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

Incorporated in Bermuda with limited liability
於百慕達註冊成立之有限公司

Stock Code 股份代號：551

Annual Report 2015 年報

Our Mission

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

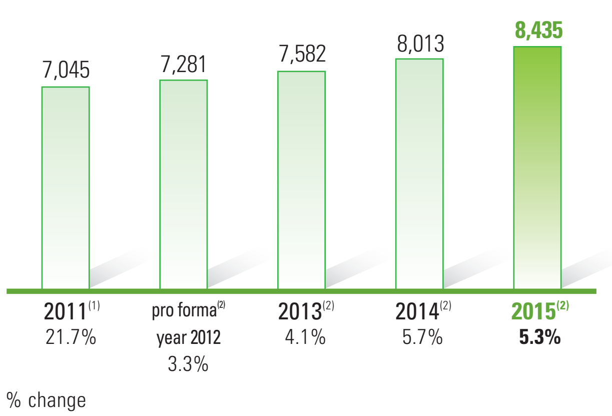
Corporate Overview

Financial and Operating Highlights for the year ended December 31, 2015 with the comparative figures for the year ended December 31, 2014

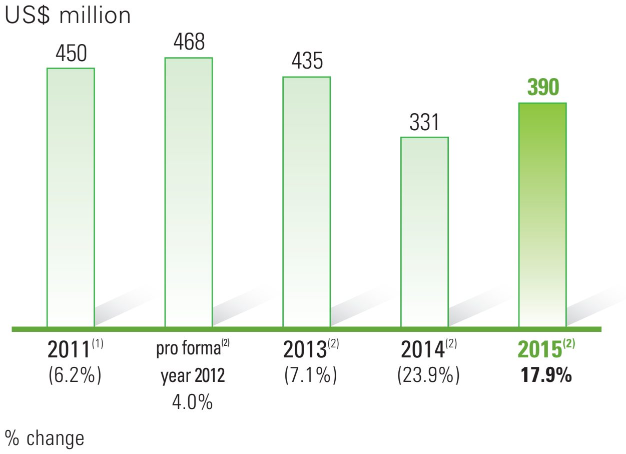
(US$ millions, except where otherwise stated)	2015	2014	% Change
Total Production Volume (million pairs)	**317.5**	307.1	3.4
Revenue	**8,434.9**	8,013.4	5.3
Profit attributable to Owners of the Company	**390.2**	331.0	17.9
Recurring Operating Profit attributable to Owners of the Company	**405.5**	430.5	(5.8)
Total Assets	**7,264.5**	7,171.1	1.3
Capital Expenditure	**444.9**	335.5	32.6
EBITDA	**682.8**	569.9	19.8
Basic Earnings Per Share (US cents)	**23.70**	20.09	18.0
Dividend Per Share			
Interim	**HK$0.40**	HK$0.35	14.3
Final	**(proposed) HK$0.80**	HK$0.80	–
Full Year	**(proposed) HK$1.20**	HK$1.15	4.3
Total Equity	**4,866.2**	4,781.4	1.8
Return on Equity (% per annum)	**8.7**	7.5	16.0
Gearing Ratio (%)	**16.5**	19.9	(17.1)
Net Debt to Equity Ratio (%)	**N/A**	N/A	N/A
Number of Outstanding Issued Shares	**1,648,928,486**	1,648,928,486	–

Key Shareholder Value Indices

Revenue
US$ million

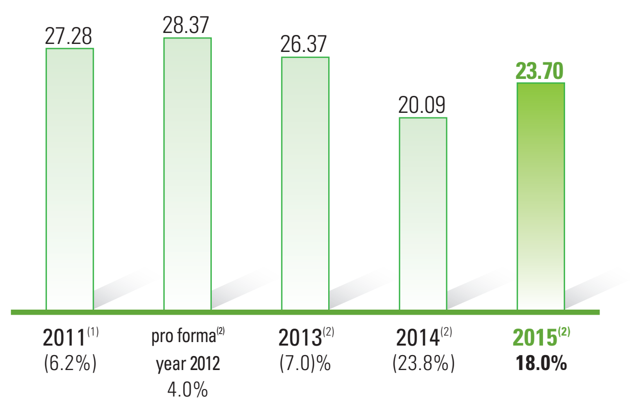


Profit Attributable to Owners of the Company
US$ million



Earnings Per Share

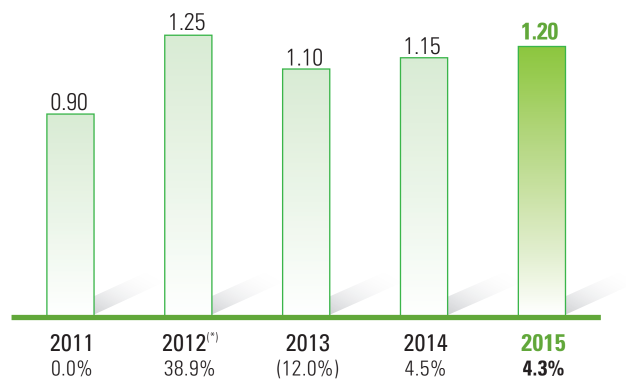
US cents



% change

Dividend Per Share

HK$

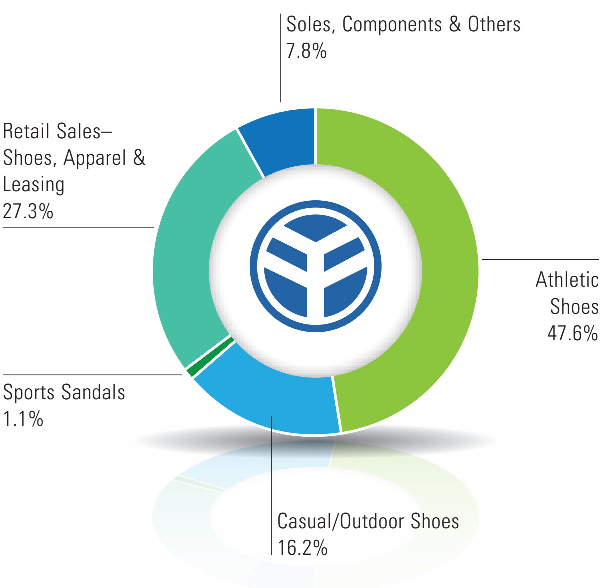


% change

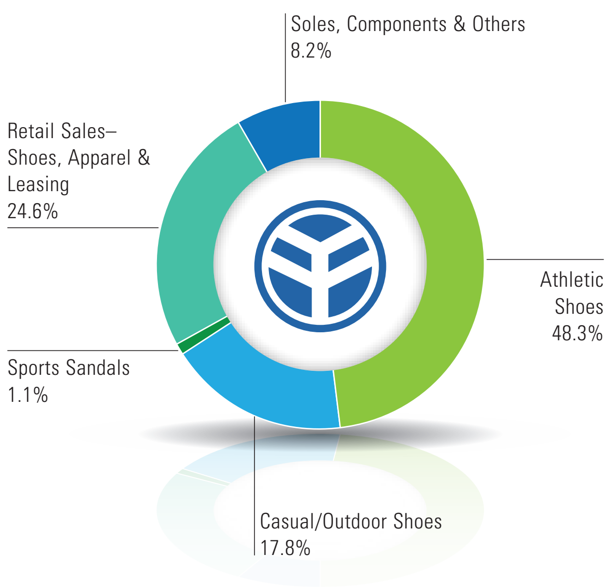
(1) For 2011, the figures represent the results for the fiscal year ended September 30.
(2) For pro forma year 2012 to 2015, the figures represent the results for the fiscal year ended December 31.
(*) It represents the fiscal period for the fifteen months ended December 31, 2012.

Product Category for the year ended December 31, 2015 with the comparative figures for the year ended December 31, 2014

2015 Revenue by Product Category



2014 Revenue by Product Category



Corporate Information

Executive Directors

Lu Chin Chu *(Chairman)*
Tsai Pei Chun, Patty[5] *(Managing Director)*
Kuo Tai Yu *(retired on March 2, 2016)*
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
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]

Notes:

1. *Member of audit committee*
2. *Chairman of audit committee*
3. *Member of remuneration committee*
4. *Chairman of remuneration committee*
5. *Member of nomination committee*
6. *Chairman of nomination committee*

Company Secretary

Ng Yuk Yee, Feona *(appointed on March 23, 2016)*
Chau Chi Ming *(resigned on March 23, 2016)*

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

Auditor

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

- Bank of America Merrill Lynch
- 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
Myanmar
Vietnam
Cambodia
Indonesia

Chairman's Statement

Looking for Sustainable Growth

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, 2015 to the shareholders of the Company (the "Shareholders").

In 2015, global economic activity remained subdued. Although a modest recovery continued in the advanced economies, the momentum varied across countries. The growth in the U.S. remained resilient while the economy in Europe and Japan required the overall financial conditions to remain accommodative for support. The overall growth in China is slowing and rebalancing underway between manufacturing and service activities. Geopolitical events, government actions in the world markets, and central bank actions in the different countries created uncertainties and hence volatilities in the world economies. In the face of these challenges, both the footwear manufacturing and the China retail businesses of the Group continued to make progress during the year.

For the footwear manufacturing business, the rebalancing and optimization of production capacity amongst the various production bases continued in 2015. Much of impetus for the rebalancing came from the need to help customers navigate the changing environment. The operating challenges faced by the footwear manufacturing business across regions remain much the same, including rising cost structure, government policies and labor related affairs. In response to these challenges, the Group continues to place more strategic emphasis on supply chain value creation, in addition to production economies of scale. In light of the challenges, the Group produced 317.5 million pairs of shoes in 2015, representing an increase of 3.4% compared to the same period last year.

Chairman's Statement

For Pou Sheng International (Holdings) Limited ("Pou Sheng"), the retail business, consumer spending in the People's Republic of China (the "PRC") still grew in 2015. Combined with the healthy inventory situation for the market, stable discounting activities and the continued leadership of international brands in the industry, Pou Sheng was able to achieve growth in sales and earnings on a year on year basis. Furthermore Pou Sheng's management continued to keep a vigilant eye over operations so that operating efficiency was stable and the store network remained focused primarily in the first and second tier cities. At the end of 2015, Pou Sheng had 4,943 directly operated stores/counters and 2,893 stores operated by sub-distributors in the PRC.

In 2015, the Group achieved growth in sales for both the footwear manufacturing and the retail businesses, when compared to the financial year ended December 31, 2014. Consolidated revenue of the Group increased by 5.3% to US$8,434.9 million, compared to US$8,013.4 million recorded in the financial year 2014. The consolidated net profit attributable to equity holders of the Company increased by 17.9% to US$390.2 million compared to US$331.0 million earned in year 2014. The rise in net profit was mainly due to on the manufacturing front, the lower base effect arising from the provision made in 2014 and on the retail side, the growth in consumer spending on functional footwear and apparel as well as improving profitability. When looking at the Group's listed subsidiary Pou Sheng, which owns the retail and brand licensee business in China, it was able to achieve sales of US$2,300.2 million, an increase of 16.1% compared to that recorded in the financial year 2014. Pou Sheng generated net profit attributable to equity holders of US$64.5 million in 2015, further improvement when compared to the financial year 2014 which had a net profit of US$4.6 million. The improvement in Pou Sheng's performance is a reflection of the growing demand for sportswear in the China retail environment along with management's ability in improving its level of operating efficiency.

Similar to previous reporting periods, the Asia region, which includes both manufacturing and retail activities, represented 48.1% of the Group's sales. The US and Europe markets accounted for 25.2% and 19.5% of the Group's sales respectively. The rest of the world accounted for the remaining 7.2%.

The Group's associated companies and joint ventures contributed a combined profit of US$82.2 million, which was an improvement compared to 2014's contribution of profit of US$78.4 million.

The Group will continue to explore ways to enhance its capabilities both for the footwear manufacturing and the retail businesses.

For the footwear manufacturing business, in addition to the ongoing rebalancing and optimization of production facilities across regions, the Group will commit more resources on innovation, including manufacturing automation, new materials and new designs, to assist brand customers to create exciting new products for end consumers and be able to flexibly manufacture and deliver the products to market with shortened lead time. The Group looks to provide the full range of services including product design, manufacturing and retail distribution in the Greater China market to better serve the needs of the brand customers. In doing so, the Group hopes to realize various synergies as well as to solidify the strong bond with the customers. The Group aims to be the solution provider and best partner to its brand customers.

For the retail business, Pou Sheng is optimistic about the long term future of the sports industry in the PRC as consumers become more aware of the benefits of physical activity. Pou Sheng will continue to enhance the shopping experience of its customers by offering more and better product selection and by increasing the ease of shopping via a combination of offline and online sales platforms.

The Group believes in the importance of sustainable development, which can only be achieved through a culture of corporate social responsibility. The Group will continue to focus on certain key elements in fulfilling its sustainable development strategy.

For more details please refer to our Environmental, Social and Governance Report published for financial year 2015.

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 support. 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 23, 2016

Management Discussion and Analysis

Build Value for Our Stakeholders

RESULTS

For the year ended December 31, 2015, the Group recorded revenue of US$8,434.9 million, representing a growth of 5.3% compared to the same period last year. Net profit attributable to owners of the Company increased by 17.9% to US$390.2 million compared to US$331.0 million recorded in the financial year 2014. Basic earnings per share for 2015 increased by 18.0% to 23.70 US cents compared to the financial year 2014's 20.09 US cents.

Recurring Operating Profit Attributable to Owners of the Company

For the year ended December 31, 2015, excluding all items of non-recurring operating in nature, the recurring operating profit amounted to US$405.5 million representing a decrease compared to the recurring operating profit of US$430.5 million in the same period in 2014. During the year 2015, the net non-recurring operating loss amounted to US$15.3 million, of which included a combined impairment loss of US$22.2 million on amounts due and investment in joint ventures, on property, plant and equipment and on consideration receivable for disposal of properties. The non-recurring operating loss was partly offset by non-recurring operating gains, of which included US$5.1 million gain on fair value changes on consideration payable for acquisition of business and US$3.2 million gain on disposal of joint ventures. For the year ended December 31, 2014, net profit attributable to owners of the Company included a net non-recurring operating loss that amounted to US$99.4 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.

Management Discussion and Analysis

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 2015 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.

Total Revenue by Product Category

The revenue for footwear manufacturing activity of the Group increased moderately in 2015 when compared to the revenue recorded in financial year 2014. The increase was attributed to the 3.4% increase in production volume. Gross profit margins for the manufacturing business were impacted by increased input costs, primarily rising compensation for workers, but were partly offset by a reduction in material costs due to commodity price trends. 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: 25% in the PRC, 42% in Vietnam, 32% in Indonesia and 1% in others.

When reviewing total revenue by product category, athletic shoes accounted for 47.6% of revenue. When considering only footwear manufacturing, then athletic shoes were the principal category representing 73.4% of footwear manufacturing revenue. Correspondingly, casual/outdoor shoes represented 24.9% of footwear manufacturing revenue. 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 revenue in retail sales for the Group increased in 2015 when compared to the revenue in financial year 2014. At the end of December 2015, the Group had 4,943 directly operated counters/stores and 2,893 stores operated by sub-distributors in the PRC. The operating environment for the sportswear retail business in the PRC had been positive despite the slowing economic growth in the PRC. Since management felt that consumer spending on sports footwear and apparel would remain robust, it decided to further expand the store network and this led to operating costs in aggregate to increase when compared to those reported in financial year 2014.

	For the year ended December 31,				
	2015		2014		
	US$ millions	**%**	US$ millions	%	**% change**
Athletic Shoes	**4,015.9**	**47.6**	3,870.4	48.3	**3.8**
Casual/Outdoor Shoes	**1,365.9**	**16.2**	1,429.1	17.8	**(4.4)**
Sports Sandals	**94.4**	**1.1**	85.1	1.1	**10.9**
Retail Sales – Shoes, Apparel & Leasing	**2,298.2**	**27.3**	1,975.7	24.6	**16.3**
Soles, Components & Others	**660.5**	**7.8**	653.1	8.2	**1.1**
Total Revenue	**8,434.9**	**100.0**	8,013.4	100.0	**5.3**

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

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

Management Discussion and Analysis

Production Review

During the year under review, the Group produced a total of 317.5 million pairs of shoes, whereas 307.1 million were produced in the year ended December 31, 2014. The average selling price for a pair of shoes was US$17.25, compared to US$17.53 for the year ended December 31, 2014.

Cost Review

With respect to the footwear manufacturing operations, total annual sales in 2015 amounted to US$6.1 billion (2014: US$6.0 billion) whereas the direct labor costs were US$1.1 billion (2014: US$1.0 billion). Total main material costs were US$2.6 billion (2014: US$2.6 billion) and total production overhead amounted to US$1.2 billion (2014: US$1.2 billion).

With respect to Pou Sheng, total annual sales amounted in 2015 to US$2.3 billion (2014: US$2.0 billion). Retail stock costs were US$1.5 billion (2014: US$1.4 billion).

For the Group, selling and distribution expenses for the year were US$777.8 million (2014: US$679.2 million), equivalent to approximately 9.2% (2014: 8.5%) of revenue. Administrative expenses for the year were US$682.2 million (2014: US$603.2 million), equivalent to approximately 8.1% (2014: 7.5%) of revenue. Since cost pressures continue to be significant in both the manufacturing and retail businesses, managements in both units continuously look for ways to improve productivity.

Product Development

During the year under review, the Group spent US$157.1 million (2014: US$177.3 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.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position was solid. As at December 31, 2015, the Group had cash and cash equivalents of US$1,031.4 million (2014: US$971.3 million) and total borrowings of US$803.2 million (2014: US$949.3 million). The gearing ratio (total borrowings to total equity) was 16.5% (2014: 19.9%). As at December 31, 2015, the Group had net cash amounting to US$228.2 million (2014: net cash US$22.0 million) which reflects the Group's desire to maintain financial flexibility in these volatile times.

Capital Expenditure

During the year under review, the capital expenditure for the manufacturing and retail business were US$398.1 million (2014: US$307.3 million) and US$46.8 million (2014: US$28.2 million), respectively.

The capital expenditure for fiscal year 2016 will also include capacity expansion in areas including Vietnam, Indonesia and Myanmar and the expansion of the Group's innovation center and will be funded primarily by internal resources.

Dividends

A final dividend of HK$0.80 per share for the year ended December 31, 2015 (2014: HK$0.80 per share) has been recommended, making the dividend per share for the year amount to HK$1.20 (2014: HK$1.15).

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 2015 was 65.4%.

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. A small portion of RMB exposure is 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, 2015, the Group had about 411,000 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

Changes in the operating environment for both the manufacturing and retail businesses require management to be flexible and keep various options available to maintain efficiency and quality. Investment is made in programs concerning supply chain integration and manufacturing excellence to improve quality and efficiency in production. The ability to bring new technologies and innovative materials to brand customers is essential for establishing strategic partnerships with them. Rebalancing and optimization of production capacity across the different countries remains a top priority. The retail business unit will continue to develop its sales and store opening strategies and inventory management so that in the medium to long term it will be a key partner to the brands it distributes and can continue to benefit from consumer spending on functional footwear and apparel in China.

Biographical Details of Directors and Senior Management

Treasure and Talents Connect People

Executive Directors

Mr. Lu Chin Chu, aged 62, 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 38 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 main board of 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 36, 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 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 main board of 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 65, 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 32 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 main board of the Stock Exchange, and certain subsidiaries of the Company. Mr. Kuo resigned from the position of a director of Wealthplus on February 23, 2016 and retired from the position of an executive director of the Company on March 2, 2016.

Biographical Details of Directors and Senior Management

Mr. Chan Lu Min, aged 61, joined the Group in 2001, is in charge of finance and accounting of the Group. He has 35 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 Company. 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 main board of the Stock Exchange, from June 28, 2002 to September 1, 2013.

Mr. Lin Cheng-Tien, aged 56, 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 was the head of a business unit of the Group and is the head of an Academy of the Group. He is also a director of certain subsidiaries of the Company. Mr. Lin has more than 25 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 52, 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. In January 2011, Mr. Lee joined the Company as Head of Strategic Investment Planning Department and was appointed as an executive director of the Company. He is also a director of certain subsidiaries of the Company.

Mr. Tsai Ming-Lun, Ming, aged 38, 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. Tsai is a nephew of Mr. Tsai Chi Jui, who is a deemed substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Hu Chia-Ho, aged 47, 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 was appointed as an executive director of the Company on March 20, 2015. He 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 43, 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. Mr. Liu was also a non-executive director of Symphony from August 20, 2014 to June 1, 2015.

Independent Non-executive Directors

Mr. Leung Yee Sik, aged 54, 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 75, 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 companies listed on the TSE, namely Alpha Networks Inc. and Solartech Energy Corp. He was appointed as a supervisor of San Fu Chemical Co., Ltd. in October 2012, a company listed on the TSE.

Mr. Chu Li-Sheng, aged 47, holds a Bachelor's Degree in Business Administration from Tatung University and Master's Degree in Business Administration from National Taiwan University. Mr. Chu was appointed as an independent non-executive director of the Company in June 2011. Mr. Chu is an independent director of Wellpool Co., Ltd., a company listed on OTC market in Taiwan, a lecturer in the Department of Business Administration at Asia University, and a supervisor of Trade-Van Information Services Co., a company listed on the TSE. Mr. Chu was a supervisor of Global Life Insurance Co., Ltd. from July 2012 to December 2013. Mr. Chu was appointed as an independent director of PharmaEngine, Inc. in June 2013, a company listed on OTC market in Taiwan.

Ms. Yen Mun-Gie (also known as Teresa Yen), aged 46, 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 was a non-executive director of HKC (Holdings) Limited ("HKC"), a company listed on the main board of the Stock Exchange, between October 3, 2007 and May 8, 2015. She is also 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 66, 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 was a director of Young Optics from June 13, 2012 to June 10, 2015. Mr. Hsieh is 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 58, 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 also a director of certain subsidiaries of the Company. He is a college graduate and has 19 years of experience in the footwear business.

Mr. Hsiao Tsai Yuan, aged 57, 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. He is also a director of certain subsidiaries of the Company.

Mr. Lee Cheng Chuan, aged 52, 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 is also a director of certain subsidiaries of the Company. He graduated from National Taipei University of Technology.

Mr. Yang Chie Chen, Charles, aged 58, holds a Master's Degree in Information Management from University of Maryland, Baltimore, US, and a Master's Degree in Enterprise Management from George Washington University, US. He joined the Group in 2015 and is now a vice president of the Group's innovation and research center. Before joining the Group, he had worked at Apache Footwear Co., Ltd. for 9 years as executive president. Mr. Yang was active in retail marketing and information industries and has over 12 years' experience in the footwear industry.

Mr. Lee Chun Yen, aged 48, 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. He is also a director of certain subsidiaries of the Company.

Mr. Shih Chih-Hung, aged 50, 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 is also a director of certain subsidiaries of the Company. He graduated from Chung-Yuan University.

Mr. Song Wan Fan, Johnny, aged 58, joined the Group in 1995. He is currently an executive assistant vice president of the Group and is responsible for the business development and production management of certain major brands. Before joining the Group, he had worked at renowned footwear companies in Taiwan and was responsible for product quality control and administration of factory affairs. He has over 20 years' experience in development and factory management.

Biographical Details of Directors and Senior Management

Mr. Chau Chi Ming, Dickens, aged 52, is a director of Finance & Treasury, responsible for daily financial management and treasury functions of the Group. He is also a director of certain subsidiaries of the Company. He was the company secretary of the Company from January 12, 2014 to March 23, 2016. 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 64, serves as a senior accounting manager overseeing the Group's accounting activities. He is also a director of certain subsidiaries of the Company. 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 34 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 55, 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 24 years of accounting experience.

Mr. Shum, Jerry, aged 50, 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.

Ms. Ng Yuk Yee, Feona, aged 45, joined the Group in 2015 and is the company secretary and Head of Legal and Company Secretary Department of the Group. Ms. Ng is a solicitor of the High Court of the Hong Kong Special Administrative Region and is experienced in handling legal and company secretarial matters. She holds a bachelor of laws with honors degree from City University of Hong Kong.

The directors of the Company (the "Directors") have the pleasure to present their annual report and the audited consolidated financial statements for the year ended December 31, 2015.

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, 2015 are set out in the consolidated income statement on page 61 of the annual report.

During the year, an interim dividend of HK$0.40 per share was paid to the Shareholders for the six months ended June 30, 2015. 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 7, 2016, amounting to approximately HK$1,317,537,000.

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group as at December 31, 2015 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 35 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, 2015, the Group made charitable and other donations totalling approximately US$0.9 million.

Distributable Reserves of the Company

As at December 31, 2015, the Company's reserves available for distribution to the Shareholders were US$790,981,000, which comprises contributed surplus of US$38,126,000 and retained profits of US$752,855,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended) (the "Companies Act of Bermuda"), 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 realizable 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)*
Tsai Pei Chun, Patty *(Managing Director)*
Kuo Tai Yu (retired on March 2, 2016)
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
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

Mr. Lee Shao Wu, Mr. Tsai Ming-Lun, Ming, Mr. Liu George Hong-Chih, Mr. Leung Yee Sik and Mr. Huang Ming Fu will retire by rotation at the forthcoming annual general meeting of the Company to be held on May 27, 2016 ("2016 AGM") in accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws") and, being eligible, will offer themselves for re-election.

Directors and Directors' Service Contracts (continued)

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 2016 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.

Permitted Indemnity Provisions

Under the Bye-laws, and subject to the applicable laws and regulations, the directors and officers of the Group shall be indemnified out of the assets and profits of the Company from or against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices provided that such indemnity does not extend to any matter in respect of any fraud or dishonesty. Such permitted indemnity provision has been in force throughout the year ended December 31, 2015. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Directors' and Chief Executives' Interests in Securities

As at December 31, 2015, 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") as set out in Appendix 10 of 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 *(Note 4)*
Lu Chin Chu	Beneficial owner *(Note 1)*	45,000	0.00%
Lin Cheng-Tien *(Note 2)*	Beneficial owner *(Note 1)*	45,000	0.00%
Lee Shao Wu	Beneficial owner *(Note 1)*	45,000	0.00%
Hu Chia-Ho *(Note 3)*	Beneficial owner *(Note 1)*	45,000	0.00%
Liu George Hong-Chih	Beneficial owner *(Note 1)*	45,000	0.00%

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 *(Note 5)*
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	0.36%
Chan Lu Min	Beneficial owner	851,250	0.02%
Liu George Hong-Chih	Interests of children under 18 and/or spouse	414,000	0.01%

Notes:

1. Each of Mr. Lu Chin Chu, Mr. Lin Cheng-Tien, Mr. Lee Shao Wu, Mr. Hu Chia-Ho 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. Mr. Lin Cheng-Tien was appointed as an executive director of the Company on March 20, 2015.

3. Mr. Hu Chia-Ho was appointed as an executive director of the Company on March 20, 2015.

4. The total issued share capital of the Company as at December 31, 2015 is 1,648,928,486 shares.

5. The total issued share capital of Pou Sheng as at December 31, 2015 is 5,379,308,615 shares.

Other than the interest 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, 2015.

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, 2015, 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, 2015, Ms. Tsai Pei Chun, Patty, who was a director of the Company, was also a director 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 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.

Directors' Interests in Competing Businesses (continued)

Between the Company and Symphony

Symphony is listed on the main board of the Stock Exchange. According to public information, the principal activities of Symphony and its subsidiaries include the retail and wholesale of apparel and footwear as well as outlet mall operation in the PRC, the retail and wholesale businesses of sportswear of the Group through Pou Sheng potentially competed with the businesses of Symphony.

As at December 31, 2015, Mr. Liu George Hong-Chih was a director of the Company and he was also a non-executive director of Symphony from August 20, 2014 to June 1, 2015.

As Symphony had been operating under separate and independent management, the Directors believed that the Company was capable of carrying on its business independent of, and at arms length from, Symphony.

The Company disposed all its shares in Symphony on May 20, 2015 and did not have any interests in Symphony as at December 31, 2015.

Between the Company and Eagle Nice

The Company holds indirectly 38.42% of the issued share capital of Eagle Nice as at December 31, 2015 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, 2015, Mr. Kuo Tai Yu, who was a director of the Company, 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, 2015, 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 recognizes the importance of attracting talents and retaining employees and the contributions by other eligible participants by providing them with incentives and rewards through granting share-based incentives so as to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. 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 share options to any eligible participants, including directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Yue Yuen Share Option Scheme is valid and effective for a period of ten years commencing from February 27, 2009 to February 26, 2019, after which no further options may be offered or granted.

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 approximately 10% of the issued share capital of the Company as at the date of this report.

Without prior approval from the Shareholders, the maximum number of shares issued and to be issued upon exercise of the options granted and to be granted (including exercised, cancelled and outstanding options) 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. Any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the twelve-month period up to and including the date of grant, in aggregate over of 0.1% of the shares of the Company in issue and with an aggregate value in excess of HK$5 million (equivalent to approximately US$0.6 million) must be approved in advance by the Shareholders.

The Board will specify the period within which the shares must be taken up under an option at the time of grant and such period shall not expire later than ten years from the date of grant.

The Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant.

A non-refundable consideration of HK$10.00 shall be paid by each grantee on acceptance of the options within 14 days from the date of grant.

Share Incentive Schemes (continued)

(a) *Share Option Scheme of the Company* *(continued)*

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

No share option has been 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 38 to the consolidated financial statements.

(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 recognize 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) 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 as it may determine appropriate 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. 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, 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.

Eligible participants selected by the Board for participation in the Yue Yuen Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Yue Yuen Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

Share Incentive Schemes (continued)

(b) *Share Award Scheme of the Company (continued)*

Details of the movements of the awards during the year ended December 31, 2015 were as follows:

			Number of awarded shares				
	Date of grant	Vesting date	Outstanding at January 1, 2015	Reclassification during the year	Granted during the year	Lapsed/ Cancelled during the year	Outstanding at December 31, 2015
Directors of the Company							
Lu Chin Chu	27.03.2014	27.03.2016	45,000	–	–	–	45,000
Lin Cheng-Tien *(Note 1)*	27.03.2014	27.03.2016	–	45,000	–	–	45,000
Lee Shao Wu	27.03.2014	27.03.2016	45,000	–	–	–	45,000
Hu Chia-Ho *(Note 2)*	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	90,000	–	–	225,000
Employees of the Company	27.03.2014	27.03.2016	1,327,500	(90,000)	–	(45,000)	1,192,500
	29.05.2014	29.05.2016	22,500	–	–	–	22,500
Sub-total			1,350,000	(90,000)	–	(45,000)	1,215,000
Total			1,485,000	–	–	(45,000)	1,440,000

Notes:

1. Mr. Lin Cheng-Tien was appointed as an executive director of the Company on March 20, 2015.

2. Mr. Hu Chia-Ho was appointed as an executive director of the Company on March 20, 2015.

During the year ended December 31, 2015, the Group recognized a total expense of US$1,764,000 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 38 to the consolidated financial statements.

Share Incentive Schemes (continued)

(c) *Share Option Scheme of Pou Sheng*

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

On 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 participant share options, as it may determine appropriate. The Pou Sheng share option scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further share options 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 a share option, who is an employee or a director of the Pou Sheng Group, ceases to be a participant under the Pou Sheng Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the Pou Sheng Board may by written notice to such grantee within one month from (and including) the date of cessation or termination of such employment or directorship determine whether such 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.

Pursuant to the terms of the Pou Sheng Share Option Scheme, the total number of shares which may be issued upon exercise of all share options to be granted under the Pou Sheng Share Option Scheme shall not exceed 10% of the total number of Pou Sheng's issued shares as at the date on which dealings in Pou Sheng's shares first commence on the Stock Exchange (i.e. June 6, 2008) (being 355,000,000 shares).

As at the date of this report, the total number of shares available for issue under the Pou Sheng Share Option Scheme is 328,935,000 shares, representing approximately 6.17% of the total number of Pou Sheng's issued shares. As at December 31, 2015, an aggregate of 54,612,000 shares are issuable for share options granted (including 54,237,000 shares for fully-vested share options) under the Pou Sheng Share Option Scheme, representing approximately 1.02% of the total number of Pou Sheng's issued shares.

Further details of the Pou Sheng Share Option Scheme are set out in Note 38 to the consolidated financial statements.

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$	Vesting date	Exercisable period	Number of share options: Outstanding at January 1, 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2015
Employees/Consultants of Pou Sheng								
21.01.2010	1.62	21.01.2011	21.01.2011–20.01.2018	2,500,950	–	–	–	2,500,950
		21.01.2012	21.01.2012–20.01.2018	2,500,950	–	–	–	2,500,950
		21.01.2013	21.01.2013–20.01.2018	5,001,900	–	–	–	5,001,900
		21.01.2014	21.01.2014–20.01.2018	6,669,200	–	–	–	6,669,200
20.01.2011	1.23	20.01.2012	20.01.2012–19.01.2019	4,800,000	–	–	–	4,800,000
		20.01.2013	20.01.2013–19.01.2019	4,800,000	–	–	–	4,800,000
		20.01.2014	20.01.2014–19.01.2019	4,800,000	–	–	–	4,800,000
		20.01.2015	20.01.2015–19.01.2019	4,800,000	–	–	–	4,800,000
07.03.2012	1.05	07.03.2013	07.03.2013–06.03.2020	375,000	–	–	–	375,000
		07.03.2014	07.03.2014–06.03.2020	375,000	–	–	–	375,000
		07.03.2015	07.03.2015–06.03.2020	375,000	–	–	–	375,000
		07.03.2016	07.03.2016–06.03.2020	375,000	–	–	–	375,000
Sub-total				37,373,000	–	–	–	37,373,000
Former Employees of Pou Sheng								
21.01.2010	1.62	21.01.2011	21.01.2011–20.01.2018	1,999,500	–	(60,000)	–	1,939,500
		21.01.2012	21.01.2012–20.01.2018	1,999,500	–	(60,000)	–	1,939,500
		21.01.2013	21.01.2013–20.01.2018	1,788,000	–	(105,000)	–	1,683,000
		21.01.2014	21.01.2014–20.01.2018	652,000	–	–	–	652,000
20.01.2011	1.23	20.01.2012	20.01.2012–19.01.2019	6,937,500	–	(150,000)	–	6,787,500
		20.01.2013	20.01.2013–19.01.2019	3,187,500	–	(25,000)	–	3,162,500
		20.01.2014	20.01.2014–19.01.2019	700,000	–	–	–	700,000
		20.01.2015	20.01.2015–19.01.2019	–	–	–	–	–
07.03.2012	1.05	07.03.2013	07.03.2013–06.03.2020	375,000	–	–	–	375,000
		07.03.2014	07.03.2014–06.03.2020	–	–	–	–	–
		07.03.2015	07.03.2015–06.03.2020	–	–	–	–	–
		07.03.2016	07.03.2016–06.03.2020	–	–	–	–	–
Sub-total				17,639,000	–	(400,000)	–	17,239,000
Grand total				55,012,000	–	(400,000)	–	54,612,000

Saved as disclosed above, no share options had been granted, exercised, lapsed or cancelled in accordance with the terms of the Pou Sheng Share Option Scheme during the year.

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, 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 2% 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 1% of the issued share capital of Pou Sheng from time to time.

Eligible participant(s) selected by the Pou Sheng Board for participation in the Pou Sheng Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Pou Sheng Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

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	Outstanding at January 1, 2015	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2015
Director of Pou Sheng							
Kwan, Heh-Der	01.09.2014	01.09.2017	1,200,000	–	–	–	1,200,000
Sub-total			1,200,000	–	–	–	1,200,000
Employees of Pou Sheng							
In aggregate	01.09.2014	01.09.2017	10,300,000	–	–	(2,000,000)	8,300,000
	21.03.2015	21.03.2018	–	8,900,000	–	(352,000)	8,548,000
	14.08.2015	14.08.2018	–	10,270,000	–	(580,000)	9,690,000
Sub-total			10,300,000	19,170,000	–	(2,932,000)	26,538,000
Grand total			11,500,000	19,170,000	–	(2,932,000)	27,738,000

Further details of the Pou Sheng Share Award Scheme are set out in Note 38 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, 2015, 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	
Pou Chen Corporation ("PCC")	(a)	824,143,835	49.98%
Wealthplus Holdings Limited ("Wealthplus")	(a)	773,156,303	46.89%
Max Creation Industrial Limited ("Max Creation")	(b)	115,001,998	6.97%
World Future Investments Limited ("World Future")	(c)	115,001,998	6.97%
Mr. Tsai Chi Jui	(c)	115,321,998	6.99%
Ms. Tsai Huang Shu Man	(c)	115,321,998	6.99%
Merrill Lynch & Co. Inc.	(d)	99,315,703	6.02%
Commonwealth Bank of Australia	(e)	82,750,791	5.02%
		Short position	
Merrill Lynch & Co. Inc.	(d)	109,341,792	6.63%

* The total issued share capital of the Company as at December 31, 2015 is 1,648,928,486 shares.

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 of the Company, are also directors of PCC. Ms. Tsai Pei Chun, Patty, Mr. Chan Lu Min (who are directors of the Company) and Mr. Kung Sung Yen (who was a director of the Company up to March 6, 2015) are directors of Wealthplus. Mr. Kuo Tai Yu (who was a director of the Company up to March 2, 2016) was a director of Wealthplus up to February 23, 2016. Mr. Chan Lu Min is a director of Win Fortune.

Interests of Substantial Shareholders (continued)

Notes: (continued)

(b) Of the 115,001,998 ordinary shares beneficially owned by Max Creation, 80,494,822 ordinary shares were held by Quicksilver Profits Limited ("Quicksilver"), 20,631,440 ordinary shares were held by Red Hot Investments Limited ("Red Hot") and 13,875,736 ordinary shares were held by Moby Dick Enterprises Limited ("Moby Dick"). Quicksilver, Red Hot and Moby Dick are wholly-owned subsidiaries of Max Creation.

(c) World Future is deemed to be interested in 115,001,998 ordinary shares under the SFO by virtue of its interests in more than one third of the voting shares in Max Creation. Mr. Tsai Chi Jui, the father of Ms. Tsai Pei Chun, Patty (who is a director of the Company), is also deemed to be interested in these 115,001,998 ordinary shares under the same section as he holds 100% of the issued share capital in World Future. In addition, Mr. Tsai Chi Jui holds 320,000 ordinary shares directly. 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.

(d) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 ordinary shares (long position) held directly by Merrill Lynch Portfolio Managers Limited (for discretionary clients) 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)

(e) The Commonwealth Bank of Australia is deemed to be interested in 82,750,791 ordinary shares through the ordinary shares held by Commonwealth Bank Officers Superannuation Corporation Pty Limited, Colonial Holding Company Limited, Commonwealth Insurance Holdings Limited, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited, First State Investments International Limited, Capital 121 Pty Limited, Colonial First State Investments Limited, Realindex Investments Pty Limited, First State Investments (Bermuda) Limited, First State Investments Holdings (Singapore) Limited and First State Investments (Singapore), each a wholly owned subsidiary of the Commonwealth Bank of Australia.

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, 2015.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year ended December 31, 2015 are set out in Note 48(I) 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, 2015, 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, 2015.

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 and usual 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.

Connected Transactions and Directors' Interests in Contracts (continued)

Save as disclosed in Note 48(l):

(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 for the year; and the sales attributable to the Group's largest customer were approximately 20% 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 2015 interim report on August 13, 2015 is set out below:

Mr. Kuo Tai Yu retired as an executive director of the Company on March 2, 2016.

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

During the year ended December 31, 2015, 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 650,000 shares in the Company at a total consideration of approximately HK$16,588,000 (equivalent to approximately US$2,140,000).

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 authorized 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 47 to 58 of this annual report.

Business Review

Business and External Environment

The global environment has been one of slow growth in the various G7 countries. Many of these countries continue to pursue monetary easing measures to help their economies engage a trajectory of growth. The economy in China although growing at a slower pace, remains one of the fastest growing economies in the world. This growth has led to, on the one hand, rising prices and, on the other hand, increasing consumer spending. The Chinese government has also established a plan to encourage public participation in sports activities with the hope that sports activities will be a meaningful portion of economic activity by 2025.

For the footwear manufacturing business, the rebalancing and optimization of production capacity amongst the various production bases continued in 2015 with the aim of being better positioned to serve the customers. Looking at the retail business, strength in the China economy supported continued growth in consumer spending. Coupled with the increase in consumer interest for buying sports apparel and footwear and the government's interest in promoting sports activities, retail sales of sports apparel and footwear were robust.

More information and details regarding the business and external environment of the Company are set out in the "Chairman's Statement" on pages 6 to 9 of this annual report.

Performance and Financial Position

The key performance indicators of the Group are as follows:

Key Performance Indicator	12M F2015	12M F2014	12M F2013
Gross Profit Margin (%)	23.4	22.1	21.7
Operating Profit Margin (%)	5.2	4.1	5.6
Net Profit Margin (%)	5.0	4.3	5.7
Total debt to equity (%)	16.5	19.9	19.4
Net debt to equity (%)	Net cash position	Net cash position	0.3
Return on equity (%)	8.7	7.5	10.0
Return on asset (%)	5.8	4.8	6.1

The Group is managed prudently so that management decisions are focused on long term goals to enable sustainable development and balance amongst stakeholders.

Environmental Policies and Performance

In respect of the footwear manufacturing business, the Group has established a set of management policies, mechanisms and measures on environmental protection and natural resources conservation to help ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy, water and materials and also complies with relevant local environmental regulations and international general practices, with an aim to reduce the uses of natural resources and protect the environment. It is expected that through the implementation of the Manufacturing Excellence program, production efficiency will be uplifted and the use of energy and chemicals per unit produced will be reduced. The actions taken are aligned with international standards. These include greenhouse gas emission inspections, reduction, classification and recycling of wastes, and consultations on energy conservation and carbon reduction in factories with high energy consumption levels. The Group is also committed to provide a safe working environment for the employees, and has gradually established a standardized safety management system with the establishment of organizations, horizontal cross-division cooperation and top-down execution. In addition, the Group focuses on the suppliers' development capability and their ability of sustainable development. We hope to collaborate with suppliers in innovation development and application, participating in production process enhancement and materials improvement for the continuous optimization of supply chain capabilities as well as performing responsibilities in social and environmental protection.

Effective Use of Resources

When selecting raw materials for production, the Group follows brand customers' quality requirements and standards and all related materials must pass specified testing. The Group also explores jointly with the customers on the application of various types of green materials in footwear manufacturing. With respect to material procurement, we rely on the respective local suppliers to supply the materials in order to reduce the risk of supply interruption as well as to reduce carbon emissions in transportation.

In respect of energy usage, the Group has also formulated the "Guidelines on Energy Management" of which the principles are the reasonable use of energy resources and gradual improvement of energy usage efficiency. Select operating bases in Mainland China completed the installation of the online energy monitoring system in 2015. The system will be installed in more operating bases over the following years, in order to help the factories to identify abnormal energy consumption and opportunities for energy conservation. In the implementation of energy saving and carbon reduction, a pilot energy-saving project was launched and completed for a high energy consumption factory in 2015. The project achieved a 10% reduction in energy usage.

With respect to water resources management policies, the Group ensures that water provided meet the specified water quality standards and that processing of discharged water is in compliance with the local discharge regulations. In order to manage the safe use of water resources in each factory, large-scale water purification plants and reverse osmosis water purification system equipment have been set up.

Emission Management

The Group follows closely the "Paris Agreement" and the relevant laws and regulations implemented or specific actions taken by different countries in the reduction of greenhouse gas emission. In addition to compliance with relevant laws and regulations, measures are also established to reduce greenhouse gas emission accordingly. Currently, the Group primarily adopts energy-saving projects and gradual replacement of high pollutant/high carbon emission fossil fuel to help the factories achieve energy saving and carbon emission reduction. ISO 14064-1 standard is used by the Group as a reference in conducting greenhouse gas inspection in factory areas in the production bases. In 2015, the Group continued to enhance the inspection process for greenhouse gas emission of all factories in order to improve the reliability and completeness of the collected data. In addition to random on-site inspections of reported data from more established factories, there were also training and promotion on inspection and reporting for newly operational factories in Indonesia and Myanmar in 2015, of which the factories will be included in the reporting of the Group's greenhouse gas emission in 2016.

As for sewage discharge, the Group has formulated the "Guidelines on Sewage Pollution Control Measures", which focuses on the priority of reducing usage at the source and preventing generation of waste water. As the next priority, sewage is to be recycled and reused, and lastly, proper handling of sewage according to the regulatory requirements. In the industrial parks where the factories are located, there are large biological sewage treatment systems with dedicated water quality laboratories for water quality testing and monitoring. In 2015, the factories within the Group did not receive any notification of sewage discharge violation, and the discharged sewage posed no material environmental impact on the receiving waters and the surrounding environment.

Regarding pollution prevention and control management, the Group adheres to the principle of maintaining a balance between environmental protection and production, and has implemented a series of environmental protection measures, e.g. optimizing production processes, promoting clean production, reducing pollutants emission, implementing pollution control and management, and performing regular tests and inspections. The Group's factories have installed facilities for the collection and treatment of pollutants generated during the production process. This is to ensure that pollutants are treated according to local regulatory requirements before emission. In 2015, there was no report of serious environmental impact caused by major non-complied emission and leaks in the Group's factories.

With respect to the prevention of air pollution, the Group has formulated the "Guidelines on Air Pollution Control Management". The first guiding principle is to keep the factory emission in line with the local emission standards. The next guiding principle is the introduction of pollution assessment on production processes with the aim of proper handling of the pollution in accordance with the regulatory requirements. In 2015, the Group's factories in Mainland China initiated environmental impact assessments, and carried out pollution control and improvements specifically for diffusible gas of organic solvent according to the environmental impact assessments. The inspection results of the pollutants emission from operation bases other than those in Mainland China were in line with the local emission standards.

Waste management strategy of the Group focuses on the legal transportation, disposal, and reduction and reuse of wastes. All the waste disposal and processing must be carried out by government-certified service providers according to local laws. Recyclable wastes are collected according to classifications specified by brand customers. As at December 31, 2015, all transportation and disposal of wastes were in compliance with local requirements.

Subsequent to the Group's building of the "Little Flower Kindergarten" green building in Vietnam in 2013, the Group continued to apply the concept of sustainable development on the design of new production plants, including those in Indonesia and Myanmar in 2015. The Group has also promoted and implemented a number of green office measures.

Workplace Safety

With respect to occupational safety and hygiene management, in addition to compliance with corresponding local laws and regulations and brand customers' requirements, the Group also follows international standards OHSAS 18001 and the FLA Workplace Code of Conduct. The Group has established a series of management directives for all departments to follow when implementing management and hazards prevention measures. Every factory and administrative center of the Group regularly meets with the Environmental Protection, Safety and Hygiene Committee to review relevant management issues related to safety and hygiene. The Group also requires all factories to regularly review the internal safety and hygiene management inspection system, and establish electronic surveillance system to monitor abnormal incidents, as well as the prevention mechanism by way of conducting data analysis to help focus on major risks.

Product Management and Services

The Group is committed to provide customers with products of high quality and safety and places high importance on any customer demand for product quality. From product development to production, the Group strictly follows international legal requirements and complies with the brand customers' lists of prohibited and restricted substances and the Sustainable Chemistry Guidance in the selection of raw materials. We also monitor the production from start to finish to ensure products are consistent with the principles of eco-friendliness and human health.

In recent years, the Group has been actively promoting production transformation through Manufacturing Excellence program. Lean Production concept has been introduced to the manufacturing processes. The existing production capacity is continually optimized and the supply chain is further integrated. We continue to develop and promote the automated production mode and introduce plans to expedite the replacements of energy-inefficient processes and equipment. With the successful implementation of the Manufacturing Excellence program, it is expected that production efficiency will be uplifted and the use of energy and chemicals per unit produced will be reduced.

Customer Privacy and Intellectual Property Protection

The Group has established dedicated technical research and development centers for customers, with strictly separated production areas and zoned processing operation areas so that the brand customers' privacy and trade secrets are protected. As an original equipment manufacturer for footwear products, the Group respects the intellectual property rights of the brand customers. The brand customers' intellectual property rights (such as trade marks) are only applied to products according to the scopes authorized by the brand customers, and would not be used for any other unauthorized purposes.

Supply Chain Management
The suppliers are required to strictly follow the relevant regulations and requirements in labor safety and hygiene, human rights and environmental protection. In addition, the Quarterly Business Reivew is introduced to the supplier management mechanism for the quarterly assessment and review of suppliers' performance in all aspects. The Quarterly Business Review indicators cover six aspects including quality, price (cost), delivery lead time, service, research and development management as well as green supply chain. The Quarterly Business Review was officially launched in 2015. In addition to giving recognitions to suppliers with outstanding performance, a "Green Supplier Team" has been set up against the indicator of the green supply chain to specifically evaluate the suppliers' fulfilment of corporate social responsibility. This is to fulfill the Group's mission in sustainable development while the competitiveness of the supply chain is improved.

The Group insists that all strategic suppliers go through the stringent review and audit system. Within on-site review and audit, there are 11 scoring categories for quality management and 3 scoring categories for green management. The basic items under green management are environmental protection and prohibited/restricted substances management. In 2015, the Group pushed forward quality management and green management for materials suppliers in order to enhance their quality management and green management capabilities. Unqualified suppliers were removed from the supply chain.

For more information on sustainable development of the Group and details regarding the Company's environmental policies and performance as well as compliance with the relevant laws and regulations, please refer to the 2015 Environmental, Social and Governance Report of the Company.

Compliance with Laws and Regulations
The Group operates its footwear manufacturing business mainly in China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar. During the year ended December 31, 2015 and up to the date of this report, the Group has complied with all relevant laws and regulations of respective jurisdictions on labor rights, environmental protection, product safety and health, data privacy protection and regulatory requirements that have a significant impact on the Company.

Relationship with Stakeholders
The Group identified stakeholders that are related to footwear manufacturing business including shareholders/investors, customers, employees, local community, government/regulatory authorities, suppliers, media, and non-governmental organizations. The Group conducts interactive communication with its stakeholders through various channels and seeks for their opinions and suggestions which will be used as important reference for the Group's sustainable development strategy.

Shareholders/Investors
The Group understands that the issues which are of concerns to shareholders/investors are the financial performance, corporate governance and market image etc.. The Group maintains close communication with shareholders/investors through various communication channels (such as publishing news on the Company/HKEx websites, convening shareholders' meetings, publishing press release and conducting roadshows) to enable shareholders/investors to learn about the latest status of the Group.

Customers

The Group has established long-term customer relations with multiple international brands, to whom we are committed to provide the best services and products with high quality and safety. The Group continually improves its service quality and responds immediately to customers' needs in terms of delivery lead time, quality and price. Customers' needs are attended to immediately so to strengthen the relationship with the brand customers who increasingly rely on the Group's product development capability and quality service.

Employees

The Group upholds the idea that "employees are valuable assets and policies should be people-oriented". The Group believes that employees are important assets, and has planned a wholistic approach of selection, employment, training and retention of employees and team events are organized to build the employees' sense of belonging. The Group provides employees with comprehensive training, competitive salaries and diversified communication channels, as well as introducing the performance management system to achieve the Group's objective of sustainable operation.

Community

The Group adheres to the belief of "taking from the society, and giving back to the society". Apart from maintaining sound business development, the Group also actively demonstrates its corporate core value of Service. With its commitments to community care and participation, the Group has persistently engaged in a variety of educational, cultural and social welfare activities, thus strengthening the relationship of interdependence and co-prosperity between the Group and the communities.

Government/Regulatory Authorities

The Group understands that the issues considered as important by the government/regulatory authorities in all business districts are corporate governance and compliance with laws and regulations, thus using best efforts to cooperate with the relevant government and regulatory authorities on compliance inspections, make due submission and participate in conferences/seminars.

Suppliers

The Group works with over 1,900 suppliers. The Group aims to provide comprehensive solutions that meet customers' needs and establish a comprehensive vertical supply management system through resource integration and suppliers screening and management. In addition to improving product quality and cost competitiveness, we also focus on the suppliers' development capability and their ability of sustainable development. We hope to collaborate with suppliers in innovation development and application, participating in production process enhancement and materials improvement for the continuous optimization of supply chain capabilities as well as performing responsibilities in social and environmental protection.

Media

The issues of concerns to the media are employee rights and corporate compliance. The Group not only releases information to the media through communication documents of relevant issues/press releases, but also coordinates requests for factory visits by the media.

Non-governmental Organizations

The issues of major concerns to non-government organizations (such as Fair Labor Association) are labor relations, labor rights, compliance with the laws and regulations and environmental issues. The Group also closely liaises with non-government organizations through various channels (including ad hoc communication meetings, emails and phone contacts, etc.).

Regarding Pou Sheng's relationship with its stakeholders, Pou Sheng's environmental policies and performance as well as compliance with relevant laws and regulations that have a significant impact on Pou Sheng, please refer to the 2015 annual report of Pou Sheng.

Principal Risks and Uncertainties

The Group's activities involve both the footwear manufacturing business as well as the retail business in the Greater China. The principal types of risk faced by each business are listed below.

For the footwear manufacturing business, the risks and uncertainties include:

- The Group faces risks and challenges associated with managing very large numbers of production line staff.
- The Group faces risks associated with the reliance on/potential loss of key management personnel.
- Changes in government policy that may create adversity for the manufacturing industry.
- Fluctuations in commodities and other production inputs could impact the profitability of the Group.
- Impact on sales, costs, profit and cash:
  - Economic conditions
  - the rising cost of wages and salaries, rents, services and utilities
  - Change in market trends
  - Seasonality
  - Competitor activity
  - Defaults on receivables due from brand customers
- Political instability associated with emerging or less developed countries that may impact transportation, worker sentiment and brand customer orders.
- Over ordering by brand customers leading to excess inventory on their books and a drop in subsequent orders for the Group.
- The Group has operations situated in different countries in Asia, so that it faces the risk of adverse movements in foreign currency exchange rates since the US dollar is used as the reporting currency.

- Failure or unavailability of operational and/or IT infrastructure.
- The Group faces the risk of impairment of its goodwill and intangibles assets.
- The Group faces the risk of impairment on its investments in joint ventures and associates.
- The Group faces the risk of impairment on its advances and loans to joint ventures and associates.

For the retail business, the risks and uncertainties include:

- Falling consumer spending leading to excess inventory in the retail channels and the need for aggressive discounting activity, and/or inventory obsolescence and discounting due to rapid changes in fashion trends.
- Changes in government policy that reduce customers' desire to buy functional footwear and apparel.
- The Group faces risks associated with the reliance on/potential loss of key management personnel.
- Impact on sales, costs, profit and cash:
  - Economic conditions in China
  - Change in market trends
  - Seasonality and/or weather
  - Cost of wages and salaries, rents, services and utilities
  - Competitor activity
  - Defaults on receivables due from other business partners
- Having grown organically, the Group faces risks and challenges associated with managing growth and ensuring that processes around acquiring and integrating new businesses are robust.
- The Group with substantial operations and interests in the PRC, which are subject to the risk of adverse movements in foreign currency exchange rates as the US dollar is used as the reporting currency.
- Failure or unavailability of operational and/or IT infrastructure.
- The Group faces the risk of impairment of its goodwill and intangibles assets.

Event after the Reporting Period

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

Future Development

Information and details regarding the future development in the Company's business are set out in the Chairman's Statement on pages 6 to 9 and Management Discussion and Analysis on pages 10 to 15.

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.

Auditor

There was no change in the Company's auditor in the preceding three years. A resolution will be proposed at the 2016 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 23, 2016

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, 2015, 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, 2015.

Board of Directors

Currently, the Board comprises the following thirteen Directors:

Executive Directors

Mr. Lu Chin Chu *(Chairman)*
Ms. Tsai Pei Chun, Patty *(Managing Director)*
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, 2015, 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.

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, 2015, nine Board meetings and one Shareholders' meeting 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 meeting of the Company held in 2015 are as follows:

Date	Type of general meeting	Matters resolved
May 29, 2015	Annual general meeting	• Adopted the audited financial statements for the year ended December 31, 2014; and • Approved the re-election of directors, re-appointment of auditor and grant of general mandates to issue and repurchase shares.

The 2016 AGM of the Company is scheduled to be held on May 27, 2016 at 2:00 p.m.. Shareholders may refer to the notice of the 2016 AGM dated April 22, 2016 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, 2015 is as follows:

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

Notes:

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

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

3. Mr. Kuo Tai Yu retired as an executive director of the Company on March 2, 2016.

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, 2015, no claim was made against any Directors.

Chairman and Managing Director

The position of the chairman of the Company is held by Mr. Lu Chin Chu and 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 provisions 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 to the same, as appropriate, to ensure its effectiveness.

The Nomination Committee held one meeting during the year ended December 31, 2015. 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, 2015:

- Considered and made recommendations to the Board for the appointment of two new Directors;
- Assessed and reviewed the independence of the independent non-executive directors of the Company;
- Considered and made recommendations to the Board for the re-appointment of three independent non-executive directors upon expiry of their respective service agreement; and
- Recommended the retirement and re-election of Directors at the 2015 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 two meetings during the year ended December 31, 2015. The attendance rate of each committee members are set out in the section entitled "Attendance rate of meetings".

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, 2015:

- Reviewed the proposed revised remuneration package of an executive director, and made recommendation for the Board's approval;
- Considered the remuneration packages of the candidates for the positions of executive director, and made recommendations for the Board's approval;
- Reviewed the revised remunerations of the independent non-executive directors and made recommendation for the Board's approval;
- Reviewed the Company's 2014 remuneration for Directors with reference to the salaries of the directors paid by comparable companies; 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, 2015 was set out in Note 10 to the consolidated financial statements.

Audit Committee

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

During the year, the written terms of reference of the Audit Committee were revised to adopt the amendments to the CG Code which applies to accounting periods beginning on or after January 1, 2016.

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 auditor. The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2015.

Board Committees (continued)

Audit Committee (continued)

The primary duties of the Audit Committee are: (i) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor; (ii) to approve the remuneration and terms of engagement of the external auditor; (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, risk management and internal control systems. At least twice a year the Audit Committee meets with the external auditor to discuss any area of concern during the audit or review.

The Audit Committee held five meetings during the year ended December 31, 2015 (two of the meetings have met with the external auditor of the Company). 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 major works performed by the Audit Committee for the year ended December 31, 2015:

- Reviewed the continuing connected transactions of the Group for the year ended December 31, 2014;
- Reviewed the Group's final results for the year ended December 31, 2014 and the interim results for the six months period ended June 30, 2015;
- Made recommendation to the Board for re-appointment of Deloitte Touche Tohmatsu as the Group's external auditor; and
- Reviewed the Group's quarterly results for the three months ended March 31, 2015 and for the nine months ended September 30, 2015 respectively;
- Reviewed the internal audit report covering the evaluation of internal control prepared by the Company and the "Report to the Audit Committee" prepared by the external auditor, both for the year ended December 31, 2014 and the six months ended June 30, 2015 respectively;
- Reviewed the amendments to the corporate governance code and corporate governance report as set out in Appendix 14 of the Listing Rules and the proposed revised written terms of reference of the Audit Committee and made recommendation for the Board's approval.

Board Committees (continued)

Attendance rate of meetings

The attendance rate of the Board, principal committees and Shareholders' meetings held in 2015 are as follows:

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

Notes:

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

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

3. Mr. Kuo Tai Yu retired as an executive director of the Company on March 2, 2016.

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 CG 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.

Board Diversity Policy

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.

Auditor's Remuneration

During the year ended December 31, 2015, the remuneration paid to the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

	US$'000
Audit services	1,990
Non-audit services	419
Total	2,409

Auditor's 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 continuing connected transactions and the review of internal control of business.

Directors' Responsibility and Auditor's 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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 59 to 60 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 of Bermuda.

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 of Bermuda, 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 branch 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, 2015. 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.

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.

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 61 to 182, which comprise the consolidated statement of financial position as at December 31, 2015, 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 financial position of the Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 23, 2016

Consolidated Income Statement

For the year ended December 31, 2015

	NOTES	2015 US$'000	2014 US$'000
Revenue	5	**8,434,915**	8,013,432
Cost of sales		**(6,462,637)**	(6,239,840)
Gross profit		**1,972,278**	1,773,592
Other income		**130,893**	134,228
Selling and distribution expenses		**(777,783)**	(679,183)
Administrative expenses		**(682,203)**	(603,195)
Other expenses		**(205,348)**	(295,541)
Other gains and losses	6	**(16,418)**	(9,657)
Finance costs	7	**(19,387)**	(18,601)
Share of results of associates		**51,588**	45,443
Share of results of joint ventures		**30,583**	32,972
Profit before taxation		**484,203**	380,058
Income tax expense	8	**(66,330)**	(37,312)
Profit for the year	9	**417,873**	342,746
Attributable to:			
Owners of the Company		**390,183**	331,020
Non-controlling interests		**27,690**	11,726
		417,873	342,746
		US cents	US cents
Earnings per share	12		
– Basic		**23.70**	20.09
– Diluted		**23.36**	19.01

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

	2015 US$'000	2014 US$'000
Profit for the year	417,873	342,746
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	(57,935)	(36,716)
Reclassified to profit or loss upon disposal of available-for-sale investments	(975)	–
Fair value gain (loss) on available-for-sale investments	5,769	(763)
Other comprehensive expense for the year	(53,141)	(37,479)
Total comprehensive income for the year	364,732	305,267
Total comprehensive income attributable to:		
Owners of the Company	355,907	302,714
Non-controlling interests	8,825	2,553
	364,732	305,267

Consolidated Statement of Financial Position

At December 31, 2015

	NOTES	2015 US$'000	2014 US$'000
Non-current assets			
Investment properties	13	39,489	41,382
Property, plant and equipment	14	1,945,235	1,817,638
Deposits paid for acquisition of property, plant and equipment		65,078	30,659
Prepaid lease payments	15	168,839	174,808
Intangible assets	16	99,968	113,405
Goodwill	17	275,072	273,549
Investments in associates	19	472,452	446,028
Amounts due from associates	20	–	2,499
Investments in joint ventures	21	393,477	435,964
Amounts due from joint ventures	22	8,276	42,136
Long-term loan receivable	29(ii)	–	8,044
Available-for-sale investments	24	28,017	28,394
Rental deposits and prepayments		17,307	17,480
Deferred tax assets	34	14,571	12,362
		3,527,781	3,444,348
Current assets			
Inventories	28	1,254,152	1,320,447
Trade and other receivables	29	1,413,759	1,405,985
Prepaid lease payments	15	4,788	5,558
Taxation recoverable		7,304	7,533
Investments held for trading	25	8,930	2,489
Derivative financial instruments	26	261	6
Pledged bank deposits	27(a)	912	–
Bank balances and cash	27(b)	1,046,599	969,433
		3,736,705	3,711,451
Assets classified as held for sale	30	–	15,321
		3,736,705	3,726,772

Consolidated Statement of Financial Position

At December 31, 2015

	NOTES	2015 US$'000	2014 US$'000
Current liabilities			
Trade and other payables	31	1,482,042	1,343,605
Taxation payable		29,650	19,551
Derivative financial instruments	26	20,545	14,835
Consideration payable for acquisition of additional interest in a subsidiary		–	550
Consideration payable for acquisition of business	40(c)	11,299	–
Bank overdrafts	27(c)	15,242	–
Bank borrowings	32	433,164	229,345
		1,991,942	1,607,886
Liabilities associated with assets classified as held for sale	30	–	5,716
		1,991,942	1,613,602
Net current assets		1,744,763	2,113,170
Total assets less current liabilities		5,272,544	5,557,518
Non-current liabilities			
Long-term bank borrowings	33	370,000	720,000
Consideration payable for acquisition of business	40(c)	–	16,436
Deferred tax liabilities	34	36,335	39,639
		406,335	776,075
Net assets		4,866,209	4,781,443
Capital and reserves			
Share capital	35	53,211	53,211
Reserves		4,445,354	4,345,771
Equity attributable to owners of the Company		4,498,565	4,398,982
Non-controlling interests	49	367,644	382,461
Total equity		4,866,209	4,781,443

The consolidated financial statements on pages 61 to 182 were approved and authorized for issue by the Board of Directors on March 23, 2016 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, 2015

	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, 2014	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
Realized on deregistration of joint ventures	–	–	–	–	–	–	–	–	–	–	(35)	35	–	–	–
Realized on deregistration of subsidiaries	–	–	–	–	3,652	–	–	–	–	–	770	(4,422)	–	(1)	(1)
Disposal of subsidiaries (Note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	(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
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(39,070)	–	(39,070)	(18,865)	(57,935)
Fair value gain on available-for-sale investments	–	–	5,769	–	–	–	–	–	–	–	–	–	5,769	–	5,769
Reclassified to profit or loss upon disposal of available-for-sale investments	–	–	(975)	–	–	–	–	–	–	–	–	–	(975)	–	(975)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	390,183	390,183	27,690	417,873
Total comprehensive income (expense) for the year	–	–	4,794	–	–	–	–	–	–	–	(39,070)	390,183	355,907	8,825	364,732
Purchase of shares under share award schemes	–	–	–	–	–	–	–	(2,140)	–	–	–	–	(2,140)	(10,863)	(13,003)
Recognition of equity-settled share-based payments, net of amounts forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	–	1,764	–	–	–	1,764	413	2,177
Contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	5,459	5,459
Realized on expiry of call option	–	–	–	–	(18,272)	–	–	–	–	–	–	18,272	–	–	–
Realized on disposal of joint ventures	–	–	–	–	–	–	–	–	–	–	(1,639)	1,639	–	–	–
Realized on deregistration of a joint venture	–	–	–	–	–	–	–	–	–	–	3	(3)	–	–	–
Realized on deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	(140)	140	–	–	–
Exercise of a subsidiary's share options	–	–	–	–	70	–	–	–	–	–	–	–	70	5	75
Disposal of subsidiaries (Note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,701)	(5,701)
Acquisition of additional interests in subsidiaries	–	–	–	–	(1,145)	–	–	–	–	–	–	–	(1,145)	967	(178)
Dividends (Note 11)	–	–	–	–	–	–	–	–	–	–	–	(254,873)	(254,873)	–	(254,873)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(13,922)	(13,922)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	–	–	6,780	–	(6,780)	–	–	–
At December 31, 2015	**53,211**	**695,536**	**15,816**	**(16,688)**	**31,222**	**4,551**	**519**	**(10,954)**	**3,181**	**51,400**	**73,528**	**3,597,243**	**4,498,565**	**367,644**	**4,866,209**

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 reorganization 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 recognized as equity and presented in reserves as "other reserve".

On March 31, 2015, the USD Call Option 2015 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US$18.3 million was derecognized and transferred to the retained profits in current year.

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 recognized 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 recognized 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, 2015

	NOTE	2015 US$'000	2014 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**484,203**	380,058
Adjustments for:			
Depreciation of property, plant and equipment		**242,175**	228,977
Finance costs		**19,387**	18,601
Loss on disposal of property, plant and equipment		**12,509**	4,350
Impairment loss on trade and other receivables		**11,203**	4,803
Impairment loss (reversal of impairment loss) on amounts due from joint ventures		**8,523**	(5,860)
Impairment loss on property, plant and equipment		**8,000**	–
Amortization of intangible assets		**7,571**	7,822
Release of prepaid lease payments		**4,541**	5,439
Fair value changes on derivative financial instruments		**3,497**	20,514
Impairment loss on investments in joint ventures		**3,093**	–
Impairment loss on consideration receivable for disposal of properties		**2,544**	–
Equity-settled share-based payments		**2,177**	1,500
Share of results of associates		**(51,588)**	(45,443)
Share of results of joint ventures		**(30,583)**	(32,972)
Interest income		**(9,297)**	(11,778)
Gain on disposal of land leases		**(8,614)**	–
Fair value changes on consideration payable for acquisition of business		**(5,149)**	(1,576)
(Gain) loss on disposal of joint ventures		**(3,181)**	100
(Reversal of) allowance for inventories, net		**(1,707)**	17,568
Dividend income from available-for-sale investments		**(803)**	(809)
Gain on disposal of available-for-sale investments		**(772)**	(34)
Amortization of premium received on currency structured forward contracts		**(392)**	–
Fair value changes on investment properties		**(375)**	(3,842)
Reversal of impairment loss on amount due from an associate		**(350)**	–
Gain on disposal of subsidiaries	42	**(184)**	(52)
Written off of goodwill upon deregistration of subsidiaries		**–**	413
Provision of increased contribution for social insurance benefit and housing provident fund		**–**	90,000
Loss on disposal of associates		**–**	29
Gain on deregistration of subsidiaries		**–**	(52)
Gain on deemed disposal of an associate		**–**	(17)
Operating cash flows before movements in working capital		**696,428**	677,739
Decrease (increase) in inventories		**35,937**	(113,157)
(Increase) decrease in trade and other receivables		**(28,004)**	31,642
Decrease in rental deposits and prepayments		**173**	1,270
(Increase) decrease in investments held for trading		**(6,277)**	494
Increase in trade and other payables		**153,260**	20,129
Cash generated from operations		**851,517**	618,117
Hong Kong Profits Tax paid		**(18)**	(17)
Overseas taxation paid		**(61,345)**	(48,941)
Refund of overseas taxation		**1,512**	1,539
NET CASH FROM OPERATING ACTIVITIES		**791,666**	570,698

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

	NOTES	2015 US$'000	2014 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(405,695)	(305,225)
Deposit paid for acquisition of property, plant and equipment		(36,369)	(20,141)
Prepaid land leases		(2,831)	(10,148)
Acquisition of business/subsidiaries (net of cash and cash equivalents acquired)	41	(2,060)	(4,741)
Placement of pledged bank deposits		(912)	–
Refund of investment cost in a joint venture		33,031	300
Dividends received from associates		26,395	25,456
Proceeds from disposal of joint ventures		18,811	52
Dividends received from joint ventures		18,713	20,034
Repayment from joint ventures		16,035	1,144
Proceeds from disposal of property, plant and equipment		14,142	23,811
Proceeds from disposal of land lease		12,364	–
Interest received		9,297	11,778
Proceeds from disposal of available-for-sale investments		5,943	200
Premium received in currency structured forward contracts		2,350	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42	2,852	(1,567)
Dividends received from available-for-sale investments		803	809
Proceeds from deregistration of joint ventures		281	213
Placement of structured bank deposit		–	(9,743)
Investments in associates		–	(1,943)
Investments in joint ventures		–	(250)
Proceeds from disposal of associates		–	22
Release of structured bank deposit		–	11,887
NET CASH USED IN INVESTING ACTIVITIES		(286,850)	(258,052)

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

	2015 US$'000	2014 US$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(2,078,500)**	(1,957,210)
Dividends paid	**(254,873)**	(233,789)
Interest paid on bank borrowings	**(19,387)**	(18,601)
Purchase of shares for unvested shares under share award schemes	**(13,003)**	(9,982)
Dividends paid to non-controlling interests of subsidiaries	**(13,922)**	(9,727)
Acquisition of additional interests in subsidiaries	**(728)**	(2,818)
Bank borrowings raised	**1,935,481**	1,987,041
Contribution from non-controlling interests	**5,459**	–
Proceeds from issuance of a subsidiary's shares upon exercise of a subsidiary's share options	**75**	–
NET CASH USED IN FINANCING ACTIVITIES	**(439,398)**	(245,086)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**65,418**	67,560
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(5,384)**	(2,071)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**971,323**	905,834
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,031,357**	971,323
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**1,046,599**	969,433
Bank overdrafts	**(15,242)**	–
Bank balances and cash classified as assets held for sale	**–**	1,890
	1,031,357	971,323

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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to 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.

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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortization[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

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

[1] Effective for annual periods beginning on or after January 1, 2018

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

[3] Effective for annual periods beginning on or after January 1, 2016

[4] Effective for annual periods beginning on or after a date to be determined

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.

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized 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 amortized 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 recognized 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.

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

HKFRS 9 "Financial Instruments" (continued)

- 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 recognized.

- 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 may have impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

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 recognize 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: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes 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.

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

HKFRS 15 "Revenue from Contracts with Customers" (continued)

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 ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

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 realizable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized 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 recognized 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 recognized in profit or loss as incurred.

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized 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 recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 recognized directly in profit or loss. An impairment loss recognized 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 or a joint venture is described below.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize 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 recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized 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 recognized 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 recognize 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized 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 recognized 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 recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognized 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 associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

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

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 recognized when the goods are delivered and titles have passed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Service income is recognized when services are provided.

Interest income from a financial asset is recognized 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 recognized 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 derecognized 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 derecognized.

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized 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 recognized 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 derecognized 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 recognized in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized 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 amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

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 recognized 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 recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized as a liability. The aggregate benefit of incentives is recognized 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 amortized 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 realizable value. Costs of inventories are determined based on the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized 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 recognized 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).

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 recognized 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 recognized 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 recognized 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 recognized and derecognized 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 amortized 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 recognized 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 recognized in profit or loss. The net gain or loss recognized 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 receivable, trade and other receivables, amounts due from associates and joint ventures, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognized 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 recognized 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 recognized 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.

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-organization ; 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 amortized cost, the amount of impairment loss recognized 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized 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 recognized in profit or loss. The net gain or loss recognized 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 amortized 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 recognized 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 recognized in other reserve will be released to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognized 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 recognized 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 recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derecognition

The Group derecognizes 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options 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.

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 recognized 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 recognized 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 recognized 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 recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. The amount previously recognized 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 recognized 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 recognized in profit or loss with a corresponding adjustment to the share award reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized 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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research activities is recognized 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 recognized 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 recognized 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 recognized, development expenditure is recognized 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 amortization 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 capitalization.

All other borrowing costs are recognized 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 recognized 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 recognized 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 recognized 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.

In April 2014, some employees of the Group's factory in Gaobu went on strike and demanded for adjustment for the Employee Benefit Payments. For the purpose of stabilising the Group's workforce in the PRC, the Group reviewed the employee benefits policy and recognized 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 had 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, this amount of Employee Benefit Payments Provision was their best estimate of the amount ultimately payable by the Group.

As at December 31, 2015, increased contributions for Employee Benefit Payments of US$75,526,000 (2014: US$47,333,000) have been paid and the remaining unsettled amount of the increased contribution of US$14,474,000 (2014: US$42,667,000) is included in trade and other payables as at December 31, 2015.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

(ii) Property interest in land

Despite the Group has paid substantially the full purchase consideration as detailed in Notes 13, 14 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 amounting to US$62,010,000 (2014: US$65,602,000), as set out in Note 16, for all practical purposes have indefinite useful lives and are therefore not amortized until their useful lives are determined to be finite. They will be tested for impairment annually.

(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 recognize 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) 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(ii) Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2015, the carrying amount of trade receivable is US$1,031 million (net of allowance for doubtful debt of US$19,026,000) (2014: carrying amount of US$991 million, net of allowance for doubtful debt of US$16,592,000).

(iii) Allowance for inventories

The management of the Group reviews the aging of the inventories amounting to US$1,254 million (2014: US$1,320 million) 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 realizable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) 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 input of Levels 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 40(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.

5. REVENUE AND SEGMENTAL INFORMATION

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

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

	2015 US$'000	2014 US$'000
Revenue		
Manufacturing Business	6,136,737	6,037,686
Retailing Business	2,298,178	1,975,746
Total revenue	8,434,915	8,013,432

Revenue from major products

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

	2015 US$'000	2014 US$'000
Athletic shoes	4,015,916	3,870,449
Casual/outdoor shoes	1,365,938	1,429,081
Sports sandals	94,363	85,085
Soles and components	604,742	600,079
Retail sales – shoes and apparel	2,281,214	1,960,306
Others	72,742	68,432
	8,434,915	8,013,432

5. REVENUE 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:

	2015 US$'000	2014 US$'000
US	2,124,065	2,210,346
Europe	1,641,498	1,497,565
PRC	2,913,230	2,518,907
Others	1,756,122	1,786,614
	8,434,915	8,013,432

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

	2015 US$'000	2014 US$'000
PRC	1,108,503	1,158,546
Vietnam	623,527	559,160
Indonesia	473,751	408,726
Myanmar	70,036	20,785
Others	60,099	48,155
	2,335,916	2,195,372

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:

	2015 US$'000	2014 US$'000
Customer A	1,683,375	1,697,783
Customer B	1,394,509	1,250,176

6. OTHER GAINS AND LOSSES

	2015 US$'000	2014 US$'000
Fair value changes on consideration payable for acquisition of business	**5,149**	1,576
Gain (loss) on disposal of joint ventures	**3,181**	(100)
Fair value changes on investment properties (Note 13)	**375**	3,842
Reversal of impairment loss on amount due from an associate	**350**	–
Gain on disposal of subsidiaries (Note 42)	**184**	52
(Impairment loss) reversal of impairment loss on amounts due from joint ventures (Note 22)	**(8,523)**	5,860
Impairment loss on property, plant and equipment (Note 14)	**(8,000)**	–
Loss on changes in fair value of derivative financial instruments	**(3,497)**	(20,514)
Impairment loss on investments in joint ventures (Note 21)	**(3,093)**	–
Impairment loss on consideration receivable for disposal of properties	**(2,544)**	–
Written off of goodwill upon deregistration of subsidiaries	**–**	(413)
Loss on disposal of an associate	**–**	(29)
Gain on deemed disposal of an associate	**–**	17
Gain on deregistration of a subsidiary	**–**	52
	(16,418)	(9,657)

7. FINANCE COSTS

	2015 US$'000	2014 US$'000
Interest on bank borrowings wholly repayable within five years	**19,387**	18,601

8. INCOME TAX EXPENSE

	2015 US$'000	2014 US$'000
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax (note i)		
– current year	–	22
– underprovision in prior years	–	49
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	**36,054**	24,092
– under(over)provision in prior years	**1,079**	(1,830)
Overseas taxation (notes iii & iv)		
– current year	**28,137**	20,268
– underprovision in prior years	**5,133**	1,855
	70,403	44,456
Deferred tax credit (Note 34)	**(4,073)**	(7,144)
	66,330	37,312

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.

8. INCOME TAX EXPENSE (continued)

notes: (continued)

(iii) Vietnam

As approved by the relevant tax authorities in Vietnam, certain subsidiaries are entitled to two years' exemption from income taxes followed by four years of a 50% tax reduction based on a preferential income tax rate of 20%, commencing from the first profitable year.

The applicable tax rate for the subsidiaries in Vietnam range from nil to 22% during the year (2014: range from nil to 22%).

(iv) 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 Indonesia and Taiwan is calculated at the rates prevailing in the respective jurisdictions, which were 25% (2014: 25%) and 17% (2014: 17%) respectively.

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

	2015 US$'000	2014 US$'000
Profit before taxation	**484,203**	380,058
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**56,375**	40,003
Tax effect of share of results of associates and joint ventures	**(6,315)**	(8,787)
Tax effect of expenses not deductible for tax purpose	**86,990**	78,190
Tax effect of income not taxable for tax purpose	**(62,979)**	(57,910)
Tax effect of tax losses not recognized	**19,479**	22,116
Effect of tax holidays granted to PRC subsidiaries	**(3,379)**	(2,279)
Effect of tax exemption granted to overseas subsidiaries	**(30,053)**	(33,470)
Deferred tax relating to dividend withholding tax	**–**	(625)
Underprovision in prior years	**6,212**	74
Income tax expense for the year	**66,330**	37,312

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.

9. PROFIT FOR THE YEAR

	2015 US$'000	2014 US$'000
Profit for the year has been arrived at after charging:		
Employee benefit expense (note a), including directors' emoluments		
– basic salaries, bonus and allowances	**1,834,004**	1,840,090
– retirement benefit scheme contributions	**272,706**	200,066
– share-based payments	**2,177**	1,500
	2,108,887	2,041,656
Release of prepaid lease payments	**4,541**	5,439
Auditor's remuneration	**1,990**	2,070
Amortization of intangible assets (included in selling and distribution expenses)	**7,571**	7,822
Depreciation of property, plant and equipment	**242,175**	228,977
Loss on disposal of property, plant and equipment (included in other expenses)	**12,509**	4,350
Research and development expenditure (included in other expenses)	**157,143**	177,289
Impairment loss recognized on trade and other receivables (included in other expenses)	**11,203**	4,803
Allowance for inventories, net (included in cost of sales)	**–**	17,568
Share of taxation of associates (included in share of results of associates)	**7,533**	6,885
Share of taxation of joint ventures (included in share of results of joint ventures)	**8,806**	8,984
and after crediting in other income:		
Interest income	**9,297**	11,778
Dividend income from available-for-sale investments	**803**	809
Net exchange gain	**5,011**	1,419
Gain on disposal of land leases	**8,614**	–
Gain on disposal of available-for-sale investments	**772**	34
Subsidies, rebates and other income from suppliers	**26,547**	29,174
Reversal of allowance for inventories (included in cost of sales)	**1,707**	–
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$232,000 (2014: US$217,000)	**8,932**	9,076

notes:

(a) For the year ended December 31, 2014, employee benefit expenses included the Employee Benefit Payments Provision of US$90 million (2015: nil). Details are set out in Note 4.

(b) For the year ended December 31, 2015 and 2014, cost of inventories recognized as an expenses represents cost of sales as shown in the consolidated income statement.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' and executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO is as follows:

	Fees US$'000	Salaries and other benefits US$'000	Bonus US$'000	Retirement benefit scheme contribution US$'000	Share based payments US$'000	Total US$'000
For the year ended December 31, 2015						
Executive directors:						
Lu Chin Chu (note i)	–	122	646	–	56	824
Kuo Tai Yu	–	101	387	–	–	488
Kung Sung Yen (note ii)	–	16	110	–	–	126
Chan Lu Min	–	151	181	–	–	332
Li I Nan, Steve (note ii)	–	23	9	–	–	32
Tsai Pei Chun, Patty	–	142	206	–	–	348
Lee Shao Wu	–	96	52	–	56	204
Liu George Hong-Chih	–	215	207	2	56	480
Tsai Ming-Lun, Ming	–	93	142	–	–	235
Hu Chia-Ho (note iii)	–	47	19	–	44	110
Lin Cheng-Tien (note iii)	–	70	291	–	44	405
Sub-total	–	1,076	2,250	2	256	3,584
Independent non-executive directors:						
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)	35	–	–	–	–	35
Sub-total	176	–	–	–	–	176
Total						3,760

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees US$'000	Salaries and other benefits US$'000	Bonus US$'000	Retirement benefit scheme contribution US$'000	Share based payments US$'000	Total US$'000
For the year ended December 31, 2014						
Executive directors:						
Tsai Chi Neng (note v)	–	107	344	–	–	451
Lu Chin Chu (note i)	–	100	541	–	43	684
Kuo Tai Yu	–	113	645	–	–	758
Kung Sung Yen (note ii)	–	109	645	–	–	754
Chan Lu Min	–	277	181	–	–	458
Li I Nan, Steve (note ii)	–	157	52	1	–	210
Tsai Pei Chun, Patty	–	101	206	–	–	307
Lee Shao Wu	–	130	52	1	43	226
Liu George Hong-Chih	–	211	155	2	43	411
Tsai Ming-Lun, Ming	–	93	129	–	–	222
Sub-total	–	1,398	2,950	4	129	4,481
Independent non-executive directors:						
Liu Len Yu (note vi)	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
Sub-total	177	–	–	–	–	177
Total						4,658

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

notes:

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

(ii) Mr. Kung Sung Yen and Mr. Li I Nan, Steve retired as executive directors on March 7, 2015.

(iii) Mr. Lin Cheng-Tien and Mr. Hu Chia-Ho were appointed as executive directors on March 20, 2015.

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

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

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

Significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year are disclosed in Note 48.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2014: one) individual were as follows:

	2015 US$'000	2014 US$'000
Basic salaries and other allowances	355	356
Bonus	439	262
Retirement benefit scheme contributions	2	2
Share-based payments	82	51
	878	671

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

The emoluments of the remaining one (2014: one) individual were within the following band:

	2015 Number of employees	2014 Number of employees
HK$5,000,001 to HK$5,500,000	–	1
HK$6,500,001 to HK$7,000,000	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.

(c) Emoluments of senior management

None of the senior management of the Group is either a director of the Company or one of the top five highest paid individuals during both years.

The emoluments of the twelve (2014: ten) individuals of senior management for the year were within the following bands:

	2015 Number of employees	2014 Number of employees
HK$500,001 to HK$1,000,000	2	–
HK$1,000,001 to HK$1,500,000	6	2
HK$1,500,001 to HK$2,000,000	3	6
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	1
	12	10

11. DIVIDENDS

	2015 US$'000	2014 US$'000
Dividends recognized as distribution during the year:		
2015 Interim dividend of HK$0.40 per share (2014: 2014 Interim dividend of HK$0.35 per share)	**84,969**	74,398
2014 Final dividend of HK$0.80 per share (2014: 2013 Final dividend of HK$0.75 per share)	**169,904**	159,391
	254,873	233,789

The directors recommend the payment of a final dividend of HK$0.80 per share for the year ended December 31, 2015. The proposed dividend of approximately HK$1,317,537,000 will be paid on or before June 17, 2016 to those shareholders whose names appear on the Company's register of members on June 7, 2016.

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

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:

	2015 US$'000	2014 US$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**390,183**	331,020

	2015	2014
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,646,181,054**	1,647,525,053
Effect of dilutive potential ordinary shares:		
– USD Call Options 2015	**22,746,062**	92,247,920
– Unvested awarded shares	**1,450,233**	1,156,007
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,670,377,349**	1,740,928,980

12. EARNINGS PER SHARE (continued)

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme (see Note 38(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, 2014	42,763
Unrealized gain on property revaluation recognized in profit or loss	3,842
Transfer from prepaid lease payments	271
Transfer from property, plant and equipment (Note 14)	1,309
Transfer to property, plant and equipment (Note 14)	(6,803)
At December 31, 2014	41,382
Unrealized gain on property revaluation recognized in profit or loss	375
Transfer to property, plant and equipment (Note 14)	(2,268)
At December 31, 2015	**39,489**

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, 2015 and December 31, 2014, the fair value of the Group's investment properties situated in the PRC of US$23,024,000 (2014: US$19,580,000) has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited which is 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.

13. INVESTMENT PROPERTIES (continued)

In addition, the fair value of the Group's investment properties at December 31, 2015 situated in the PRC and US of US$78,000 (2014: US$6,837,000) and US$16,387,000 (2014: US$14,965,000) 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% (2014: 7.5% to 9.0%). 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$110 to US$112 (2014: US$95 to US$105). 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, 2015 and December 31, 2014 are as follows:

	Level 3 As at December 31,		**Fair value As at December 31,**	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Investment properties located in:				
PRC	**23,102**	26,417	**23,102**	26,417
US	**16,387**	14,965	**16,387**	14,965

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

As at December 31, 2015, the Group had not obtained the formal land use rights for certain of its investment properties, the carrying value of which at that date was approximately US$4.8 million (2014: US$7.4 million). In the opinion of the directors, the absence of formal title to these land use rights does not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

14. 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, 2014	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 41)	–	–	–	–	–	55	42	12	109
Disposals	(1,935)	–	–	–	(65,952)	(18,977)	(18,258)	(3,473)	(108,595)
Disposal of subsidiaries (Note 42)	(462)	–	–	(11)	(4,099)	–	(142)	(283)	(4,997)
Reclassified as held for sale (Note 30)	(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
Exchange realignment	(4,040)	–	(698)	–	(114)	(6,813)	(2,796)	(195)	(14,656)
Additions	24,556	–	34,867	101,367	167,706	47,629	27,110	4,335	407,570
Reclassification	101,452	–	–	(103,511)	536	1,275	248	–	–
Transfer from investment properties (Note 13)	–	–	2,268	–	–	–	–	–	2,268
Acquisition of business (Note 41)	–	–	–	–	–	165	286	19	470
Disposals	(1,373)	–	–	(350)	(64,115)	(29,015)	(14,964)	(5,077)	(114,894)
At December 31, 2015	**1,563,086**	**4,496**	**146,979**	**83,360**	**1,344,285**	**367,084**	**214,649**	**34,442**	**3,758,381**
Comprising:									
At cost	1,563,086	4,496	111,466	83,360	1,344,285	367,084	214,649	34,442	3,722,868
At valuation – 1995	–	–	35,513	–	–	–	–	–	35,513
	1,563,086	4,496	146,979	83,360	1,344,285	367,084	214,649	34,442	3,758,381
DEPRECIATION AND IMPAIRMENT									
At January 1, 2014	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 42)	(159)	–	–	–	(2,339)	–	(89)	(167)	(2,754)
Reclassified as held for sale (Note 30)	(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
Exchange realignment	(1,374)	–	(121)	–	(59)	(6,004)	(1,117)	(96)	(8,771)
Provided for the year	61,000	–	2,986	–	120,105	32,666	21,975	3,443	242,175
Eliminated on disposals	(878)	–	–	–	(49,911)	(20,331)	(13,025)	(4,098)	(88,243)
Impairment loss recognized (Note 6) (note iv)	8,000	–	–	–	–	–	–	–	8,000
At December 31, 2015	**530,752**	**–**	**32,260**	**–**	**838,575**	**240,111**	**148,590**	**22,858**	**1,813,146**
CARRYING VALUE									
At December 31, 2015	**1,032,334**	**4,496**	**114,719**	**83,360**	**505,710**	**126,973**	**66,059**	**11,584**	**1,945,235**
At December 31, 2014	978,487	4,496	81,147	85,854	471,832	120,063	64,008	11,751	1,817,638

14. PROPERTY, PLANT AND EQUIPMENT (continued)

notes:

(i) As at December 31, 2015, 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$105.3 million (2014: US$99.9 million) and US$4.5 million (2014: US$4.6 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, 2015, 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$21,617,000 (2014: US$22,328,000) instead of US$21,127,000 (2014: US$21,838,000).

(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, 2015, the carrying value of such properties situated in the PRC and Hong Kong were US$79,959,000 (2014: US$81,147,000) and US$34,760,000 (2014: nil) respectively.

(iv) During the year ended December 31, 2015, the directors of the Company conducted a review of property, plant and equipment of the Group and determined that the fair value less costs to sell of certain buildings is less than their carrying amount. Accordingly, an impairment loss of US$8,000,000 (2014: nil) was recognized in profit or loss.

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)

15. PREPAID LEASE PAYMENTS

	2015 US$'000	2014 US$'000
Analysed for reporting purposes as:		
Current asset	**4,788**	5,558
Non-current asset	**168,839**	174,808
	173,627	180,366

As at December 31, 2015, 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$15.2 million (2014: US$19.0 million). In the opinion of the directors, the absence of formal title to these land interests 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, 2014	8,807	77,072	10,423	73,361	169,663
Acquired on acquisition of subsidiaries (Note 41)	–	–	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
Exchange realignment	(471)	(4,117)	(863)	(3,918)	(9,369)
At December 31, 2015	**8,121**	**71,066**	**15,158**	**67,646**	**161,991**
AMORTISATION AND IMPAIRMENT					
At January 1, 2014	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
Provided for the year	983	–	1,600	4,988	7,571
Exchange realignment	(314)	(525)	(265)	(2,399)	(3,503)
At December 31, 2015	**5,625**	**9,056**	**4,920**	**42,422**	**62,023**
CARRYING VALUE					
At December 31, 2015	**2,496**	**62,010**	**10,238**	**25,224**	**99,968**
At December 31, 2014	3,636	65,602	12,436	31,731	113,405

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, or APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation"), firms of professional valuers, on the following basis:

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

16. INTANGIBLE ASSETS (continued)

The management of the Group considers customer relationship, licensing agreements and non-compete agreements have finite useful lives and are amortized 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 (as defined in Note 41). 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.

The brandnames are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the generation of 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, 2014	273,962
Derecognized on deregistration of subsidiaries	(413)
At December 31, 2014	273,549
Arising on acquisition of business (Note 41)	1,546
Eliminated on disposal of subsidiaries (Note 42)	(23)
At December 31, 2015	**275,072**

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	
	2015 US$'000	2014 US$'000
Manufacture and marketing of footwear materials ("Unit A")	**183,650**	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**	85,698
	275,072	273,549

Management of the Group determined that there were no impairment in any of its CGUs containing goodwill during the years ended December 31, 2015 and 2014. The basis of the recoverable amounts of the above CGUs and their principal underlying assumptions are summarized below.

For the purposes of impairment testing of intangible assets with indefinite useful lives, brandnames 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 and Zhejiang Province, the PRC, that are expected to benefit from the brandnames to generate future economic benefits.

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% (2014: 14%) for all CGUs. The cash flows for the next five years are extrapolated using a steady growth rate of 2%, 2% and 3% (2014: 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.

19. INVESTMENTS IN ASSOCIATES

	2015 US$'000	2014 US$'000
Cost of investments in associates (note):		
Listed in Hong Kong	**57,947**	57,947
Listed in Taiwan	**92,505**	92,505
Unlisted	**111,756**	108,907
Share of post-acquisition profits and reserves, net of dividends received	**211,744**	188,169
Less: impairment losses	**(1,500)**	(1,500)
	472,452	446,028
Fair value of listed investments	**296,062**	222,055

note:

Included in cost of investments is goodwill of US$79,728,000 (2014: US$79,728,000).

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
					2015	2014	
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 sale of synthetic leather

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

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.

Summarized financial information in respect of each of the Group's material associates are set out below. The summarized financial information below represents amount shown in the associates' financial statements prepared in accordance with HKFRSs.

	2015			2014		
	Oftenrich US$'000	**Prosperous US$'000**	**San Fang US$'000**	Oftenrich US$'000	Prosperous US$'000	San Fang US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	**335,079**	**224,198**	**169,139**	367,059	193,626	315,875
Profit for the year	**12,492**	**15,919**	**33,347**	19,523	16,456	31,035
Other comprehensive (expense) income for the year	**–**	**(348)**	**7,297**	–	4,209	(7,245)
Total comprehensive income for the year	**12,492**	**15,571**	**40,644**	19,523	20,665	23,790
Profit for the year, attributable to the Group	**5,621**	**4,776**	**14,913**	8,785	4,937	13,879
Other comprehensive (expense) income for the year, attributable to the Group	**–**	**(104)**	**3,263**	–	1,263	(3,240)
Total comprehensive income for the year, attributable to the Group	**5,621**	**4,672**	**18,176**	8,785	6,200	10,639
Dividends received from associate during the year	**4,500**	**3,000**	**8,162**	4,500	4,500	7,197

19. INVESTMENTS IN ASSOCIATES (continued)

	2015			2014		
	Oftenrich	**Prosperous**	**San Fang**	Oftenrich	Prosperous	San Fang
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Financial information of consolidated statement of financial position						
Non-current assets	**37,007**	**43,540**	**305,136**	34,355	44,545	280,000
Current assets	**166,321**	**124,847**	**83,840**	207,239	108,688	102,759
Current liabilities	**(75,952)**	**(43,691)**	**(68,885)**	(116,708)	(33,049)	(64,153)
Non-current liabilities	**(21)**	**–**	**(85,714)**	(23)	(1,058)	(106,637)
	127,355	**124,696**	**234,377**	124,863	119,126	211,969
Reconciliation to the carrying amount of interest in the associate:						
Net assets attributable to the equity holders of the associate	**127,355**	**124,696**	**234,377**	124,863	119,126	211,969
Proportion of the Group's ownership interest in the associate	**45%**	**30%**	**44.72%**	45%	30%	44.72%
Net assets of the Group's interest in the associate	**57,310**	**37,409**	**104,813**	56,188	35,738	94,793
Goodwill	**16,110**	**11,474**	**35,586**	16,110	11,474	35,586
Carrying amount of the Group's interest in the associate	**73,420**	**48,883**	**140,399**	72,298	47,212	130,379
Fair value of listed associate	**–**	**–**	**203,439**	–	–	158,853

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.

19. INVESTMENTS IN ASSOCIATES (continued)

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

	2015 US$'000	2014 US$'000
Unrecognized share of losses (gain) of associates for the year	146	(47)

	2015 US$'000	2014 US$'000
Cumulative unrecognized share of losses of associates	6,029	5,883

Aggregate information of associates that are not individually material:

	2015 US$'000	2014 US$'000
Profit for the year, attributable to the Group	26,278	17,842
Other comprehensive expense for the year, attributable to the Group	(3,941)	(7,795)
Total comprehensive income for the year, attributable to the Group	22,337	10,047
Carrying amount of the Group's interests in these associates	209,750	196,139

20. AMOUNTS DUE FROM ASSOCIATES

The amounts were unsecured, interest-free and were not expected to be repaid within one year and were therefore classified as non-current as at December 31, 2014.

During the year ended December 31, 2015, a reversal of an impairment loss of US$350,000 (2014: nil) was made in respect of the amount due from an associate and the carrying amount of US$2,849,000 was settled for the consideration on additional investment in an associate (Note 45).

21. INVESTMENTS IN JOINT VENTURES

	2015 US$'000	2014 US$'000
Cost of unlisted investments in joint ventures (note i)	216,891	240,891
Share of post-acquisition profits and reserves, net of dividends received	185,569	200,963
Less: impairment losses (note ii)	(8,983)	(5,890)
	393,477	435,964

notes:

(i) Included in cost of investments is goodwill of approximately US$11,327,000 (2014: US$11,327,000).

(ii) During the year ended December 31, 2015, impairment loss of US$5,483,000 (2014: nil) and a reversal of the impairment loss of US$2,390,000 (2014: nil) were made in respect of the Group's interests in joint ventures.

(iii) During the year ended December 31, 2015, the Group recognized a gain on disposal of joint ventures of US$3,181,000 (2014: loss on disposal of US$100,000) 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 Holding 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 2015	2014	Principal activities
Din Tsun	Incorporated	British Virgin Islands ("BVI")	Vietnam	Ordinary	50%	50%	Manufacture and sale of apparels
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

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, 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.

21. INVESTMENTS IN JOINT VENTURES (continued)

Summarized financial information in respect of each of the Group's material joint ventures is set out below. The summarized financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	2015			2014		
	Din Tsun US$'000	**Ka Yuen US$'000**	**Texas Clothing US$'000**	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	**245,759**	**126,400**	**331,076**	228,008	132,939	356,542
(Loss) profit for the year	**(346)**	**13,591**	**17,208**	21,893	15,784	9,416
Other comprehensive expense for the year	**(780)**	**–**	**(2,929)**	(25)	–	(957)
Total comprehensive (expense) income for the year	**(1,126)**	**13,591**	**14,279**	21,868	15,784	8,459
(Loss) profit for the year, attributable to the Group	**(173)**	**6,796**	**8,602**	10,947	7,892	4,707
Other comprehensive expense for the year, attributable to the Group	**(390)**	**–**	**(1,464)**	(13)	–	(478)
Total comprehensive (expense) income for the year, attributable to the Group	**(563)**	**6,796**	**7,138**	10,934	7,892	4,229
Dividends received from joint venture during the year	**–**	**12,500**	**–**	–	5,750	–
The above (loss) profit for the year include the following:						
Depreciation and amortization	**(4,223)**	**(2,488)**	**(5,290)**	(2,801)	(2,132)	(5,019)
Interest income	**43**	**42**	**–**	70	156	–
Interest expense	**(59)**	**(50)**	**(1,672)**	(19)	(241)	(2,371)
Income tax expense	**(129)**	**(640)**	**(7,606)**	(2,883)	(736)	(9,697)

21. INVESTMENTS IN JOINT VENTURES (continued)

	2015			2014		
	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000
Financial information of consolidated statement of financial position						
Non-current assets	20,770	11,209	50,632	20,438	30,529	55,946
Current assets	145,929	61,624	164,201	149,808	54,222	186,790
Current liabilities	(58,523)	(14,222)	(30,462)	(70,511)	(14,717)	(24,516)
Non-current liabilities	(3)	–	(66,791)	(15,443)	(2,030)	(48,842)
Non-controlling interests	(7,516)	–	–	(8,348)	–	–
	100,657	58,611	117,580	75,944	68,004	169,378
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	49,932	19,422	11,975	34,354	28,770	30,473
Current financial liabilities (excluding trade and other payables and provision)	–	–	–	–	(252)	–
Reconciliation to the carrying amount of interest in the joint venture:						
Net assets attributable to the equity holders of the joint venture	100,657	58,611	117,580	75,944	68,004	169,378
Proportion of the Group's ownership interest in the joint venture	50%	50%	49.99%	50%	50%	49.99%
Net assets of the Group's interest in the joint venture	50,329	29,306	58,778	37,972	34,002	84,672
Other adjustments	–	–	11,033	–	–	11,033
Carrying amount of the Group's interest in the joint venture	50,329	29,306	69,811	37,972	34,002	95,705

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.

21. INVESTMENTS IN JOINT VENTURES (continued)

Unrecognized share of losses of joint ventures is as follows:

	2015 US$'000	2014 US$'000
The unrecognized share of losses of joint ventures for the year	**335**	2,727

	2015 US$'000	2014 US$'000
Cumulative unrecognized share of losses of joint ventures	**5,740**	8,058

Aggregate information of joint ventures that are not individually material:

	2015 US$'000	2014 US$'000
Profit for the year, attributable to the Group	**15,358**	9,426
Other comprehensive expense for the year, attributable to the Group	**(9,102)**	(4,942)
Total comprehensive income for the year, attributable to the Group	**6,256**	4,484
Carrying amount of the Group's interests in these joint ventures	**244,031**	268,285

22. AMOUNTS DUE FROM JOINT VENTURES

Included in the balance are loans of US$7,223,000 (2014: US$17,246,000) 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, 2015, impairment loss of US$8,523,000 (2014: US$4,140,000) was made in respect of the loans to certain joint ventures due primarily to their weakening financial positions and no impairment loss was written back (2014: US$10,000,000). 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 other outstanding balance 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 the 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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Pou Sheng Group	PRC	38.73%	38.73%	24,980	1,801	332,464	335,584
Individually immaterial subsidiaries with non-controlling interests				2,710	9,925	35,180	46,877
Total				27,690	11,726	367,644	382,461

23. INTERESTS IN SUBSIDIARIES (continued)

Summarized financial information in respect of the Pou Sheng Group that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

	2015 US$'000	2014 US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income		
Revenue	**2,300,174**	1,980,575
Net operating expenses	**(2,237,816)**	(1,974,087)
Profit for the year	**62,358**	6,488
Profit for the year attributable to owners of Pou Sheng	**64,498**	4,649
Profit for the year attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**39,518**	2,848
– non-controlling interests	**24,980**	1,801
	64,498	4,649
Other comprehensive expense, attributable to		
– owners of the Company	**(27,932)**	(13,361)
– non-controlling interests	**(17,656)**	(8,446)
	(45,588)	(21,807)
Total comprehensive income (expense), attributable to		
– owners of the Company	**11,586**	(10,513)
– non-controlling interests	**7,324**	(6,645)
	18,910	(17,158)
Dividends paid to non-controlling interests of the Pou Sheng Group	**4,893**	2,038

23. INTERESTS IN SUBSIDIARIES (continued)

	2015 US$'000	2014 US$'000
Financial information of consolidated statement of financial position		
Non-current assets	**348,491**	370,984
Current assets	**952,734**	957,478
Current liabilities	**(397,212)**	(405,368)
Non-current liabilities	**(27,875)**	(47,824)
Non-controlling interests	**(6,897)**	(14,564)
	869,241	860,706
Equity attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**536,777**	525,122
– non-controlling interests	**332,464**	335,584
	869,241	860,706
Financial information of consolidated statement of cash flows		
Net cash from operating activities	**145,662**	92,928
Net cash used in investing activities	**(40,644)**	(23,260)
Net cash used in financing activities	**(118,667)**	(67,352)
Effect of foreign exchange rate changes	**(2,129)**	(932)
Net cash (outflow) inflow	**(15,778)**	1,384

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2015 US$'000	2014 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**6,933**	14,248
– Equity securities listed overseas	**21,084**	12,877
	28,017	27,125
Unlisted investments:		
– Private entity	**–**	1,269
	28,017	28,394

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

The unlisted investments were equity securities issued by private entity incorporated overseas and have been disposed of during the year ended December 31, 2015.

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.

25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2015 US$'000	2014 US$'000
Unlisted overseas funds	**8,930**	2,489

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.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	notes	2015 Assets US$'000	2015 Liabilities US$'000	2014 Assets US$'000	2014 Liabilities US$'000
Foreign currency derivatives:					
Currency structured forward contracts	(i)	–	19,777	–	14,802
Forward contracts	(ii)	261	768	6	33
		261	20,545	6	14,835

notes:

(i) Currency structured forward contracts

The Group has entered into a number of USD/Renminbi ("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, 2015, the Group had outstanding USD/RMB structured forward contracts of US$15.6 million which cover monthly settlements up to September 2017.

(ii) Forward contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rates
As at December 31, 2015		
US$30 million	January 2016	Sell USD/buy RMB at 6.4190 to 6.4465
US$10 million	January 2016	Sell RMB/buy USD at 6.4343
As at December 31, 2014		
US$22 million	From January 2015 to February 2015	Sell USD/buy Vietnamese Dong ("VND") at 21,381 to 21,552

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.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

(a) Pledged bank deposits

The pledged bank deposits with maturity of less than one year are placed with a bank for certain banking facilities granted to a subsidiary of the Group and carry interest at fixed interest rate of 2% per annum (2014: nil). The pledged bank deposits will be released upon the settlement or termination of the relevant bank facilities.

(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% (2014: 0.01% to 9.00%) per annum during the year.

(c) Bank overdrafts

Bank overdrafts were unsecured and carried interest at market rates ranging from 4.35% to 5.88% per annum (2014: nil) for the year ended December 31, 2015.

28. INVENTORIES

	2015 US$'000	2014 US$'000
Raw materials	252,609	278,588
Work in progress	150,213	159,058
Finished goods	851,330	882,801
	1,254,152	1,320,447

29. TRADE AND OTHER RECEIVABLES

	2015 US$'000	2014 US$'000
Trade and bills receivables	1,049,558	1,007,486
Less: allowance for doubtful debts	(19,026)	(16,592)
	1,030,532	990,894
Other receivables (note i)	125,904	159,263
Rental deposits, unamortized mould costs and prepayments	108,863	108,613
Deposits paid to trade suppliers	54,062	61,482
Value-added tax recoverable	86,795	85,733
Loan receivable (note ii)	7,603	–
	1,413,759	1,405,985

29. TRADE AND OTHER RECEIVABLES (continued)

notes:

(i) Included in other receivables are amounts due from associates, joint ventures and connected parties of US$7,166,000 (2014: US$10,489,000), US$8,033,000 (2014: US$15,646,000) and US$7,640,000 (2014: US$6,397,000), respectively. Except for an aggregate amount of US$4,329,000 (2014: US$4,557,000) due from certain joint ventures which carries variable interest rate ranging from 5.00% to 6.72% (2014: 2.88% to 6.16%) per annum, the remaining amounts are unsecured, interest-free and repayable on demand. The remaining balance represents mainly the deposits paid for non-trade purchases and advances to suppliers for purchase of materials. During the year ended December 31, 2015, impairment loss of US$4,480,000 (2014: US$5,173,000) was made to other receivables.

(ii) The balance represents loan receivable due from a third party which carries fixed interest at 3% (2014: 3%) per annum.

The collaterals for the secured loan are the 39,634,662 shares of HK$0.01 each of Pou Sheng which are issuable 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 borrower.

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of US$1,030,532,000 (2014: US$990,894,000) 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:

	2015 US$'000	2014 US$'000
0 to 30 days	671,157	647,422
31 to 90 days	343,216	315,265
Over 90 days	16,159	28,207
	1,030,532	990,894

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.

29. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$58,772,000 (2014: US$58,612,000) 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 (2014: 90 days).

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

	2015 US$'000	2014 US$'000
Balance at beginning of the year	**16,592**	16,962
Impairment losses recognized on receivables	**8,661**	3,839
Amounts written off as uncollectible	**(4,289)**	–
Amounts recovered during the year	**(1,938)**	(4,209)
Balance at end of the year	**19,026**	16,592

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$19,026,000 (2014: US$16,592,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognized 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.

30. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH 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 Developments") to dispose of 51% equity interests in Valuable Developments for a consideration of approximately US$4.7 million. Valuable Developments 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 transaction was completed on April 20, 2015. Details of gain on disposal of subsidiaries are set out in Note 42.

30. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities of the Disposal Group as at December 31, 2014 were as follows:

	2014 US$'000
Property, plant and equipment (Note 14)	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

31. TRADE AND OTHER PAYABLES

	2015 US$'000	2014 US$'000
Trade and bills payables	513,238	459,897
Accrued staff costs and bonus and other accruals	542,940	488,929
Other payables (note)	335,235	320,640
Construction payable	22,966	15,305
Receipts in advance from customers	67,663	58,360
Consideration received in advance for assets classified as held for sale	–	474
	1,482,042	1,343,605

note: Included in other payables are amounts due to associates, joint ventures and connected parties of US$361,000 (2014: US$3,276,000), US$2,933,000 (2014: US$2,094,000) and US$63,018,000 (2014: US$23,880,000), respectively. The amounts relate to current accounts which are unsecured, interest-free and repayable on demand. The remaining balances represented mainly deposits received from customers and value-added tax payables.

31. TRADE AND OTHER PAYABLES (continued)

An aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	2015 US$'000	2014 US$'000
0 to 30 days	375,523	331,913
31 to 90 days	113,169	109,389
Over 90 days	24,546	18,595
	513,238	459,897

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.

32. BANK BORROWINGS

	2015 US$'000	2014 US$'000
Current portion of long-term bank borrowings (Note 33)	350,000	–
Short-term bank borrowings	83,164	229,345
Amount classified as current liabilities	433,164	229,345

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:

	2015	2014
Effective interest rate:		
Variable rate borrowings	1.05% to 5.60%	1.02% to 6.33%

33. LONG-TERM BANK BORROWINGS

	2015 US$'000	2014 US$'000
The long-term bank borrowings are unsecured and repayable:		
Within one year	350,000	–
In more than one year, but not exceeding two years	–	350,000
In more than two years, but not exceeding five years	370,000	370,000
	720,000	720,000
Less: Amount due within one year included in current liabilities (Note 32)	(350,000)	–
Amount due after one year	370,000	720,000

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 three months.

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

	2015	2014
Effective interest rate:		
Variable rate borrowings	1.11% to 1.69%	1.07% to 3.65%

34. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognized 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, 2014	3,230	4,136	3,734	29,551	(2,932)	(4,056)	33,663
Acquired on acquisition of subsidiaries (Note 41)	–	–	–	1,403	–	–	1,403
(Credit) charge to profit or loss (Note 8)	(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
(Credit) charge to profit or loss (Note 8)	(3,122)	209	–	(1,886)	751	(25)	(4,073)
Exchange realignment	–	–	(163)	(1,464)	187	–	(1,440)
At December 31, 2015	**(7,430)**	**5,519**	**2,938**	**24,937**	**(65)**	**(4,135)**	**21,764**

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

34. DEFERRED TAXATION (continued)

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

	2015 US$'000	2014 US$'000
Deferred tax assets	**(14,571)**	(12,362)
Deferred tax liabilities	**36,335**	39,639
	21,764	27,277

At December 31, 2015, the Group had unused tax losses of approximately US$507.5 million (2014: US$423.6 million). A deferred tax asset has been recognized in respect of such tax losses of approximately US$0.3 million (2014: US$4.0 million). No deferred tax asset has been recognized in respect of the remaining tax losses of US$507.2 million (2014: US$419.6 million) due to the unpredictability of future profit streams. Except for the unused tax losses of approximately US$192.3 million (2014: US$186.1 million) that will expire between 2016 and 2020, other unused tax losses may be carried forward indefinitely.

Deferred taxation has not been provided in respect of certain undistributed earnings of the Group's PRC subsidiaries arising after 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, 2015, 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$300.6 million (2014: US$306.1 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 those subsidiaries for which deferred tax liabilities have not been recognized was US$1.6 million (2014: US$1.9 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$25,000 (2014: US$54,000) which was recognized 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.

35. SHARE CAPITAL

	No. of shares	Amount
		HK$'000
Ordinary shares of HK$0.25 each		
Authorized:		
At January 1, 2014, December 31, 2014 and December 31, 2015	2,000,000,000	500,000
Issued and fully paid:		
At January 1, 2014, December 31, 2014 and December 31, 2015	1,648,928,486	412,232
		US$'000
Shown in the consolidated financial statements as at December 31, 2014 and 2015		53,211

36. INFORMATION ON THE FINANCIAL POSITION OF THE COMPANY

	2015 US$'000	2014 US$'000
Non-current assets		
Property, plant and equipment	**269**	493
Investments in subsidiaries	**60,832**	60,832
Available-for-sale investments	**6,933**	9,130
	68,034	70,455
Current assets		
Amounts due from subsidiaries	**1,860,188**	1,462,773
Sundry receivables	**3,006**	3,850
Derivative financial instruments	**261**	–
Bank balances and cash	**345,720**	380,728
	2,209,175	1,847,351
Current liabilities		
Sundry payables	**3,321**	2,934
Derivative financial instruments	**20,545**	14,802
Amounts due to subsidiaries	**2,950**	3,183
	26,816	20,919
Net current assets	**2,182,359**	1,826,432
Total assets less current liabilities	**2,250,393**	1,896,887
Non-current liabilities		
Bank borrowings	**720,000**	720,000
Net assets	**1,530,393**	1,176,887
Capital and reserves		
Share capital	**53,211**	53,211
Reserves (Note 37)	**1,477,182**	1,123,676
	1,530,393	1,176,887

37. 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, 2014	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
Profit for the year	–	–	–	–	–	–	610,952	610,952
Realized on expiry of call option	–	–	(18,272)	–	–	–	18,272	–
Fair value loss on available-for-sale investments	–	–	–	(2,197)	–	–	–	(2,197)
Purchase of shares under share award scheme	–	–	–	–	(2,140)	–	–	(2,140)
Recognition of equity-settled share-based payments	–	–	–	–	–	1,764	–	1,764
Dividends (Note 11)	–	–	–	–	–	–	(254,873)	(254,873)
At December 31, 2015	**695,536**	**38,126**	**–**	**(1,562)**	**(10,954)**	**3,181**	**752,855**	**1,477,182**

37. RESERVES OF THE COMPANY (continued)

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 reorganization in 1992 and the nominal amount of the Company's shares issued for the acquisition.

(b) Other reserve consists of USD Call Option 2015.

The premium received by the Company in 2010 for USD Call Option 2015 of approximately US$18.3 million was recognized as equity and presented in reserves as "other reserve".

On March 31, 2015, the USD Call Option 2015 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US$18.3 million was derecognized and transferred to the retained profits in current year.

38. SHARE-BASED PAYMENT TRANSACTIONS

The Company and Pou Sheng 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.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

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 recognize 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.

38. 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, 2015, 650,000 ordinary shares (2014: 2,730,000 ordinary shares) of the Company have been acquired at an aggregate cost of HK$16,588,000 (equivalent to approximately US$2,140,000) (2014: HK$68,347,000 (equivalent to approximately US$8,814,000)). A total of 3,380,000 ordinary shares (2014: 2,730,000 ordinary shares) of the Company were held by the trustee of the Yue Yuen Share Award Scheme at December 31, 2015. 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.

38. 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 two years ended December 31, 2015 were as follows:

			Number of awarded shares						
	Date of grant	Vesting date	Outstanding at January 1, 2014	Granted during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2014	Reclassified during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2015
Directors of the Company									
Lu Chin Chu	03.27.2014	03.27.2016	–	45,000	–	45,000	–	–	45,000
Lee Shao Wu	03.27.2014	03.27.2016	–	45,000	–	45,000	–	–	45,000
Liu George Hong-Chih	03.27.2014	03.27.2016	–	45,000	–	45,000	–	–	45,000
Lin Cheng-Tien (Note)	03.27.2014	03.27.2016	–	–	–	–	45,000	–	45,000
Hu Chia-Ho (Note)	03.27.2014	03.27.2016	–	–	–	–	45,000	–	45,000
Sub-total			–	135,000	–	135,000	90,000	–	225,000
Employees of the Company	03.27.2014	03.27.2016	–	1,372,500	(45,000)	1,327,500	(90,000)	(45,000)	1,192,500
	05.29.2014	05.29.2016	–	22,500	–	22,500	–	–	22,500
Sub-total			–	1,395,000	(45,000)	1,350,000	(90,000)	(45,000)	1,215,000
Total			–	1,530,000	(45,000)	1,485,000	–	(45,000)	1,440,000

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

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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 were 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, 2015, the Group recognized a net expense of US$1,764,000 (2014: US$1,417,000) as equity-settled share-based payments in relation to the Yue Yuen Share Award Scheme.

(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.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Without prior approval from Pou Sheng's shareholder,

(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 date of listing;

(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.

38. 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, 2015:

				Number of share options				
	Date of grant	Exercise price HK$	Exercisable period	Outstanding at January 1, 2014	Lapsed/ cancelled during the year	Outstanding at December 31, 2014	Exercised during the year	Outstanding at December 31, 2015
Current and former Employees/consultants of Pou Sheng	1.21.2010	1.62	1.21.2011 – 1.20.2018	4,500,450	–	4,500,450	(60,000)	4,440,450
	1.21.2010	1.62	1.21.2012 – 1.20.2018	4,500,450	–	4,500,450	(60,000)	4,440,450
	1.21.2010	1.62	1.21.2013 – 1.20.2018	6,789,900	–	6,789,900	(105,000)	6,684,900
	1.21.2010	1.62	1.21.2014 – 1.20.2018	7,721,200	(400,000)	7,321,200	–	7,321,200
	1.20.2011	1.23	1.20.2012 – 1.19.2019	11,737,500	–	11,737,500	(150,000)	11,587,500
	1.20.2011	1.23	1.20.2013 – 1.19.2019	7,987,500	–	7,987,500	(25,000)	7,962,500
	1.20.2011	1.23	1.20.2014 – 1.19.2019	5,977,500	(477,500)	5,500,000	–	5,500,000
	1.20.2011	1.23	1.20.2015 – 1.19.2019	5,977,500	(1,177,500)	4,800,000	–	4,800,000
	3.07.2012	1.05	3.07.2013 – 3.06.2020	750,000	–	750,000	–	750,000
	3.07.2012	1.05	3.07.2014 – 3.06.2020	375,000	–	375,000	–	375,000
	3.07.2012	1.05	3.07.2015 – 3.06.2020	375,000	–	375,000	–	375,000
	3.07.2012	1.05	3.07.2016 – 3.06.2020	375,000	–	375,000	–	375,000
Total				57,067,000	(2,055,000)	55,012,000	(400,000)	54,612,000
Exercisable as at January 1, 2014, December 31, 2014 and December 31, 2015				36,265,800		49,462,000		54,237,000

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$1.71 (2014: Nil).

During the year ended December 31, 2015, the Group recognized a net expense of US$16,000 (2014: US$1,000) 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.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(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 recognize the contributions by certain persons, including directors of Pou Sheng and employees of the Pou Sheng Group (the "Selected Participants") and to provide 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 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 the 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 year 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 the 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 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 the 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, 2015, 80,000,000 ordinary shares (2014: 20,000,000 ordinary shares) of Pou Sheng have been acquired at an aggregate cost of HK$84,206,000 (equivalent to approximately US$10,863,000) (2014: HK$9,084,000 (equivalent to approximately US$1,168,000)). A total of 100,000,000 ordinary shares (2014: 20,000,000 ordinary shares) of Pou Sheng were held by the trustee of the Pou Sheng Share Award Scheme at December 31, 2015.

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses movements in Pou Sheng's share awards under the Share Award Scheme during the two years ended December 31, 2015:

			Number of awarded shares						
	Date of grant	Vesting date	Outstanding at January 1, 2014	Granted during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2014	Granted during the year	Lapsed/ cancelled during the year	Outstanding at December 31, 2015
Director of Pou Sheng									
Kwan, Heh-Der	9.1.2014	9.1.2017	–	1,200,000	–	1,200,000	–	–	1,200,000
Employees of Pou Sheng	9.1.2014	9.1.2017	–	11,000,000	(700,000)	10,300,000	–	(2,000,000)	8,300,000
	3.21.2015	3.21.2018	–	–	–	–	8,900,000	(352,000)	8,548,000
	8.14.2015	8.14.2018	–	–	–	–	10,270,000	(580,000)	9,690,000
Total			–	12,200,000	(700,000)	11,500,000	19,170,000	(2,932,000)	27,738,000

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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$11,098,000 (equivalent to approximately US$1,432,000) (2014: 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	March 21, 2015	August 14, 2015	September 1, 2014
Closing share price of Pou Sheng at the date of grant	HK$0.55	HK$1.14	HK$0.72
Annual risk free rate	0.731%	0.784%	0.710%
Expected volatility	50%	52%	47%
Vesting period	3 years	3 years	3 years
Expected dividend yield	Nil	Nil	Nil

The board of directors of Pou Sheng approved on March 20, 2015, August 13, 2015 and March 23, 2016 to grant an aggregate of 8,900,000, 10,270,000 and 5,130,000 awarded shares respectively to certain employees of the Pou Sheng Group pursuant to the Pou Sheng Share Award Scheme.

The closing prices of the Pou Sheng's shares immediately before the grant of the awards on March 21, 2015 and August 14, 2015 were HK$0.55 and HK$1.12 (September 1, 2014: HK$0.75) per share.

During the year ended December 31, 2015, the Group recognized a net expense of US$397,000 (2014: US$82,000) as equity-settled share-based payments in the consolidated income statement under the Pou Sheng Share Award Scheme.

39. 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 optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of 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.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 US$'000	2014 US$'000
Financial assets		
Derivative financial instruments	261	6
Loans and receivables (including cash and cash equivalents)	2,159,980	2,120,346
Available-for-sale investments	28,017	28,394
Investments held for trading	8,930	2,489
Pledged bank deposits	912	–
Financial liabilities		
Derivative financial instruments	20,545	14,835
Amortized cost	1,585,550	1,714,657
Consideration payable for acquisition of business	11,299	16,436

40. FINANCIAL INSTRUMENTS (continued)

(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 receivable, available-for-sale investments, derivative financial instruments, investments held for trading, trade and other receivables, bank balances and cash, pledged bank deposits, bank overdrafts, trade and other payables, bank borrowings and consideration payable for acquisition of business. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Majority of the Group's revenue are denominated in USD. However, the Group has certain trade and other receivables, trade and other payables, pledged bank deposits, 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 26. The Group regularly reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
USD	**10,345**	3,855	**20,069**	58,610
RMB	**253,144**	254,312	**155,836**	157,131
New Taiwan dollar ("NTD")	**27,584**	16,270	**32,657**	39,579
Vietnamese Dong ("VND")	**18,841**	35,111	**55,512**	67,846
Indonesia Rupiah ("IDR")	**16,418**	15,111	**64,597**	30,668
Hong Kong dollar ("HKD")	**15,162**	27,139	**11,460**	13,189

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.

40. 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% (2014: 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% (2014: 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	2015 US$'000	2014 US$'000
(Loss) gain in relation to:			
– USD	(i)	**(486)**	(2,738)
– RMB	(ii)	**4,865**	4,859
– NTD	(iii)	**(254)**	(1,165)
– VND	(iii)	**(1,834)**	(1,637)
– IDR	(iii)	**(2,409)**	(778)

notes:

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

(ii) This is mainly attributable to the exposure on bank balances, receivables and payables.

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

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to amounts due from joint ventures (Notes 22 and 29(i)), bank balances (Note 27(b)), bank overdrafts (Note 27(c)) and bank borrowings (Notes 32 and 33) 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 minimize the fair value interest rate risk. The directors consider the Group's exposure of the bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to loan receivable (Note 29(ii)), pledged bank deposits (Note 27(a)) and amounts due to connected parties (Note 48(I)).

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 (2014: 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, bank overdrafts and bank borrowings had been 100 basis points (2014: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the year would decrease by US$8,112,000 (2014: decrease by US$9,275,000). If interest rates were lower by 100 basis points (2014: 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.

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(iii) Other price risk

The Group's available-for-sale investments and foreign currency derivatives at the end of the reporting period exposed the Group to other price risk. The Group's other price risk is mainly concentrated on equity instruments which operate in footwear industry. Details of those are set out in Notes 24 and 26.

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% (2014: 10%), the Group's reserve would increase/decrease by US$2,802,000 (2014: US$2,713,000) at December 31, 2015.

(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% (2014: 5%), profit before taxation for the year ended December 31, 2015 would decrease/increase by US$1,014,000 (2014: decrease/increase by US$740,000) 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.

40. FINANCIAL INSTRUMENTS (continued)

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

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 recognized 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 57% (2014: 56%) of the trade receivables and the largest trade receivable balance was approximately 22% (2014: 21%) 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 minimize its risk by dealing with counterparties which have good credit history.

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

In addition to the credit risk on trade debts, the Group is also exposed to credit risk through its advances to, and guarantees granted to banks in respect of banking facilities utilized 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 minimize 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 utilized 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 27%, 24% and 40% (2014: 30%, 21% and 40%), respectively, of the trade receivables at December 31, 2015.

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

40. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

The Group has net current assets of US$1,744,763,000 (2014: US$2,113,170,000) as at December 31, 2015. 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 utilization 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.

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.

40. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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$'000	Carrying amount at 12.31.2015 US$'000
As at December 31, 2015							
Non-derivative financial liabilities							
Trade and other payables	–	672,924	81,125	13,095	–	767,144	767,144
Bank borrowings							
– variable rate	1.42	35,108	111,396	293,983	384,102	824,589	803,164
Bank overdrafts	5.12	15,242	–	–	–	15,242	15,242
Consideration payable for acquisition of business	–	11,299	–	–	–	11,299	11,299
Financial guarantee contracts	–	116,001	–	–	–	116,001	–
		850,574	192,521	307,078	384,102	1,734,275	1,596,849
Derivatives – net settlement							
Currency structured forward contracts	–	20,545	–	–	–	20,545	20,545

40. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1 – 3 months US$'000	3 months to 1 year US$'000	1 – 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 12.31.2014 US$'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 of 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

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.

40. 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 categorized (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.

	2015 US$'000	2014 US$'000	Fair value hierarchy
Financial assets at FVTPL			
Derivative financial instruments			
Foreign currency derivatives (note i)	261	6	Level 2
Investments held for trading (note ii)	8,930	2,489	Level 1
Available-for-sale investments			
Listed equity securities (note iii)	28,017	27,125	Level 1
	37,208	29,620	
Financial liabilities at FVTPL			
Derivative financial instruments			
Foreign currency derivatives (note i)	20,545	14,835	Level 2
Consideration payable for acquisition of business (note iv)	11,299	16,436	Level 3
	31,844	31,271	

40. FINANCIAL INSTRUMENTS (continued)

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

notes:

(i) 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 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.

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

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

(iv) 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 pre-determined restricted period expires in 2016, the consideration payable for acquisition of business is therefore classified as current at December 31, 2015 (2014: non-current).

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, 2015 and 2014 are determined by APAC Asset Valuation, using the Binomial Option Pricing Model.

40. FINANCIAL INSTRUMENTS (continued)

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

notes: (continued)

(iv) (continued)

The key inputs into the model are set out below:

	2015	2014
Share price of Pou Sheng's share at date of valuation	HK$1.86	HK$0.74
Exercise price per share	HK$4.00	HK$4.00
Risk free rate	0.14%	0.58%
Expected volatility	63%	47%
Expected life of the guaranteed compensation	0.89 years	1.89 years
Expected dividend yield	Nil	Nil

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

	Consideration payable for acquisition of business US$'000
At January 1, 2014	18,016
Unrealized gain, recognized in profit or loss (included in fair value changes on consideration payable for acquisition of business)	(1,576)
Exchange realignment	(4)
At December 31, 2014	16,436
Unrealized gain, recognized in profit or loss (included in fair value changes on consideration payable for acquisition of business)	(5,149)
Exchange realignment	12
At December 31, 2015	**11,299**

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

At the end of the reporting period, the directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized 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.

41. ACQUISITION OF BUSINESS/SUBSIDIARIES

For the year ended December 31, 2015

On May 28, 2015, the Group acquired a business, which principally engaged in sports marketing and sports agency in Taiwan, from two independent third parties at a consideration of US$2,593,000.

The Group obtained control over the business on the date of completion of the acquisition, which has been accounted for using the purchase method. The amount of goodwill arising as a result of this acquisition was US$1,546,000.

Further details of the acquisition, including consideration paid, assets acquired and liabilities recognized are set out below.

	US$'000
Consideration for the acquisition:	
Cash consideration	2,593
Fair value of assets acquired and liabilities recognized at the date of acquisition are of follows:	
Property, plant and equipment (Note 14)	470
Inventories	496
Trade and other receivables	1,640
Bank balances and cash	533
Trade and other payables	(1,849)
Bank borrowings	(243)
	1,047
Goodwill	1,546
Cash flows arising on acquisition:	
Cash consideration paid for acquisition	(2,593)
Less: bank balances and cash acquired	533
Net cash outflows	(2,060)

The business acquired during the year ended December 31, 2015 did not contribute significantly to the results and cash flows of the Group during the year.

41. ACQUISITION OF BUSINESS/SUBSIDIARIES (continued)

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 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 recognized are set out below.

	US$'000
Consideration for the acquisition:	
Cash consideration	6,760
Fair value of assets acquired and liabilities recognized 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
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

41. ACQUISITION OF BUSINESS/SUBSIDIARIES (continued)

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 recognized 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.

42. DISPOSAL OF SUBSIDIARIES

For the year ended December 31, 2015

During the year ended December 31, 2015, the Group completed the disposal of 51% equity interests in Valuable Developments Limited and its subsidiaries (the "Valuable Developments Group") at an aggregate consideration of US$4,742,000. The Valuable Developments Group is principally engaged in manufacturing of foamed cotton.

The aggregate amounts of assets and liabilities attributable to the Valuable Developments Group on the date of disposal are as follows:

	US$'000
Net assets disposed of:	
Property, plant and equipment	3,477
Prepaid lease payments	711
Goodwill (Note 17)	23
Inventories	3,390
Trade and other receivables	8,365
Bank balances and cash	1,890
Trade and other payables	(7,295)
Bank borrowings	(302)
Total net assets	10,259
Less: Non-controlling interests	(5,701)
	4,558
Gain on disposal of subsidiaries:	
Consideration received	4,742
Net assets disposed of	(4,558)
Gain on disposal (Note 6)	184
Net cash inflow arising on disposal:	
Cash consideration received	4,742
Less: bank balances and cash disposed of	(1,890)
	2,852

The subsidiaries disposed of during the year ended December 31, 2015 did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

42. DISPOSAL OF SUBSIDIARIES (continued)

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)

The subsidiaries 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.

43. OPERATING LEASES

The Group as lessee

The Group made the following lease payments during the year:

	2015 US$'000	2014 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	**33,424**	31,012
– retail shops	**65,045**	57,099
– plant and machinery	**247**	203
	98,716	88,314
Contingent rentals:		
– retail shops	**218,355**	180,235
	317,071	268,549

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:

	2015 US$'000	2014 US$'000
Within one year	**64,441**	53,052
In the second to fifth year inclusive	**111,211**	64,696
After five years	**39,278**	47,654
	214,930	165,402

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

Included in the above are commitments under non-cancellable operating leases of approximately US$10.4 million as at December 31, 2015 which expire in 2017 (2014: US$15.6 million which expire in 2017), payable to related companies, Godalming Industries Limited ("Godalming") and its subsidiaries, details of which are set out in Note 48(e).

43. 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:

	2015 US$'000	2014 US$'000
Within one year	**9,612**	9,173
In the second to fifth year inclusive	**16,495**	16,204
After five years	**23,823**	33,920
	49,930	59,297

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 revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year ended December 31, 2015 was US$20,802,000 (2014: US$20,278,000), of which contingent rental income arising from contingent terms of lease contracts amounted to US$11,870,000 (2014: US$11,202,000).

44. COMMITMENTS

	2015 US$'000	2014 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	**14,210**	58,492
– acquisition of property, plant and equipment	**8,258**	10,265
– acquisition of land leases	**2,338**	–
	24,806	68,757

Save as disclosed above, the Group had no other material capital commitments at December 31, 2015 and 2014.

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, the major non-cash transactions are as follow:

(i) The increase in investments in joint ventures of US$8,729,000 was settled by offsetting amounts due from joint ventures classified as non-current.

(ii) The increase in investments in associates of US$2,849,000 was settled by offsetting amounts due from associates.

46. CONTINGENCIES

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

	2015 US$'000	2014 US$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	**59,625**	66,099
– amount utilized	**23,000**	41,335
(ii) associates		
– amount guaranteed	**56,376**	34,502
– amount utilized	**3,099**	2,217

In the opinion of the directors, the fair value of the financial guarantees given to the banks by the Group are insignificant at initial recognition. Also, after taking into consideration the probability of default by the joint ventures and associates, the management of the Company is of the opinion that no provision is required to be recognized in the consolidated statement of financial position as at December 31, 2015 and 2014.

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.

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	2015 US$'000	2014 US$'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, production tools and shoe-related products by the Group (note a)	**758**	630
	Merchandise costs reimbursed to PCC under the Services Agreements by the Group (note b)	**275,687**	291,556
	Expense reimbursed to PCC under the Services Agreements by the Group (note b)	**92,003**	93,233
	Service fees paid to PCC under the Services Agreements by the Group (note b)	**16,083**	16,111
	Rental expenses under the Rental Agreements paid by the Group (note c)	**560**	874
	Interest expenses paid by the Group	**1,034**	58
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes by the Group (note a)	**2,173**	5,017
	Management services income received by the Group (note d)	**54**	226
	Balance due from/to as at year end and included in:		
	– trade receivables	**744**	980
	– trade payables	**32,911**	33,879
	– other receivables (note f)	**7,464**	6,028
	– other payables (note g)	**63,008**	22,340

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	2015 US$'000	2014 US$'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)	51	53
	Interest expenses paid by the Group	–	310
	Balance due from/to as at year end and included in:		
	– other receivables (note f)	5	11
	– other payables (note f)	8	1,375
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)	4,678	4,880
	Balance due from/to as at year end and included in:		
	– other receivables (note f)	171	358
	– other payables (note f)	2	165

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(II) Other Related Parties

Name of related party	Nature of transactions/balances	2015 US$'000	2014 US$'000
Joint ventures	Purchase of raw materials by the Group	174,467	134,975
	Purchases of footwear products by the Group	895	3,082
	Sales of shoe-related products by the Group	18,270	18,029
	Sales of sportswear products by the Group	3,472	2,529
	Management service income received by the Group	1,432	2,724
	Interest income received by the Group	712	960
	Interest expenses paid by the Group	–	196
	Rental income received by the Group	2,081	1,280
	Consideration received by the Group for disposal of subsidiaries (Note 42)	–	5,859
	Balance due from/to as at year end and included in:		
	– trade receivables	1,410	1,733
	– trade payables	46,455	43,701
	– other receivables (note f)	8,033	15,646
	– other payables (note f)	2,933	2,094
Associates	Purchase of raw materials by the Group	55,881	49,288
	Sales of shoe-related products by the Group	8,271	7,425
	Management service income received by the Group	2,182	2,770
	Service fee paid by the Group	2,742	2,467
	Interest expenses paid by the Group	–	24
	Rental income received by the Group	1,380	1,074
	Balance due from/to as at year end and included in:		
	– trade receivables	585	4,067
	– trade payables	8,343	7,195
	– other receivables (note f)	7,166	10,489
	– other payables (note f)	361	3,276

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(III) Compensation of Key Management Personnel

	2015 US$'000	2014 US$'000
Short term benefits	3,758	4,654
Post employment benefits	2	4
	3,760	4,658

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

notes:

(a) During the year, the Group sold leather, moulds, finished and semi-finished shoe products and packaging boxes to PCC Group. In addition, the Group purchased raw materials, production tools and shoe-related products from the PCC Group. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on November 27, 2014. PCC is owned indirectly through Plantegenet Group Limited as to 7.24% by members of Tsai's family, including a director of the Company, Ms. Tsai Pei Chun, Patty.

(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 the 3 months ended December 31, 2014 and fifth supplemental 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.

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

notes: (continued)

(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.

(d) Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into certain supplemental management service agreements respectively 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 a director of the Company, Ms. Tsai Pei Chun, Patty.

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

notes: (continued)

(d) (continued)

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, a 10% mark up on the aggregate costs incurred by Highmark;

(ii) in respect of the supply of electricity by Highmark, 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 service charge with reference to the price charged to independent third party for similar services.

(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 a director of the Company, 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) The amounts due from/to are unsecured, interest free and repayable on demand.

(g) The amounts due to are unsecured, and repayable on demand. Except for the amount of US$44,099,000 (2014: nil) included in other payables which carries fixed interest rate of 4% per annum, the remaining balance is interest-free.

49. NON-CONTROLLING INTERESTS

	Interests attributable to shares held in subsidiaries US$'000	Share options reserve of a listed subsidiary US$'000 (note 38(c))	Shares held under share award scheme of a listed subsidiary US$'000	Share award reserve of a listed subsidiary US$'000 (note 38(d))	Total US$'000
At January 1, 2014	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
Realized 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
Exchange difference arising on the translation of foreign operations	(18,865)	–	–	–	(18,865)
Profit for the year	27,690	–	–	–	27,690
Total comprehensive income for the year	8,825	–	–	–	8,825
Purchase of shares under share award scheme	–	–	(10,863)	–	(10,863)
Recognition of equity-settled share-based payments, net of amounts forfeited relating to share options and share awards not yet vested	–	16	–	397	413
Contribution from non-controlling interests of subsidiaries	5,459	–	–	–	5,459
Exercise of a subsidiary's share options	45	(40)	–	–	5
Disposal of subsidiaries	(5,701)	–	–	–	(5,701)
Acquisition of additional interests in subsidiaries	967	–	–	–	967
Dividends paid to non-controlling interests of subsidiaries	(13,922)	–	–	–	(13,922)
At December 31, 2015	**374,001**	**5,195**	**(12,031)**	**479**	**367,644**

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2015 and 2014 are as follows:

Name of subsidiary	Country/ place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			2015	2014	
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$850,000	51%	51%	Manufacture of shoe pads
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$62,970,000	100%	100%	Manufacture of shoe moulds
Gold Plenty International Limited	BVI	US$10,001	100%	100%	Manufacture and sales 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 2015	2014	Principal activities
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
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$196,000,001	**100%**	100%	Investment holding
Kunshan Taisong Trading Co., Ltd.	PRC	US$14,000,000	**61.27%+**	61.27%+	Distribution of licensed products
Major Focus Management Limited	BVI	US$1	**100%**	100%	Investment holding
Myanmar Pou Chen Company Limited	Myanmar	US$74,400,000	**100%**	100%#	Manufacture of footwear
P.T. Glostar Indonesia	Indonesia	US$112,000,000	**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
			2015	2014	
P.T. Nikomas Gemilang	Indonesia	IDR1,306,680,000,000	100%	99.38%	Manufacture and sale of footwear
P.T. Pou Chen Indonesia	Indonesia	US$64,000,000	96.25%	90%	Manufacture and sale of footwear
P.T. Pou Yuen Indonesia	Indonesia	US$57,000,000	100%	100%	Manufacture and sale of footwear
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$60,300,001	100%	100%	Investment holding
Pou Sheng	Bermuda*	HK$53,793,000	61.27%	61.27%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$87,000,000	100%	100%	Manufacture and sale of footwear
Pou Yuen Cambodia Enterprise Limited	Cambodia	US$4,000,000	100%	100%	Manufacture and sales 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
			2015	2014	
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%	
Pou Yuen Trading Corporation	Taiwan	NTD50,000,000	**55.14%++**	55.14%++	Distribution of licenced products
Pouyuen Vietnam Company Limited	Vietnam	US$146,406,000	**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 Dao (Yangzhou) Sporting Goods Dev. Co., Ltd	PRC**	US$66,000,000	**61.27%+**	61.27%+	Investment holding
Sheng Gao Yisen Industry Co., Ltd.	PRC**	US$35,240,000	**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
			2015	2014	
Shengdao (Chengdu) Trading Co., Ltd (formerly known as Pou Yu (Chengdu) Trading Co., Ltd.)	PRC**	US$22,400,000	**61.27%+**	61.27%+	Retailing of sportswear
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%+**	61.27%+	Distribution of licensed products
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	**100%**	100%	Manufacture and sale of footwear
Top Units Developments Limited	BVI	US$11,000,000	**51%**	51%	Investment holding
Upturn Investments Limited	BVI	US$1,700,000	**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

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
			2015	2014	
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	**100%**	100%	Investment holding and property holding
		Non-voting deferred – HK$47,000,000	**100%**	100%	
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.
# This company has been incorporated during the year.

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

50. PRINCIPAL SUBSIDIARIES (continued)

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

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

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

Principal activities	Country/place of incorporation/ establishment	Number of subsidiaries	
		2015	2014
Manufacturing and/or sales of footwear	PRC	**22**	28
	Indonesia	**8**	7
	Vietnam	**7**	7
	Macau	**2**	2
	Others	**9**	8
Investment holding and/or property holding	PRC	**19**	19
	Hong Kong	**35**	39
	Taiwan	**2**	2
	Macau	**1**	1
	Others	**79**	86
Manufacturing and/or sales of apparel and others	PRC	**12**	13
	Indonesia	**1**	1
	Vietnam	**4**	7
	Taiwan	**6**	5
	Others	**19**	19
Retailing business	PRC	**45**	48
	Hong Kong	**1**	1
	Taiwan	**2**	3
		274	296

Financial Summary

	For the year ended September 30,	For the fifteen months ended December 31,	For the year ended December 31,		
	2011	2012	2013	2014	**2015**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Revenue	7,045,373	9,193,226	7,582,471	8,013,432	**8,434,915**
Profit before taxation	511,728	636,900	454,219	380,058	**484,203**
Income tax expense	(28,203)	(25,578)	(25,232)	(37,312)	**(66,330)**
Profit for the year/period	483,525	611,322	428,987	342,746	**417,873**
Attributable to:					
Owners of the Company	449,829	623,701	434,768	331,020	**390,183**
Non-controlling interests	33,696	(12,379)	(5,781)	11,726	**27,690**
	483,525	611,322	428,987	342,746	**417,873**

	As at September 30,	As at December 31,			
	2011	2012	2013	2014	**2015**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	6,473,264	6,836,110	6,992,706	7,171,120	**7,264,486**
Total liabilities	(2,366,587)	(2,414,714)	(2,256,256)	(2,389,677)	**(2,398,277)**
	4,106,677	4,421,396	4,736,450	4,781,443	**4,866,209**
Equity attributable to:					
Owners of the Company	3,653,768	4,002,788	4,338,658	4,398,982	**4,498,565**
Non-controlling interests	452,909	418,608	397,792	382,461	**367,644**
	4,106,677	4,421,396	4,736,450	4,781,443	**4,866,209**

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