員的安全，持續推動各項安全衛生管理工作，務求盡量減少工傷或意外事故的發生，同時建立重大事件通報機制，將環安衛事件依嚴重程度按內控機制分等級，再按級通報並展開改善計劃的落實與督導。此外，亦建立了電子化的通報、立案、調查、改善、結案管理機制，以便能有效地跟進事件及保存相關資料。本集團每月會就系統所申報的各區域事故數據進行統計分析，找出事故原因及訂立預防對策。

消防安全管理

本集團為了確保生命與財物安全，採取多種方式積極推動消防安全工作，在源頭預防火災、防止災害擴大及緊急應變救災等各方面，均投入改善經費及實施相關管理機制，以降低火災風險。

(1) 完善消防設備：本集團制定「消防安全管理辦法」，統一且明確規範工廠應具備之消防設備與廠房安全設計，凡新建、增建、變更使用之廠房均須依照本集團規定設計，如：防火區劃、安全通道、滅火器、消防灑水系統、消防化學系統、火警警報設備、出口指示燈、緊急照明燈等。消防設備之設計、施工、驗收、維護保養亦有統一之管理機制。

(2) 落實消防巡檢：工廠每月均進行消防自主巡檢，各地區行政中心每季亦進行消防聯合巡檢，針對電源管理、高危機器設備、涉火工序、防火規劃、消防設備等進行檢查；另亦特別加強每日之夜間電源管控與檢查，避免火災隱患。

1. Occupational safety and health (continued)

Fire safety management (continued)

(3) Implementation of infra-red scanning: Electrical safety is an essential part of fire prevention. The Group actively trains professional electricians and promotes the use of infra-red thermal imaging instrument by the factory to scan electrical components, socket switches, wires and cables periodically as a precautionary measure.

(4) Improvement of emergency response capability: Training of employees' immediate response and emergency relief capability can prevent the expansion of disaster and protect personal safety. In addition to periodic fire prevention education, training and evacuation drills, the factories also carry out disaster relief drills from time to time jointly with the external governmental fire fighting units, in order to improve the emergency response coordination capability.

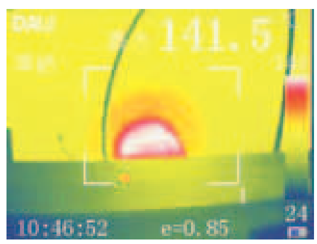
1. 職業安全與健康(續)

消防安全管理(續)

(3) 推動紅外線掃瞄：電氣安全為火災預防工作之重要環節，本集團積極培訓專業電工，推動工廠使用紅外線熱顯像儀器定期掃描電氣元件、插座開關、電線電纜，以防患於未然。

(4) 加強緊急應變能力：培養員工第一時間應變與救災能力，可防範災害擴大並確保人身安全。各工廠除了定期進行消防教育訓練與逃生疏散演習外，亦不定期與外部政府消防單位舉辦消防聯合救災演習，以提高協同救災能力。

Infra-red thermal imaging analysis and inspection instrument
紅外線熱影像分析檢測儀器



A diagram illustrating the unusual hot temperature inspected by the infra-red thermal imaging instrument
紅外線熱影像儀器掃描檢測之異常高溫顯示圖

The practical fire extinguishing training carried out by the fire fighting team of a factory
廠區消防隊滅火實務訓練

Water pressure test carried out by the fire fighting vehicles and fire hydrants of a factory
廠區消防車與消防栓水壓測試

Corporate Social Responsibility
企業社會責任

2. Training and education

The sustainability of an enterprise depends on the continuous education and development of its talents. Through a systematic, diversified and well-established talent development mechanism, the Group's employees are encouraged to enhance their self value, in order to strengthen the competitive edge of the Group's human resources.

The Group's plan on education and training

Based on the Group's operating visions and target requirements, the Group evaluates and explores the needs for its own, as well as for its individual employees, through systematic and professional means so that talent development plans and training outlines are formulated for the purpose of providing suitable training to the employees.

The Group's overall training planning includes working skills training for the base level employees, management training for middle and senior level supervisors, and training on the core values of the Group for employees at all levels. The purposes are to enhance the working skills of employees at various levels, to create consensus within the Group, and to raise recognition of the Group's values, thereby achieving optimal efficiency.

The Group deploys the functional appraisal and performance appraisal reviews for the purpose of arranging annual training courses aiming at employees' personal development and training needs at various units within the Group. In addition to enhancing professional expertise of the employees, the Group also provides relevant training on the management skills, self-development skills and working skills with the objective of improving the competitiveness of the Group's employees.

2. 訓練與教育

企業永續經營仰賴人才的持繼學習與發展。本集團透過系統化、多元化且完善的人才培育機制，鼓勵員工自我增值，提升人力資源的競爭優勢。

本集團教育訓練規劃

本集團透過系統化及專業化方式，按其經營願景及目標需求，評估和發掘本集團及個別員工的發展所需，擬定人才培育計劃及訓練藍圖，向員工提供合適的培訓。

本集團的整體訓練規劃包含對基層員工的工作技能培訓、中高階主管的管理培訓，以及各階層員工對本集團核心價值的培訓等，旨在提升各階層員工的工作技能，以及凝聚內部共識，認同企業價值，達至最佳經營效益。

本集團運用職能評鑑及年度績效評估結果，針對員工的個人發展計劃與各單位的年度訓練需求而安排年度訓練課程，除加強員工的專業知識外，亦對彼等之管理能力、自我啟發能力及工作技能等提供相關訓練，藉以提高本集團員工的競爭力。

2. Training and education (continued)

The Group's plan on education and training (continued)

The Group provided two major training programs to its employees in 2014:

(1) Overseas lecture tour

The Group had specially invited Professor Fang Lansheng to hold a total of 20 lectures in Vietnam, Indonesia, Mainland China and Taiwan, and shared with the employees about "Communication skills and EQ management". The Group expects that through lecture sharing, employees can have more in-depth understanding about effective communication, emotion control as well as care and respect.

(2) Special training sessions for core talents

Each year the Group holds a number of ad hoc special training sessions on the management of factory affairs and on the management of chemicals in Indonesia, Vietnam and China etc.. Learning and exchange seminars were also held every six months so as to exchange the professional experiences and enhance the skills among the employees. In 2014, the Group organized a special training session on chemical management as well as a learning and exchange seminar in southern China and two learning and exchange seminars in Indonesia and Vietnam respectively.

2. 訓練與教育(續)

本集團教育訓練規劃(續)

本集團於2014年為旗下員工提供了下列兩項大型培訓項目：

(1) 海外巡迴講座

本集團特別邀請方蘭生教授於越南、印尼、中國大陸及台灣等地舉行合共20場講座，與員工分享「溝通技巧與EQ管理」。本集團期望藉由演講分享，讓員工對有效溝通、情緒管控及關懷尊重等議題有更深的體悟。

(2) 關鍵人才培訓專班

本集團於印尼、越南及中國大陸等地每年均會不定期開辦廠務及化工專班供員工參與，課後並於每半年舉辦學習改善交流會，藉由彼此分享交流提升專業技能。本集團於2014年在中國華南地區開辦了化工專班並舉辦過一場學習改善交流會，在印尼、越南地區則各舉辦過兩場廠務學員學習改善交流會。

Overseas lecture tour-communication skills and EQ management
海外巡迴講座-溝通技巧與EQ管理

Special training session on chemical management in southern China
華南化工專班

Exchange seminar of management of factory affairs in Vietnam
越南廠務交流會

Exchange seminar of management of factory affairs in Indonesia
印尼廠務交流會

Corporate Social Responsibility
企業社會責任

3. Supply chain management

In order to ensure stable supply of materials, control of quality and efficiency, the Group entered into cooperation with top tier international enterprises by way of investment and thereby vertically integrated the supply of shoe materials. A shoe-material upstream supply chain was formed spanning over China, Indonesia and Vietnam. At the same time, the Group also ensures the prompt supply of various raw materials, molds, equipment and footwear accessories at designated quality and quantity through vertical integration, which would mitigate the impact from market fluctuation. Moreover, to enhance logistic operation standard, the Group has also entered into cooperation with reputable logistics companies in Hong Kong for the provision of comprehensive and related logistics services. As such, the vertical integration and logistics of shoe materials supply can be optimized.

With the international community, government organization and branded customers becoming increasingly aware of the environment, the Group also placed emphasis on the management performance of green supply chain. Since 2014, the management policies of green supply chain were promoted and implemented in a progressive manner. By introducing the concept, requirements and management objectives of green management to the suppliers that are in co-operation with the Group, the suppliers that fail to achieve the green criteria of the Group will be required to make improvement. Should the green criteria still not be met after improvement, those suppliers would be screened out.

In particular, the Group imposes the following requirements on the suppliers that are in cooperation with the Group, including, but not limited to:

- compliance with the administrative standards of the Group on the substances prohibited/restricted in use by the suppliers;
- signing of the green undertaking by the suppliers;
- compliance with the basic requirements and act according to the green criteria in an ongoing manner; and
- review on the suppliers through on-site audit on a non-regular basis and regular monitoring by the Group.

3. 供應鏈管理

本集團為穩定物料供貨、品質與時效管控，透過轉投資等方式與國際一流企業合作，垂直整合其上游鞋材供應，形成了一個分佈於中國大陸、印尼、越南等地的鞋材企業供應鏈。與此同時，本集團亦透過縱向整合，確保各種原材料、模具、設備及鞋類配件能夠按質按量快速供應，減少市場波動帶來的影響。此外，為了提高物流運營水準，本集團亦與香港知名物流公司合作，全面提供相關物流服務，從貨源和物流過程上優化鞋材的縱向整合與供應。

隨著國際社會、政府機構以及品牌客戶對綠色環保的日益關注，本集團對供應鏈綠色管理績效亦非常重視，自2014年起以循序漸進的方式推動及執行綠色供應鏈管理政策，將綠色管理之概念、要求及管理指標，全面導入本集團之合作供應商中。對於無法達到本集團綠色指標之合作供應商，本集團會要求彼等作出改善；改善後仍未達標者，則予以汰除。

本集團對合作供應商的要求包括(但不限於)以下幾點：

- 彼等須遵守本集團對禁用／限用物質的管理規範；
- 彼等須簽署綠色承諾書；
- 彼等須符合基本合規要求，並持續依照綠色指標行事；及
- 本集團透過不定期實地稽核及定期評核之方式監察合作供應商。

3. Supply chain management (continued)

On the other hand, the Group also fulfils the relevant standards set by brand customers on the designated material suppliers. In order to support the audit plan of the brand customers, the Group assists its customers to conduct audit and improvement process as to labor safety, hygiene, human rights and environment protection on the key designated suppliers each year. New suppliers are also required to pass the relevant audit standards of the brand customers before becoming the supply chain business partners endorsed by the Group and the brand customers.

4. Environment

By adhering to the principle of maintaining the balance between environmental protection and production, the Group is committed to the effective use of resources and minimize the impact on the environment from economic development. As such, the Group incorporated related concepts such as environmental protection, energy saving, carbon reduction, ecological concern, green buildings into its operational planning. Environmental and energy saving management projects were launched in different phases for contributing to environmental protection and undertaking its corporate social responsibility.

At present, the Group has already adopted the following measures in phases for environmental protection:

(1) Environment management system was introduced to implement the prevention and impact management against environment pollution

The Group has formulated related environmental protection measures or administrative standards for the implementation and compliance by its factories. At the same time, the Group encourages all factories to comply with the principles of the ISO 14001 environment management system and establishes an administrative mechanism applicable to all factories according to system requirements. The targets for environmental protection would be achieved through systematic administration.

(2) Production procedures were optimized so as to reduce the emission of pollutants and implement the management of pollution control

The Group formulated "Sewage Pollution Control Measures", with priorities in reducing volume at the sources and preventing the generation of waste water, followed by recycling. The factories at each region shall properly discharge of waste water to comply with the specifications of the Group and its customers as well as the statutory requirements.

3. 供應鏈管理(續)

另一方面，本集團亦尊重客戶對於指定物料供應商的相關規範。為配合品牌客戶的稽核計劃，本集團每年均協助客戶對主要指定供應商進行勞動安全與衛生、人權及環境保護等方面之稽核與改善輔導。新加入的供應商亦須通過品牌客戶的相關稽核標準後，方能成為本集團與品牌客戶認可的供應鏈商業夥伴。

4. 環境

本集團秉持環保與生產平衡兼顧之原則，致力善用資源，盡量減低經濟發展對環境帶來的衝擊。為此，本集團將環境保護、節能減碳、生態關懷、綠色建築等相關理念融入本集團的營運規劃當中，逐步推動具體之環保節能管理方案，為環保出一分力，以盡企業社會責任。

目前，本集團已逐步採取以下之環境保護措施：

(1) 引入環境管理系統，落實環境污染的防治與衝擊管理

本集團已制定相關環境保護措施或管理規範予旗下工廠執行及遵守，同時鼓勵所有工廠參照ISO14001環境管理體系之精神，依其需求建立各工廠適用之管理機制，藉由系統化管理模式達到環境保護的目標。

(2) 優化生產製程，減少污染排放，落實污染控制管理

本集團已制定「廢水污染防治管理辦法」，以源頭減量、預防產生為優先考量，回收再用次之，各地廠區務必妥善處理廢水，以符合集團及其客戶之規範及政府法令要求。

Corporate Social Responsibility
企業社會責任

4. Environment (continued)

(2) Production procedures were optimized so as to reduce the emission of pollutants and implement the management of pollution control (continued)

The Group has set up a series of chemical pre-treatment equipment for industrial sewage at each factory area. The highly polluted industrial sewage is prioritized for preliminary treatment. After being treated to a certain standard, the sewage is transferred to the large biological sewage treatment systems within the industrial park for secondary biodegradation treatment. The sewage treatment plant inside the industrial park has set up a dedicated laboratory for water quality testing and water quality monitoring. At the same time, local approved inspection agency is engaged regularly to conduct sample testing on water emission. The sewage after treatment is partially recycled to the factory area and partially emitted out of the factory.

(3) Reduced usage of hazardous materials and reduction of industrial waste and recycling of resources were promoted

Reduce the waste generated in the course of production

With respect to the waste arising from the course of production, the Group's strategy is to focus on the legitimate processing and transportation of waste, as well as reduction and reuse of the same. The practical operating principles refer to the following standards with an aim to use the best endeavor in reducing resource consumption and waste generation, as well as to promote resources recycling:

- use of cleaner production technologies and equipment to reduce the generation of waste scrap.
- use of environmentally-friendly materials to reduce the negative impact on the environment.
- to develop waste recycling technology and mechanism, and to reduce landfill or incineration that may cause a negative impact on the environment.
- Idle unused materials shall be processed before the validity period expires to avoid the extra waste.

4. 環境（續）

(2) 優化生產製程，減少污染排放，落實污染控制管理（續）

本集團各地廠區均有針對工業廢水設置一系列化學前處理設備，把污染程度較高的工業廢水先作初步處理，待達到一定標準後再納入工業園區內的大型廢水生物處理系統進行二級生物降解處理。工業園區內的廢水處理廠均設置專用水質實驗室進行水質檢測與監控，同時定期委託當地認可檢驗機構進行排放水水質採樣檢測。經處理後之廢水，部分回收到廠區循環再用，部分則排放至廠外。

(3) 減少使用危害性物質，推動工業減廢及資源循環再用

減少生產過程中產生的廢棄物

本集團工廠針對製程廢棄物之策略為著重合法清運處理與減廢再利用。實際操作則參照下列原則，努力減少資源消耗與廢棄物產生，並促進資源回收再用：

- 選用清潔生產技術與設備，減少廢棄邊角料的產生。
- 選用環保物料，降低對環境的負面影響。
- 開發廢棄物再利用技術與管道，減少掩埋或焚化對環境造成負面影響。
- 閒置未用之原材料應在有效期前進行處理，避免產生額外廢棄物。

4. Environment (continued)

(3) Reduced usage of hazardous materials and reduction of industrial waste and recycling of resources were promoted (continued)

Recycle of treatment water in the factory area

At present, recycled water in the factory area is mainly used for greenery irrigation, site cleaning and flushing. The Group will gradually increase the proportion of recycled sewage so as to meet waste reduction goals.

To use low pollution energy

The management strategies of the Group in energy consumption focus on:

- replacing fossil fuel that has high-polluting and high carbon emissions with electricity or clean fuel; and
- conducting inspection and monitoring of energy consumption so as to improve energy efficiency of equipment and reduce energy consumption.

The Group also formulated "Energy Management Measures" with the principles of rational use and gradual increase of efficiency in the use of energy and resources, including:

- in the construction of new factories, the green building norms of various countries are taken into references, and adding energy saving and environment protection design elements, such as natural light, high-efficiency lighting, ventilation and design to tackle low temperature, reduction of heat radiation, rainwater recycling and low environmental impact construction methods;
- when selecting energy-consuming equipment, those which are energy efficient, low-cost, low-carbon emission are used as benchmark for purchase;
- when updating the production procedures and equipment, priority are given to those equipment with high efficiency, energy saving, water saving; and
- supervisors at all levels regularly inspect energy consumption levels, and timely report at ESH Committee meeting with recommendations for improvement.

4. 環境(續)

(3) 減少使用危害性物質,推動工業減廢及資源循環再用(續)

廠區處理水循環再用

目前廠區內的回收水主要作園區綠化澆灌、場地清潔及沖廁等用途。本集團將逐年提高廢污水的循環再用比例,為減廢目標而努力。

採用低污染能源

本集團在能源使用的管理策略著重於:

- 汰換高污染及高碳排放量的石化燃料,改以電力或清潔型燃料取代之;及
- 進行能源使用檢查與監測,以提升設備能效及降低能源消耗量。

本集團亦制定「能源管理辦法」,以合理使用及逐步提升能源、資源的使用效益為原則,其中包括:

- 建設新廠房時參照各國綠色建築相關規範,加入節能環保設計因素,如:自然採光、採用高效率照明燈具、通風防寒設計、降低熱輻射、雨水回收再用與低環境衝擊建築方法等;
- 選用耗能機器設備時,以高效能、低消耗、低碳排為選購與汰換的基準目標;
- 更新製作程序及設備時,優先考慮採用高效能、省能源、省水的設備;及
- 各級主管定期查核能源使用狀況,並適時於環安衛委員會會議中提出報告與改善建議。

Corporate Social Responsibility
企業社會責任

5. Community involvement and participation

Care for employees

The Group considers a steady and harmonious labor relations being the foundation for the sustainable development of an enterprise. Therefore, the Group has used its best endeavours in promoting and improving labor relations so that the employees are able to recognize the care and attention provided by the Group. The Group continues to organise iCARE activities so as to foster employees loyalties and sense of belonging. The iCARE projects in 2014 focused on the following subjects:

In order to facilitate the quality of work at different factory areas, iCARE regularly conducts core values workshops for the local talents at each area. Simulation of the management situation as encountered in the daily work is usually used in the workshops. With training on the real case scenario, the local talents are entrusted and inspired in deploying their leadership abilities, organization and project management skills.

5. 社區投入與參與

關懷員工

本集團認為穩定和諧的勞資關係是企業永續發展的基礎，因此不斷致力促進及改善勞資關係，讓員工認同公司對他們的關心與重視。為提升員工歸屬感及凝聚向心力，公司持續舉辦iCARE 活動。2014年的iCARE計劃集中於以下幾項：

本集團為促進各區工廠的工作素質、iCARE於各區定期舉辦當地人才核心價值工作坊，內容多為模擬實際工作時會遇到的管理情境，藉由實際狀況的演練，授權與啟發當地人才致力發揮彼等的領導才幹，組織及項目管理技能。

5. Community involvement and participation (continued)

Care for employees (continued)

Work life balance

The Group cares about the work life balance of its employees. A variety of recreational activities, such as football games, basketball games, cooking contests are held monthly for its employees. There are also annual inter-regional events such as the annual singing contest in China and annual beauty contest in Vietnam as a way to provide relaxation to the employees after busy work as well as to promote interactions among the employees.

Rewarding employees

The Group is devoted to establish sound employee relations by conducting home visits and providing donation to employees in need. Meanwhile, funding has been set aside by the Group as scholarship for the children of the employees at each factory area each year. Furthermore, to avoid employees' turnover resulting from their need to stay at home to take care of their children during summer vacation, the Group also organizes children summer camp for relevant employees each year.

5. 社區投入與參與（續）

關懷員工（續）

工作與生活平衡

本集團關注員工的工作與生活平衡，每月為員工舉辦各種康樂活動，如：足球比賽、籃球比賽、廚藝競賽等，亦舉辦年度跨區域賽事如：中國區年度歌唱比賽及越南區年度選美競賽，讓員工在平日繁忙工作之餘，能放鬆身心及聯絡感情。

回饋員工

本集團致力於建立良好的員工關係，對有需要的員工進行家庭探訪及提供捐助。同時，本集團各區每年均預留撥備予員工子女作為獎學金。此外，為避免暑假期間部份員工需在家陪伴子女而導致人才流失，本集團每年均為相關員工舉辦年度留守兒童夏令營。

Annual beauty contest in Vietnam
越南區年度選美比賽

Cooking competition in Vietnam
越南區廚藝比賽

Summer camp for the children of employees
員工子女夏令營

Summer camp and parent-child sports day for Zhongshan district
中山區兒童夏令營親子運動會

Corporate Social Responsibility
企業社會責任

5. Community involvement and participation (continued)

Care for employees (continued)

Petites Fleurs Kindergarten (green building)

The Group has set up kindergarten at each area for the attendance by the employees' children. Among which, the Group, after due consideration, decided to build a kindergarten for employees' children at Bien Hoa City, Dong Nai province in Vietnam in March 2011 so that the local employees can attend work at ease. With the assistance of a brand customer and local politicians, the "*Petites Fleurs* Kindergarten" at Dong Nai, Vietnnam was formally completed.

The "*Petites Fleurs* Kindergarten" is a green building design for the Group to reflect its corporate social responsibility and benefit employees' children while moving ahead towards a sustainable operation. In terms of construction planning, the design adopted features such as low energy consumption, planting green roofs for lowering temperature, water-saving measures for reducing water consumption and the use of environmentally friendly building materials. The kindergarten received the green building rating certificate issued by the chief executive of the Vietnam Green Building Council (LOTUS) on 1 March 2014. It was also awarded by Designboom as one of the "World's top ten cultural buildings" and was further endorsed by the Vice President of Vietnam who named the kindergarten as "Petites Fleurs" kindergarten.

5. 社區投入與參與(續)

關懷員工(續)

小花朵幼稚園(綠色建築)

本集團在各區均設立便利員工子女就讀的幼稚園，其中集團經考量各方因素後，於2011年3月規劃在同奈省邊和市為工人子女興建一所幼稚園，讓當地的家長員工能安心在公司工作，在本集團其中一個知名品牌客戶及地方政要的協助下，位於越南同奈的「小花朵幼稚園」正式落成。

「小花朵幼稚園」是本集團展現企業社會責任嘉惠員工子女，走向永續經營的大方針下所推動的綠色建築設計，在建築規劃上採用低能源消耗、綠化植栽屋頂以降低溫度、節水措施以減省用水量及採用環保建材等設計，並通過越南綠色建築議會(Vietnam Green Building Council) (LOTUS)的綠色建築評價認證。該所幼稚園於2014年3月1日獲越南綠色建築議會的首席執行長頒發LOTUS 證書，更榮獲設計邦(Designboom) 評選為「世界十大文化建築」之一，並獲得越南國家副主席的肯定，將其命名為「小花朵」幼稚園。

Natural learning environment of Petites Fleurs Kindergarten
小花朵幼稚園大自然學習環境

The appearance of the sustainable green rooftop of Petites Fleurs Kindergarten
小花朵幼稚園三環永續綠屋頂的外觀

Children playground facilities of Petites Fleurs Kindergarten
小花朵幼稚園兒童遊憩設施

A photo taken together with VIPs on the opening ceremony of Petites Fleurs Kindergarten
小花朵幼稚園正式啟用貴賓合影

5. Community involvement and participation (continued)

Contribution to the community

Based on the philosophy of "taking from society, and paying back to society", the Group continues to commit in a variety of education and cultural and social welfare activities. An example of the social welfare activities for the Group is the departmental team building activities held quarterly during which the employees are encouraged to devote their love and care to charity work offering a comprehensive range of caring activities to the underprivileged groups in the community as well as to the natural environment.

The production bases of the Group span over many countries in Southeast Asia, including China, Indonesia, Vietnam, Bangladesh, Cambodia etc. Other than providing a large number of employment opportunities for the local population as well as community economic development, the Group also regularly conducts free rural health clinic consultation, local buildings repairment or donation of resources together with provision of scholarship/financial assistance. Through active assistance in the development of local community, education and culture, the Group has contributed to the local communities and promoted amicable relationship with the community at large.

5. 社區投入與參與(續)

回饋社區

本集團秉持「取之社會，回饋社會」的理念，持續傾力於各項教育文化及社會公益活動，出錢出力參與各項社會公益活動，如：透過每季部門團隊共識營活動，鼓勵員工將愛心轉成公益義工，全方位的展開對社區弱勢族群及自然環境的實際關懷行動。

本集團生產基地遍及東南亞各國，包括中國、印尼、越南、孟加拉、柬埔寨等地。除了為當地居民提供眾多就業機會與社區經濟發展之外，本集團亦進行定期性的偏鄉醫療義診、社區建築物修葺或資源捐贈、提供獎／助學金等，積極協助當地的社區、教育、文化上的發展，回饋當地社區，並促進本集團與社區的良好關係。

A propaganda for measles vaccination carried out by the Group with UNICEF of Vietnam

本集團與越南UNICEF宣傳防止麻疹疫苗

Free health clinic consultation provided by the Group with Marie Stopes International organization

本集團與Marie Stopes International組織提供義診服務

Cleaning activities carried out by the employees for the environment of the community

員工維護社區周遭環境清潔活動

Visit by the person-in-charge of UNICEF to one of the kindergartens of the Group

UNICEF負責人到訪本集團其中一間幼稚園

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