YY SPORTS 胜道

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶 勝 國 際（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

2016
ANNUAL REPORT

MISSION

We are committed to providing quality services and products to diversified customers in the sports-inspired and lifestyle industry, promoting high quality of living and healthy lives, as well as developing sustainable and profitable growth for our shareholders and employees

GOAL

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

CONTENTS

CORPORATE OVERVIEW

CORPORATE OVERVIEW

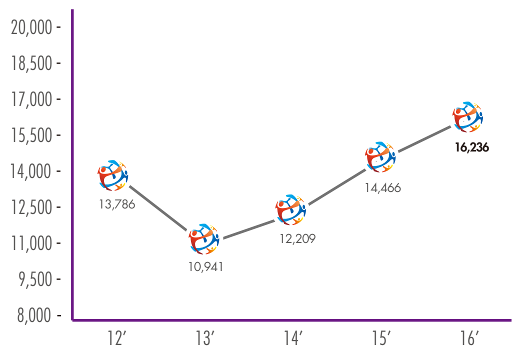
THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Percentage Increase
	2016	2015 (restated)	
Revenue *(RMB'000)*	16,236,384	14,465,564	12.2%
Operating profit *(RMB'000)*	924,156	598,959	54.3%
Profit attributable to owners of the Company *(RMB'000)*	560,579	396,592	41.3%
Basic earnings per share *(RMB cents)*	10.72	7.45	43.9%
Dividend per share			
Interim dividend *(HK$)*	0.02	–	N/A
Final dividend (proposed) *(HK$)*	0.02	–	N/A

KEY SHAREHOLDER VALUE INDICES

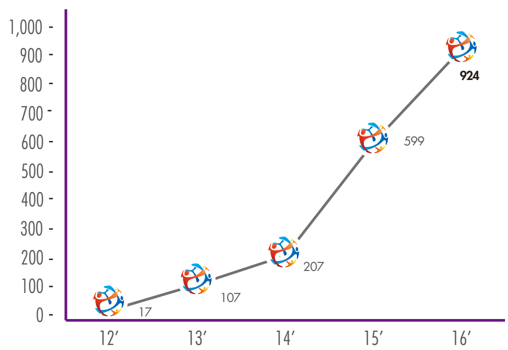
Revenue

RMB million



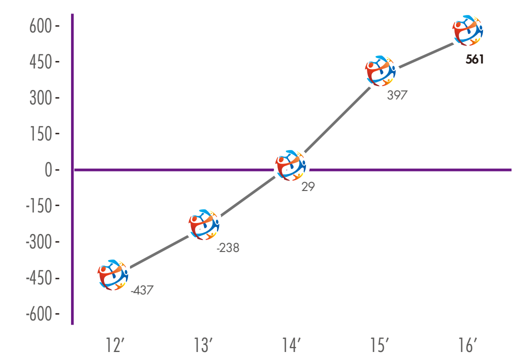
Operating Profit

RMB million



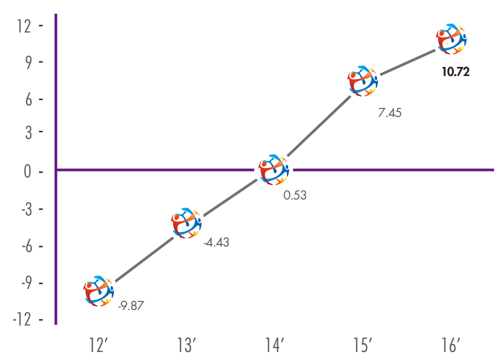
Profit (Loss) Attributable to Owners of the Company

RMB million



Basic Earnings (Loss) Per Share

RMB cent



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu, Pan-Tsu (Chairman) (appointed as the chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016)
Kwan, Heh-Der (Chief Executive Officer) (resigned on January 6, 2017)
Lee, Shao-Wu (Chief Executive Officer) (appointed as executive Director and acting Chief Executive Officer on February 6, 2017 and re-designated as Chief Executive Officer on March 24, 2017)

Non-executive Directors

Tsai David, Nai Fung (Chairman) (retired as Non-executive Director and ceased to be the chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016)
Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors

Chen, Huan-Chung
Hsieh, Wuei-Jung
Shan Xue

AUDIT COMMITTEE

Chen, Huan-Chung (Chairman)
Tsai Patty, Pei Chun
Shan Xue

REMUNERATION COMMITTEE

Hsieh, Wuei-Jung (Chairman)
Chen, Huan-Chung
Li I-nan

NOMINATION COMMITTEE

Wu, Pan-Tsu (Chairman)
Chen, Huan-Chung
Shan Xue

AUTHORISED REPRESENTATIVES

Wu, Pan-Tsu (appointed on January 19, 2017)
Tsai Patty, Pei Chun
Chong Yim Kuen (ceased on January 19, 2017)

COMPANY SECRETARY

Chong Yim Kuen (resigned on January 19, 2017)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

INDEPENDENT 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

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

SOLICITOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

ANZ Bank (Taiwan) Limited
Australia and New Zealand Bank (China) Company Limited
Bank of America, N.A.
Bank SinoPac
Citibank (China) Co., Limited
Citibank Taiwan Limited
Hang Seng Bank (China) Limited
HSBC Bank (China) Company Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (Taiwan) Limited

WEBSITE ADDRESS

www.pousheng.com

STOCK CODE

3813

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Pou Sheng Group for the financial year ended December 31, 2016 to the shareholders of the Company.

During the financial year 2016, our operations continued to progress according to plan, despite a number of unexpected events around the world and in China. The Chinese economy grew at a slower pace with GDP up 6.7% for the year, which was affected by a decline in exports, ongoing reforms to cut overcapacity and policies that aimed to rein in speculative activities in the property and the commodity sectors. However, growth momentum in China stabilised and improved during the second half of 2016. Globally, the unexpected Brexit referendum result, as well as concerns about Donald Trump's presidency created a highly unpredictable business environment. Fortunately, these factors had less of an impact on Chinese consumer sentiment and on our retail operations.

During the fiscal year, concerns over imbalances in the Chinese economy and a stronger USD also led to capital outflows and continued weakness in the USD-RMB exchange rate. Despite over 6.5% depreciation in the value of the RMB against USD during the financial year, the magnitude of impact on the Group was limited as our reported revenue and costs are in RMB basis. The depreciation also did not trigger significant rent and wage adjustments in the Chinese retail sector, as compared to previous periods.

As a result of the global uncertainty and slowing economy growth, China faced a weaker growth in consumer spending in 2016. On the contrary, the sportswear sector faced an increase in demand as it benefited from favorable national policies, higher levels of investment, rising disposable income and greater public awareness about the importance of health and fitness.

CHAIRMAN'S STATEMENT

Over the past few years, Chinese companies have invested considerably to gain broadcasting rights for major international sport events, as well as stakes in foreign sport franchises including high-profile European football clubs. This demonstrates that there is a strong desire among market participants to develop and expand opportunities related to sport consumption and sports management-related activities. The high level of investment and promotional activities conducted by the sportswear industry during the Rio Olympics is another example of the demand companies are seeing for sports-related consumption activities.

The ongoing organisation of mass sporting events in China, including high-profile international marathons hosted across Chinese cities, suggests that this trend can only continue.

Our retail operations are also benefited from a favorable policy environment and rising disposable income among Chinese consumers who are increasingly preferring high-quality global shoe brands. For 2016, the Group recorded total revenue of RMB16,236.4 million, representing an increase of 12.2% when compared with total revenue of RMB14,465.6 million for the previous fiscal year. This increase is mainly derived from our multi-brand retailing and wholesale business, which includes the selling of branded footwear and sportswear products directly via our self-managed stores and e-commerce channels, as well as on a wholesale basis to other franchisees and retail operators located throughout Greater China region. Excluding operating expenses, our operating profit also continued to improve, up 54.3% to RMB924.2 million (compared with RMB599.0 million previously).

During the year under review, we progressed further towards achieving our strategic vision to rank among leading retail distributors in the USA and Europe by further expanding the geographic reach and range of our portfolio of sport and fashion brands. Our management team continued to create new shopping experiences and develop multiple interactions with customers by rolling out multi-channel platforms during the year. This included establishing mono-brand and multi-brand mega flagship stores in Tier-1 and Tier-2 cities throughout China, as well as multi-story 'Sports City' complexes that combine sporting facilities with retail outlets for our sportswear and lifestyle products. We also enhanced our e-commerce delivery to cater to changing consumer tastes. Our management team also continued to invest in optimising our information systems, as well as in mobile and Internet technologies, to better integrate the Group's IT, logistics and CRM platforms to enhance our customers' online and offline shopping experience.

Another top priority during the financial year was the promotion of operational efficiency, which resulted in an operating margin improvement from 4.1% to 5.7%, despite continuous increases in rent and wages across China. As of the end of 2016, our workforce had expanded to approximately 28,600 employees, the majority of which are engaged in marketing and customer service at the Group's directly-operated stores – which has grown to total 5,560 stores as compared to 4,943 stores as at the end of the last fiscal year. The implementation of relevant

CHAIRMAN'S STATEMENT

hiring, screening and talent development processes, as well appropriate incentive programs, are key elements that support our expansion plan to capture a higher share of sports consumer spending. These processes also help to ensure a high standard of customer experience and satisfaction is maintained at our self-operated stores, and enables the Group to build an advantage in the highly competitive Chinese retail market.

Throughout the year, proper information systems and control procedures were also established and refined to track inventory and store performance, as well as to ensure that our workforce are following the Group's objectives and conduct guidelines. This ensured that timely and relevant decisions could be made to deal with the ever-changing retail competitive landscape and changing consumer preferences that influence our online and offline channels.

As part of our corporate citizenship and community initiatives, we continued to sponsor and partner with the Yao Foundation and China Youth Development Foundation for various social and charitable events. YYsports, the operating brand of the Group, also stepped up its philanthropic efforts to jointly organise public welfare activities and donations together with local school and county governments, including the 'More Smile at Zanhuang' and the 'Sending love, Raising the Sun of Tomorrow' programs, which help to improve the health and livelihoods of children. We aim to cooperate with more international sport and leisure brands to promote the sustainable development sport among under-privileged youth.

Looking forward, we are positive about the outlook for our business following the China's State Council approval of a new National Fitness plan (2016-2020)[1] and the 'Healthy China Outline 2030' policy during the year under review. Both policies underpin a clear and ambitious target to increase sports participation in China to over one billion citizens, while also providing RMB1.5 trillion in funding by 2020 to support infrastructure development and initiatives related to health and fitness. The China General Administration of Sport has also promulgated a 13th five-year plan that aims to boost sports-related consumption to 2.5% of disposable income per

capita by 2020[2]. According to the National Bureau of Statistics, urban disposable income per capita in China doubled from RMB15,781 in 2008 to RMB33,616 in 2016, highlighting the huge potential still to be unlocked for the sporting industry.

It is also our belief that consumption patterns for sportswear items in China will continue to follow a similar trajectory as in developed markets, although with some regional variation. This includes rising affiliations and dedicated fan bases for regional and national sporting teams.

We believe that by providing consistent sports experiences through our omni-channels services and products, we will inspire passion for sports among Chinese consumers. This was one of the reasons behind our decision to acquire PCG Bros during the 2016 financial year, in order to strengthen our capabilities into sports marketing and organising sports events. This strategic acquisition aligns with China national policy initiatives and will further help us to engage with sport consumers.

Finally, I would like to express my appreciation to our staff, business partners, financial institutions and shareholders, for their continued support and assistance. During this time of uncertainty and change, I am extremely grateful to have our dedicated team of staff and management who have continued to uphold the Group's philosophy, value and integrity.

I am confident that with continued enhancement, solid execution and strong internal controls, the future of our Group remains bright, as our various stakeholders benefit from our omni-channel expansion while capturing the unique opportunities arising from the rise of health and fitness awareness in China.

Wu, Pan-Tsu
Chairman

March 24, 2017

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1 The State Council announced a framework plan for building a RMB 5 trillion domestic sports industry by 2025, which incudes encourage private capital to invest in building sporting capacity, building sporting facilities, and providing related products and services.

2 Sports consumption is expected to hit 2.5% of disposable income per capita by 2020. The national fitness program (2016-2020) and Healthy China Outline 2030 were also specified to offer national goal to enhance citizen's heath and fitness and offer wider opportunity for sport produce and sport management. These policies have laid road map development of Chinese sport industry for the coming 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

The Group strives to position itself as the focal point for distributing international brands functional footwear and apparel in the People's Republic of China (the "PRC"). The Group is dedicated to provide the best in class consumer experience to its customers by transforming from transactional points of sale to an integrated sports services provider that provides experiential points of service – from distribution of international branded sports footwear and apparel, design and marketing of licensed branded footwear, as well as providing sports management and events platforms in Greater China. Presently, the Group is a leading distributor of footwear and apparel for international brands that have strong and established market positions in first and second-tier cities in the PRC. It is also continuing to develop its multi-brand strategy, leveraging off its success with existing customers to form partnerships with other fashionable and outdoor performance brands that are looking to access the PRC's vibrant, but competitive, retail market. To further expand its capability to distribute international athletic brands in the PRC, the Group further rolled out versatile omni-channels that offer customers an optimal shopping experience at both brick-and-mortar stores and digital stores.

As at December 31, 2016, the Group's nationwide retail network consisted of 5,560 directly operated retail outlets and 3,199 sub-distributor operated retail outlets.

The Group's brand licensee business (non-sport brands) continued to pursue opportunities with international leisure brands. Typically, the brand licensees grant the Group exclusive rights to design, develop, manufacture and market the brand products at designated locations for specified periods of time (across the Greater China region or PRC). During 2016, the brand licensee business of the Group consisted of PONY in the PRC and Taiwan, and Hush Puppies in Taiwan.

MANAGEMENT DISCUSSION AND ANALYSIS

The operating environment was mixed during 2016. Despite slowing economic growth in the PRC and unstable weather conditions, the Group's overall performance improved gradually and recorded a steady growth in sales in 2016.

In 4Q 2016, following the acquisition of PCG Bros, the Group has expanded its sport service offerings to include sport consulting, sporting events coordination and execution, and management of fitness facilities and sports clubs. These offerings complement the Group's strategy of providing an experiential sport experience and further enhanced its interaction with sport consumers.

In addition, major international sport events, such as the UEFA European Championship, the 2016 Rio Olympics, and the proliferation of international marathons hosted across the PRC helped stimulate participation in sport and fitness, as well as demand for sportswear.

Furthermore, the Chinese government also enacted supportive policies and promotions to increase public awareness about healthy lifestyles. Spending in the health and leisure industry is also becoming a new driver stimulating domestic demand and boosting economic growth, as the PRC faces declining exports and uncertainty about the global economic recovery. During the second half of the year, the State Council approved its 13th Five-Year Plan, outlining its vision to focus on the fitness and development of the sports industry. With unwavering policy support for the PRC's health and fitness industry, major international athletic and performance brands have dedicated resources and personnel to access the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Performance

Summary

For the financial year, the Group recorded revenue of RMB16,236.4 million, representing an increase of 12.2% compared with the 2015 financial year. Gross profit was RMB5,768.4 million, an increase of 19.7% against the same period of last year. The Group's operating profit was RMB924.2 million, which was a large increase compared with the operating profit of RMB599.0 million reported in the 2015 fiscal year. In term of net profit, profit attributable to owners of the Company in the current year was RMB560.6 million, a significant improvement compared with the profit attributable to owners of RMB396.6 million recorded in 2015.

Revenue

Total revenue of the Group increased by 12.2% to RMB16,236.4 million for the year ended December 31, 2016, as compared with RMB14,465.6 million reported in the same period last year. The increase was attributed to same store sales growth, as well as revenue from newly opened stores.

Gross Profit

Gross profit for the Group amounted to RMB5,768.4 million, with a gross profit margin of 35.5%. Both the gross profit and the gross profit margin were higher than the comparable figures achieved in the last financial year. The strong improvement in gross profit was due to reduced discounting, increased sales growth and better inventory management.

Selling & Distribution Expenses and Administrative Expenses

The selling and distribution expenses and administrative expenses of the Group for the financial year was in aggregate RMB5,072.5 million, representing 31.2% of total revenue and an increase of 16.9%, compared with the previous financial year. In order to improve store revenue and efficiency, the management team continued to invest in new stores, human resources and training to reinforce sales skills and quality, as well as in store renovations and upgrades, which resulted in an increase in staff costs, rental expenses and concession fees.

Operating Profit

The Group's operating profit in the financial year was RMB924.2 million, while the operating profit margin was 5.7%, a substantial improvement compared with the operating profit of RMB599.0 million, or 4.1%, in the 2015 financial year.

Other Gains (Losses) arising other than Operating Activities

The Group incurred various gains (losses) from a variety of situations, amounting to a net loss of RMB29.8 million in the financial year. Amongst others, there were impairment losses on loans to joint ventures of RMB30.0 million and a fair value gain on consideration payable for the acquisition of business of RMB17.2 million incurred during the financial year.

Profit for the Year

Due to the aforementioned reasons, the Group recorded a net profit of RMB569.6 million for the year, a substantial increase over RMB383.1 million recorded for the last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Working Capital Efficiency

The average inventory turnover period for the year was 145 days (2015: 144 days). The Group continues to explore different strategies for managing inventory so as to optimise working capital levels. The average trade receivables turnover period was 28 days (2015: 28 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 22 days (2015: 25 days).

Liquidity and Financial Resources

As at December 31, 2016, the Group had cash and cash equivalents of RMB482.6 million (2015: RMB297.2 million) and working capital (current assets minus current liabilities) of RMB3,858.7 million (2015: RMB3,669.9 million). Total bank borrowings were RMB1,375.8 million (2015: RMB468.9 million) and are repayable within one year. Bank borrowings were mainly denominated in RMB and so were cash and cash equivalents. The Group's current ratio was 203.2% (2015: 238.2%).

The Group's gearing ratio for 2016 was 27%, up 14 percentage points from 13% in 2015, which was attributable mainly to an increase in interest bearing loans. The gearing ratio represented total interest bearing loans (including amount due to a connected party) as a percentage of total equity.

During the year, net cash used in operating activities was RMB11.4 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was RMB400.0 million, of which RMB454.9 million was used to purchase property, plants and equipment. Net cash generated from financing activities was RMB700.5 million.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for the purchase of furniture, fixtures and equipment and leasehold improvements. For the 2016 fiscal year, total capital expenditure was RMB510.1 million (2015: RMB299.9 million). As at December 31, 2016, the Group had no material capital commitments and contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange

The Group conducted its business primarily in the PRC with substantially all of its transactions denominated and settled in RMB. As at December 31, 2016, the Group had no significant hedge for the foreign exchange exposure. An USD/RMB currency swap contract amounting to US$10 million expired on December 20, 2016 and a foreign exchange gain was booked. As the exchange rate of RMB against foreign currencies may be volatile, the Group may enter into forward contracts, currency swaps or options to hedge against the currency risk arising from foreign currency transactions when necessary. Starting from January 1, 2016, the Group's reporting currency has been denominated in RMB.

The Group has a dedicated treasury division and internal treasury policies and approval guidelines to manage and control the Group's exposure to structured deposit investment. The use of derivatives and approval procedures are in accordance to our internal policies and guidelines.

HUMAN RESOURCES

As at December 31, 2016, the Group had approximately 28,600 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers awarded shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs for employees based on their respective personal career development.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Group appointed Mr. Lee, Shao-Wu, former executive director, of our controlling shareholder, Yue Yuen, as the Group's interim-acting Chief Executive Officer ("CEO") and executive Director on February 6, 2017, following the resignation of former CEO and executive Director, Mr. Kwan, Heh-Der on January 6, 2017. Mr. Lee has been re-designated as the CEO and executive Director since March 24, 2017 afterwards.

The Group also appointed Mr. Wu, Pan-Tsu, the Chairman of the Board, and Ms. Tsai Patty, Pei Chun, a non-executive Director, as authorised representatives under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange", respectively) and Hong Kong Companies Ordinance, respectively on January 19, 2017 following the cessation of Ms. Chong Yim Kuen.

The Board's swift action demonstrates its commitment to transparency and to ensuring that its corporate philosophy and the interests of Shareholders are aligned.

PROSPECTS AND FUTURE DEVELOPMENTS

Taking into account favorable government policies, rising consumer income – especially among urban professionals and 'millennials' – and the continued shift of consumer spending towards health and fitness, the Group's management continues to be positive about the long-term prospects of health and leisure retailing in Greater China.

MANAGEMENT DISCUSSION AND ANALYSIS

The strategic blueprint to boost the PRC's sports industry infrastructure and domestic consumption around health and fitness, as outlined by the State Council National Fitness Plan (2016–2020) and the 'Healthy China Outline 2030', will continue to increase sports-related consumption for the next five to ten years. The Council expects the industry will grow to in excess of RMB1.5 trillion in value by 2020. The China-General Administration of Sport estimates that such initiatives will boost sports-related consumption to 2.5% of disposable income per capita by 2020. Younger millennial consumers in PRC now account for roughly 30% of the PRC's total consumption and their spending patterns, which favors personal experiment and healthier choices, meaning that demand for quality sports brands and lifestyle brands will remain resilient.

As more international athletic and performance brands continue to be active and dedicate more resources to developing opportunities arising from the PRC sports industry, the Group should be in strong position to act as a solid partner for these sport brands to manage the complex and fragmented retailing and logistics landscape in the PRC.

The Group will continue to strategically build out its presence with multi-brand portfolios across sports, performance sports and leisure footwear in order to match the growing preference among Chinese consumers for 'life experiences' and healthier lifestyles. By integrating its sports events marketing and sport management capabilities under one platform, the Group aims to provide a sporting service for the whole value chain, which will enable the Group to capture a larger portion of sport marketing and consumption budgets, while also deepening its understanding of the changing taste and preferences of sport consumers.

The Group will strengthen its cooperation with existing global brands by extending its market reach and product selection across Greater China, which includes self-owned mono-brand, multi-brand flagship stores, mega-sport city, and online stores, which combined makes up our omni-channel services. This will enhance the consumer experience and deliver stronger store efficiency. The Group introduced licensed national exclusive brands such as GEOX and Rockport, as well as Carter's – the children's wear line, to enhance its retail product mix.

E-commerce channel and technological adoption are some of the Group's future core development strategies, especially that related to mobile devices and digital payments. This will be further developed as another service platform that will connect with younger consumers' diverse needs for sports, leisure, and health.

To enhance the Group's efficiency in managing its regional retailing hubs and supporting a larger number of experiential points-of-service, as well as adjusting to seasonality for fashionable sportswear and optimising inventory management, the Group will continue to optimise its logistics network and IT management, integrating its process, operational and retail standardization system across the PRC. These initiatives are expected to further improve the Group's overall operational efficiency and profitability, creating synergies and maximising benefits for our customers, partners, employees and shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. WU, Pan-Tsu

WU, Pan-Tsu, aged 64, is the Chairman of the Company and has been an Executive Director of the Company since April 2012. He is also the chairman of the Nomination Committee of the Board. He once was the Acting CEO during the period from April to August 2012. He is also a director of various subsidiaries and a joint venture company of the Company. Mr. Wu graduated from Tamkang University, Taiwan with a Bachelor's degree in Banking and Insurance and started his career at Bank of America Taipei Branch in 1978. He later worked in ABN-AMRO Bank, Chase Manhattan Bank and BNP PARIBAS in various managerial positions. In 2000, Mr. Wu was invited to join Taishin Financial Holding Co. Ltd. in a position specialising in corporate banking. After serving in the financial services industry for about 25 years, Mr. Wu joined Pou Chen Corporation ("PCC") in 2003 and currently serves as a president. PCC, a public company listed on the Taiwan Stock Exchange Corporation ("TSEC"), is a controlling shareholder of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a public company listed on the Stock Exchange, and through Yue Yuen, is deemed to have interests in the shares of the Company (the "Shares") which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). He is a director of Kleine Developments Ltd. and Elitegroup Computer Systems Co., Ltd. (shares of which are listed on the TSEC). Mr. Wu was a director of First Sino Bank in Shanghai, China. Mr. Wu is also a director of certain subsidiaries of Yue Yuen.

Mr. LEE, Shao-Wu

LEE, Shao-Wu, aged 53, is the CEO and has been an Executive Director of the Company since February 2017. He once was the Acting CEO from February 6, 2017 to March 23, 2017. Mr. Lee is also a director of certain indirect wholly-owned subsidiaries of the Company. He holds a Master of International Business Administration Degree granted by Chinese Culture University in Taiwan and a Bachelor of Mechanical Engineering Degree granted by National Central University in Taiwan. Mr. Lee was the managing director of Barits Securities (HK) Ltd before he joined InfoVision Optoelectronics (Kunshan) Co., Ltd., a TFT-LCD panel manufacturer in China, as CFO and vice president of administration center in 2004. Mr. Lee was an executive director of Yue Yuen during the period from January 2011 to 5 February 2017. Mr. Lee is currently the Head of Strategic Investment of PCC. PCC is a controlling shareholder of Yue Yuen and through Yue Yuen, is deemed to have interests in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 37, has been a Non-executive Director of the Company since April 2008. She is also a member of the Audit Committee of the Board. Ms. Tsai joined group of Yue Yuen in 2002. She has served as an executive director and the managing director of Yue Yuen since January 2005 and June 2013 respectively. She is responsible for the strategic planning and enterprise developments of Yue Yuen group. Ms. Tsai is also the chief executive officer of Pou Chen group, a director of PCC and Wealthplus Holdings Limited ("Wealthplus"). She was previously a director of Mega Financial Holding Company Limited (shares of which are listed on TSEC). Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in 2002 with a Bachelor of Science in Economics degree with major in Finance and minor in Psychology. PCC, Wealthplus and Yue Yuen are deemed to have interests in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

Mr. LI I-nan

LI I-nan, aged 75, has been a Non-executive Director of the Company since March 2013. He is also a member of the Remuneration Committee of the Board. Mr. Li has many years of experience in footwear business. He joined Yue Yuen group in 1992 and was responsible for the financial operations of the group. He was previously an executive director of Yue Yuen. He is currently a director of Yue Yuen Education Foundation in which he has been involving in the planning and execution of various projects of the Foundation. Mr. Li holds a Bachelor and a Master of Arts degree of National Chengchi University in Taiwan and the University of Southern California, respectively. Mr. Li was a non-executive director of Symphony Holdings Limited, a publicly listed company in Hong Kong.

Mr. CHEN, Huan-Chung

CHEN, Huan-Chung, aged 61, has been an Independent Non-executive Director of the Company since April 2008. He is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. Chen is a partner of Wong Tong & Co., CPAS (萬通聯合會計師事務所), a certified public accountant in Taiwan and a certified securities investment analyst in Taiwan. He was a supervisor of PCC. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan (台灣玉山票券金融(股)公司). He became a certified public accountant in Taiwan in 1992 and a certified securities investment analyst in Taiwan in 1990. He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in 1983.

Mr. HSIEH, Wuei-Jung

HSIEH, Wuei-Jung, aged 65, has been an Independent Non-executive Director of the Company and the chairman of the Remuneration Committee of the Board since March 2013. He received a Bachelor of Science degree in Nuclear Engineering from the National Tsing Hua University, Taiwan in 1973 and a Master degree of Business Administration, finance from National Taiwan University in 1977. Mr. Hsieh started his career at Bank of America, National Trust and Savings Association, Taipei Branch (renamed to Bank of America N.A. Taipei Branch) as account officer in 1978 and later was promoted to vice president and country banking head respectively. He was a vice president and chief finance officer of Vanguard International Semiconductor Corporation, shares of which are traded on Taipei Exchange ("TPEx", formerly known as Gre Tai Securities Market) in Taiwan. Mr. Hsieh is currently served as an independent director and the chairman of the compensation committee of Anpec Electronics Corporation and an independent director, chairman of the audit committee and a member of the compensation committee of the board of Xintec Inc. (the shares of these two companies are traded on TPEx). He ceased to be a member of the compensation committee of Motech Industries, Inc., shares of which are traded on TPEx since June 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

Mr. SHAN Xue

SHAN Xue, aged 38, has been an Independent Non-executive Director of the Company, a member of the Audit Committee and a member of the Nomination Committee of the Board since October 2014. He is also the chairman of the board of directors and the chairman of investment committee of JIC Capital Management (Tianjin) Limited (中建投資本管理(天津)有限公司) ("JIC Capital"); a director and the general manager of JIC Technology Investment Co., Ltd. (建投華科投資股份有限公司) ("JIC Technology"); and an executive director of ZT Dawn (Beijing) Investment Consultant Limited (中投晨曦(北京)投資顧問有限公司). He is a qualified accountant, a qualified lawyer and a qualified securities practitioner in the PRC. Prior to these, he had been working in Beijing Deheng Law Office (北京德恒律師事務所) and China Jianyin Investment Ltd. (中國建銀投資有限責任公司). Mr. Shan obtained a Master degree from Dongbei University of Finance and Economics (東北財經大學).

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Ms. CHANG, Su-Ching

CHANG, Su-Ching, aged 52, was appointed as the Vice President of Finance Department in September 2011. She is also a director of various subsidiaries of the Company and a supervisor of a subsidiary of the Company. Ms. Chang graduated with a Master degree in Finance from National Taiwan University. She has more than 20 years' working experience in treasury, cash management and financial planning.

Mr. CHEN Hang

CHEN Hang, aged 51, was appointed as the Vice President of Marketing Management Department in September 2016. He graduated from Oriental Institute of Technology, then studied Executive Master of Business Administration at National Chengchi University. Prior to joining the Company, Mr. Chen was the senior commercial director of an international sports brand company and has more than 25 years of experience in strategic planning, sales marketing, retail and operation management in sportswear field.

Mr. WANG Jun

WANG Jun, aged 48, was appointed as the Vice President of Brand and Merchandizing Management Department in April 2014. He is also a director of various subsidiaries of the Company. Mr. Wang graduated from the Department of Marketing of the Capital University of Economics and Business in Beijing. He has extensive experience and achievements in strategic planning, sales marketing, product branding, and retail operation.

DIRECTORS' REPORT

The directors (the "Director(s)" or the "Board") of Pou Sheng International (Holdings) Limited (the "Company") have pleasure in presenting the annual report (the "Annual Report") of the Company and its subsidiaries (collectively referred to as the "Group") and the audited consolidated financial statements for the year ended December 31, 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 90 and 91.

The appropriations of profits of the Group during the year are set out in the consolidated statement of changes in equity on pages 94 to 96.

DIVIDENDS

During the year, an interim dividend of HK$0.02 per Share was paid to the shareholders of the Company (the "Shareholders") for the six months ended June 30, 2016 on September 20, 2016.

The Directors recommend the payment of a final dividend of HK$0.02 per Share to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Friday, June 2, 2017, amounting to approximately HK$107 million, subject to approval by the Shareholders at the forthcoming annual general meeting (the "2017 AGM"). Together with the interim dividend of HK$0.02 per Share already paid, total dividend for the year will amount to HK$0.04 per Share (2015: nil).

FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on pages 211 and 212.

BUSINESS REVIEW

A review of the business of the Group during the year as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is covered in different sections of the Annual Report, which shall form an integral part of this Directors' Report.

Fair Review of Business

The information is provided in the Chairman's Statement on pages 8 to 11 and Management Discussion and Analysis on pages 14 to 19.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties

The Board and senior management devote time and resources in screening for specific risks in the Group, and in developing a mindset of balanced risk minimization. The Group has specific policies and management system in place to ensure that risks are properly evaluated and managed at the appropriate level within the Group.

The principal risks and uncertainties that could impact the Group's performance and our mitigating activities are discussed below.

Description and Impact of Risk and Uncertainty	Mitigation
Information Technology and Data Security	
The reliance of the Group's operation on information technology system is heavy. Any failure could cause adverse effects to our business operations.	The Group makes significant investment in technology infrastructure. The data stored in the system is regularly backuped and back-up system is in place to deal with any system failures.
The information technology systems might be subject to security breaches resulting in theft, leakage or corruption of key information and sensitive customer data, which have a severe impact on Group's reputation.	Confidential files are password protected. Only restricted employees with authority are allowed to access to the sensitive data. Extensive controls and reviews are undertaken to maintain the integrity and efficiency of IT infrastructure.
Human Resources	
Loss of key management personnel would cause disruption in delivery of the strategic objectives.	Succession planning is established to ensure effective continuation of leadership and expertise.
The Group needs to attract and retain employees with relevant experience and knowledge in order to take advantage of all growth opportunities to achieve its strategic objectives.	The Group continues to seek to widen our talent pool. The performance management system is designed to provide reward, competitive remuneration structures and personal development opportunities to attract and retain employees.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Market	
The Group's business is affected by general seasonal trends. Prolonged unseasonal weather conditions could have a material adverse effect on the Group's businesses.	The Group strives to minimise the impact by altering its merchandise mix to reflect customers' demand. Diversification of the client base allows for some smoothing when there are seasonal or sectorial changes in demand.
The Group operates in a highly competitive market with a wide variety of retailers, which place pressure on the Group's pricing strategy, margins and profitability.	Strong relationships with our suppliers ensure competitively priced and high quality products. The Group seeks to engage with customers through social media to build customers' loyalty.
Sportswear retailers are exposed to ever-changing consumers' fashion preferences which make it difficult for us to meet our customers' needs and building long-term relationships with customers.	Business units strive their best to identify key market drivers and monitor the trends and forecasts. The brand and product portfolios are regularly reviewed.
Strategy	
The Group's experience in operation of own-developed brands is limited. Therefore, we may not be able to promote our own brands effectively.	The Group is actively seeking to strengthen its sportswear retailing brand and to build up a healthy channel brand reputation and image.
Majority of the revenue of the Group is derived from products of small number of major brands. Any failure of these major brands could have an adverse effect on the Group's businesses and financial condition.	The Group is also actively seeking to work with different brand vendors to develop a greater market for brands other than the major brands and its own brands.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Financial Defaults on receivables due from other business partners may cause financial distress on cash flow to the Group.	Each business unit has established procedures and credit control policies on managing its receivables and will take action when necessary. Credit evaluations are performed on all customers requiring credit over a certain amount.
Impairment of goodwill and intangible assets depends on various assumptions. The change in any of those assumptions may impact the financial position of the Group.	The Group periodically reviews the assumptions and reassesses the useful life of these assets. Regular impairment review, which is a recurring task for the accounting department and the Audit Committee is carried out (please see Note 16 to the consolidated financial statements).
Regulatory environment and compliance The Group has to comply with a large number of different laws, rules, regulations and accounting standards, which are subject to continuing changes. Any breach and non-compliance could damage the Group image and reputation.	The Group actively seeks to identify and meet its regulatory obligation and to respond to new requirements. Good governance practices are in place to ensure ethical practices.
Economic and political environment The Group's business operations are mainly conducted in the PRC. Thus the Group's business and prospects are significantly affected by economic and political environments in the PRC. A downturn in the PRC economy and political unrest would have a significant negative effect on consumer spending.	The Group monitors the political and economic developments in the PRC on a continuous basis to enable the Group to prepare itself to cope with the changes. The Group tries to adapt to customer preference by strengthening brand and product portfolios continuously.
Intellectual property Other than brand products with licenses obtained from other brand vendors, the Group also has its own-developed brands and designed products. Any failure to protect our intellectual property rights could impair our competitiveness and adversely affect our business.	The Group takes all necessary precautions to protect our trade secrets and trademarks in order to protect newly developed and existing brands and products in the jurisdictions where the Group's operations are located.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Events after the Reporting Period

The information is provided in the Management Discussion and Analysis on page 18 and Note 39 to the consolidated financial statements.

Future Development in Business

The information is provided in the Chairman's Statement on pages 8 to 11 and Management Discussion and Analysis on pages 18 to 19.

Financial Key Performance Indicators

The information is provided in the Corporate Overview on page 4.

Environmental Policies and Performance

The noticeable deterioration of the environment arising from climate change persuades us to improve our energy and resource consumption. The Group follows the local laws concerning environmental protection and also the relevant environmental policies, where there is no discrepancy, of the various brands distributed by the Group.

Since the nature of the retail business does not directly lead to the emission of pollutants, the pollution emission standards the Group must comply with are relatively straightforward. We use our materials and resources as efficiently as possible. We apply standardised methods and tools to ensure waste-optimised and low-emission processes along the entire value chain.

More information is provided in the Environment, Social and Governance Report on pages 68 to 81.

Compliance with Laws and Regulations

During the year, the Group has complied with all the relevant laws and regulations that have a significant impact on the operations of the Group.

Relationships with Employees, Customers and Suppliers

Our relationship with employees

Our employees are the foundation of our success. Respect, appreciation and fairness are the tenets of our relationships with employees. We have structured our work environment to let all the tenets incorporated in it. We do not tolerate discrimination within our Group. We do not discriminate people on grounds of their race, ethnic origin, religion, political affiliation, disability or age. We expect professional competence, exemplary management practices at all levels and effective team work. We demand our staff to be honest, responsible, trustworthy and willing to adopt our principles of corporate responsibility, and to set an example by applying them and to contribute to the Company's success in every possible way.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Relationships with Employees, Customers and Suppliers (Continued)

Our relationship with customers and suppliers

We aim to be a leading and innovative company in our industry. Sustainable customer and supplier relationships can only be built on the basis of honesty and trust. We believe that these principles will defend and bolster our success and our suppliers' success. The compliance guidelines and responsible supply chain management principles we adhere to will help us to achieve this aim. We consider our suppliers as partners who are able to make an important contribution to our business success. Our customers may shop either through physical stores or virtual stores. Best practices are adopted by the Group for ensuring customers are treated fairly and receive good customer service. Regarding the wholesale business, the Group abides by the following: 1) usually transact on "cash on delivery" basis; 2) short term credits are provided to those retailers the Group deems creditworthy; and 3) commit to promised timely delivery.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Friday, May 26, 2017 at 10:00 a.m. at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2017 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2017 AGM (the "Entitlement to 2017 AGM"), the Register of Members will be closed from Monday, May 22, 2017 to Friday, May 26, 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 19, 2017. The record date for Entitlement to 2017 AGM will be Monday, May 22, 2017.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the proposed final dividend (the "Entitlement to Final Dividend"), the Register of Members will be closed from Friday, June 2, 2017 to Wednesday, June 7, 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Friday, June 16, 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, June 1, 2017. Dividend warrants will be despatched on Friday, June 16, 2017. The record date for Entitlement to Final Dividend will be Friday, June 2, 2017.

DONATIONS

During the year, the Group made donations totalling approximately RMB2.1 million.

SUBSIDIARIES, ASSOCIATE AND JOINT VENTURES

Details of the principal subsidiaries, associate and joint ventures of the Group as at December 31, 2016 are set out in Notes 38, 17 and 18 to the consolidated financial statements respectively.

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 13 to the consolidated financial statements.

SHARE CAPITAL

During the year, 11,626,000 ordinary Shares were issued on the exercise of options previously granted under the share option scheme of the Company adopted on May 14, 2008 and duly amended on March 7, 2012 (the "Share Option Scheme"). The total consideration received for the issue was HK$15,566,580.

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

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

DISTRIBUTABLE RESERVES

As at December 31, 2016, the Company's reserves available for distribution consisted of contributed surplus of approximately RMB1,252.4 million (approximately US$166.0 million) (December 31, 2015: RMB1,252.4 million (approximately US$166.0 million)) plus accumulated profits of approximately RMB38.0 million (approximately US$6.2 million) (December 31, 2015: less accumulated losses of approximately RMB231.3 million (approximately US$34.4 million)).

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

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

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

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2016, the Company repurchased 53,186,000 (2015: nil) of its own Shares on the Stock Exchange as follows:

Month of repurchases	Number of Shares repurchased	Highest price paid per Share HK$	Lowest price paid per Share HK$	Aggregate consideration paid (including direct costs) HK$
January 2016	53,186,000	1.50	1.37	76,312,700

The above repurchased Shares were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The repurchase of the Shares during the year ended December 31, 2016 was effected by the Board, pursuant to the mandate granted by the Shareholders, with a view to benefiting Shareholders as a whole by enhancing the net asset value and earnings per Share.

The trustee of the share award scheme of the Company (the "Share Award Scheme"), pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 30,000,000 Shares at a total consideration of approximately HK$70 million (approximately RMB62 million).

Save as disclosed above, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the year ended December 31, 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws (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.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors ("EDs")

Wu, Pan-Tsu (Chairman)
(appointed as Chairman after the conclusion of a Board meeting held on August 12, 2016)
Lee, Shao-Wu (CEO)
(appointed as Director and acting CEO on February 6, 2017 and re-designated as Director and CEO on March 24, 2017)
Kwan, Heh-Der (CEO)
(resigned on January 6, 2017)

Non-executive Directors ("NEDs")

Tsai Patty, Pei Chun
Li I-nan
Tsai David, Nai Fung (Chairman)
(retired after the conclusion of a Board meeting held on August 12, 2016)

Independent Non-executive Directors ("INEDs")

Chen, Huan-Chung
Hsieh, Wuei-Jung
Shan Xue

Mr. Tsai David, Nai Fung has confirmed in writing that there was no disagreement with the Board and nothing in relation to the affairs of the Company needed to be brought to the attention of the Shareholders in relation to his retirement.

Mr. Kwan, Heh-Der has confirmed in writing that there was no disagreement with the Board and nothing in relation to the affairs of the Company, save as disclosed in the announcement of the Company dated January 8, 2017, needed to be brought to the attention of the Shareholders in relation to his resignation.

In accordance with the Bye-laws, Mr. Wu, Pan-Tsu and Ms. Tsai Patty, Pei Chun will retire by rotation at the 2017 AGM and, being eligible, will offer themselves for re-election. Mr. Lee, Shao-Wu, who was appointed to fill the casual vacancy, holds office until the 2017 AGM and, being eligible, will offer himself for re-election.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

None of the Directors being proposed for re-election at the 2017 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 20 to 22.

PERMITTED INDEMNITY PROVISION

Under the Bye-laws, and subject to the applicable laws and regulations, the directors and officers of the Group shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their respective offices provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The permitted indemnity provision has been in force throughout the year ended December 31, 2016. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

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

As at December 31, 2016, the interests or short positions of the Company's Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such positions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position in the ordinary shares of HK$0.01 each of the Company

		Number of Shares					
Name of Directors/ chief executives	Capacity	Personal interest	Family interest	Corporate interest	Other interest	Total	Percentage of the issued Shares
Tsai Patty, Pei Chun	Beneficial owner	19,523,000	-	-	-	19,523,000	0.37%
Kwan, Heh-Der[1]	Beneficial owner	5,100,000[2]	-	-	-	5,100,000	0.10%

notes:

1. Mr. Kwan, Heh-Der resigned as an executive Director with effect from January 6, 2017.

2. Included interests in 2,600,000 awarded shares granted to Mr. Kwan, Heh-Der pursuant to the Share Award Scheme, which are subject to certain vesting conditions, remained unvested. Details of the awarded shares are stipulated in the section "Share Award Scheme" on page 39 of the Annual Report. 2,600,000 awarded shares lapsed upon the resignation of Mr. Kwan, Heh-Der on January 6, 2017 pursuant to the Share Award Scheme.

Save as disclosed above, as at December 31, 2016, none of the Directors or chief executives of the Company and their respective associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Yue Yuen had 62.03% indirect interest in the Company as at December 31, 2016, whose principal activities are OEM/ODM footwear manufacturing business. As at December 31, 2016, Ms. Tsai Patty, Pei Chun was a director of Yue Yuen. During the year, Mr. Kwan, Heh-Der had an interest of 45,000 underlying shares or shares in Yue Yuen and ceased to have the said interest on June 17, 2016. As the Company and Yue Yuen 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 arm's length from, Yue Yuen. As the Company no longer has any footwear manufacturing business, it is expected that there will not be any competition between the Company and Yue Yuen in terms of the footwear manufacturing business.

Save as disclosed above, as at December 31, 2016, 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed in the sections "Connected Transactions" and "Continuing Connected Transactions" on pages 41 to 43, no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which a Director or a controlling Shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

1. On January 6, 2017, Mr. Kwan, Heh-Der resigned as an executive Director and CEO.

2. Mr. Wu, Pan-Tsu assumed the role and responsibilities of the CEO while the Company seeking a new CEO from January 6, 2017 to February 5, 2017.

3. On February 6, 2017, Mr. Lee, Shao-Wu was appointed as an executive Director and the acting CEO. He was then re-designated as an executive Director and CEO on March 24, 2017.

4. Mr. Wu, Pan-Tsu was promoted to the president of PCC with effect from March 1, 2017.

5. Mr. Shan Xue ceased to be the general manager, and was appointed as the chairman of the board of directors and chairman of investment committee of JIC Capital on July 18, 2016, March 22, 2017 and August 12, 2016, respectively.

6. Mr. Shan Xue was appointed as a director and the general manager of JIC Technology on November 28, 2016.

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

SHARE OPTION SCHEME

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

The Share Option Scheme was adopted by the Shareholders on May 14, 2008 and amended on March 7, 2012. The Share Option Scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further share options may be offered or granted.

Pursuant to the terms of the Share Option Scheme, the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not exceed 10% of the total number of the issued Shares as at the date on which dealings in the 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 Share Option Scheme is 282,867,810 Shares, representing approximately 5.30% of the total number of issued Shares. As at December 31, 2016, an aggregate of 54,549,190 Shares are issuable for share options granted under the Share Option Scheme, representing approximately 1.02% of the total number of issued Shares.

For the share options in respect of 11,663,190 Shares granted on November 14, 2016, upon the terms of the operation and share incentive agreement governing the grant, the total amount payable on acceptance of the options was US$303,950.77 and the payment must be made within 5 days from the date on which the offer letters were delivered to the relevant grantees. Save for the aforesaid, under the rules of the Share Option Scheme, the amount payable on acceptance of the option is HK$1.00 and the payment must be made within 28 days from the date on which the offer letter is delivered to the participant.

Further details of the Share Option Scheme are set out in Note 33(a) to the consolidated financial statements.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Pursuant to the Share Option Scheme, movements in share options during the year are listed below:

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2016
Employees/Consultants								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011-20.01.2018	2,413,950	-	(454,500)	177,000[1]	2,136,450
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	2,413,950	-	(449,500)	177,000[1]	2,141,450
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	4,827,900	-	(844,000)	354,000[1]	4,337,900
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	6,437,200	-	(942,000)	(808,000)[1]	4,687,200
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	4,500,000	-	(1,975,000)	-	2,525,000
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	4,500,000	-	(1,625,000)	-	2,875,000
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	4,500,000	-	(1,236,000)	-	3,264,000
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	4,500,000	-	(1,125,000)	-	3,375,000
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2014	07.03.2014-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2015	07.03.2015-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2016	07.03.2016-06.03.2020	375,000	-	(375,000)	-	-
14.11.2016	2.494	14.11.2016-31.08.2017	01.09.2017-01.09.2019	-	1,166,320	-	-	1,166,320
		14.11.2016-31.08.2018	01.09.2018-01.09.2020	-	1,166,320	-	-	1,166,320
		14.11.2016-31.08.2019	01.09.2019-01.09.2021	-	1,166,320	-	-	1,166,320
		14.11.2016-31.08.2020	01.09.2020-01.09.2022	-	2,332,640	-	-	2,332,640
		14.11.2016-31.08.2021	01.09.2021-01.09.2023	-	5,831,590	-	-	5,831,590
Sub-total				35,593,000	11,663,190	(10,151,000)	(100,000)	37,005,190

SHARE OPTION SCHEME (Continued)

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2016
Former Employees								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011-20.01.2018	2,026,500	-	(624,500)	-	1,402,000
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	2,026,500	-	(595,500)	-	1,431,000
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	1,857,000	-	(30,000)	-	1,827,000
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	884,000	-	-	-	884,000
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	7,087,500	-	(100,000)	-	6,987,500
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	3,462,500	-	(125,000)	-	3,337,500
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	1,000,000	-	-	-	1,000,000
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	300,000	-	-	-	300,000
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	-	-	375,000
		07.03.2012-06.03.2014	07.03.2014-06.03.2020	-	-	-	-	-
		07.03.2012-06.03.2015	07.03.2015-06.03.2020	-	-	-	-	-
		07.03.2012-06.03.2016	07.03.2016-06.03.2020	-	-	-	-	-
Sub-total				19,019,000	-	(1,475,000)	-	17,544,000
Grand total				54,612,000	11,663,190	(11,626,000)	(100,000)	54,549,190

note:

1. Included the reverse of a total of 1,180,000 underlying Shares comprised in the share options (which were previously mistakenly treated as lapsed) during the year.

The closing price of the Shares immediately before the date on which the share options were granted on November 14, 2016 is HK$2.55 per share.

The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the year is HK$2.31 per share.

Saved as disclosed above, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the year.

DIRECTORS' REPORT

SHARE AWARD SCHEME

The Share Award Scheme was adopted on May 9, 2014 and duly amended on November 11, 2016 for recognising the contributions by certain persons, including Directors and employees of the Group, providing incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The scheme shall be valid and effective for a term of 10 years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of the Board and approved by the Board.

The total number of Shares to be awarded under the Share Award Scheme shall not exceed 4% of the issued Shares 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 Shares from time to time.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust before vesting which shall form part of the residual cash or any of the returned Shares. The trustee of the 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 AWARD SCHEME (Continued)

Pursuant to the Share Award Scheme, movements in share awards during the year are listed below:

			Number of share awards				
	Date of grant	Vesting period	Balance as at January 1, 2016	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2016
Director							
Kwan, Heh-Der[1]	01.09.2014	01.09.2014-31.08.2017	1,200,000	-	-	-	1,200,000
	13.05.2016	13.05.2016-30.08.2018	-	1,400,000	-	-	1,400,000
Sub-total			1,200,000	1,400,000	-	-	2,600,000
Employees							
	01.09.2014	01.09.2014-31.08.2017	8,300,000	-	-	(1,200,000)	7,100,000
	21.03.2015	21.03.2015-20.03.2018	8,548,000	-	-	(765,000)	7,783,000
	14.08.2015	14.08.2015-13.08.2018	9,690,000	-	-	(1,360,000)	8,330,000
	24.03.2016	24.03.2016-23.03.2019	-	5,130,000	-	(210,000)	4,920,000
	13.08.2016	13.08.2016-12.08.2019	-	5,460,000	-	-	5,460,000
	12.11.2016	12.11.2016-30.08.2019	-	600,000	-	-	600,000
	14.11.2016	14.11.2016-31.08.2017	-	833,680	-	-	833,680
	14.11.2016	14.11.2016-31.08.2018	-	833,680	-	-	833,680
	14.11.2016	14.11.2016-31.08.2019	-	833,680	-	-	833,680
	14.11.2016	14.11.2016-31.08.2020	-	1,667,360	-	-	1,667,360
	14.11.2016	14.11.2016-31.08.2021	-	4,168,410	-	-	4,168,410
Sub-total			26,538,000	19,526,810	-	(3,535,000)	42,529,810
Grand total			27,738,000	20,926,810	-	(3,535,000)	45,129,810

note:

1. All share awards granted to Mr. Kwan, Heh-Der have lapsed upon his resignation on January 6, 2017.

The weighted average closing price of the Shares immediately before the grant of the awarded shares during the year is HK$2.26 per Share.

Further details of the Share Award Scheme are set out in Note 33(b) to the consolidated financial statements.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and Share Award Scheme disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, being the Company's subsidiary or holding company.

EQUITY-LINKED AGREEMENT

Other than the disclosure as stated in the section "Share Option Scheme" disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2016, the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following Shareholders had notified the Company of relevant interests in the issued Shares:

Name of Shareholders	*notes*	Capacity/ Nature of interest	Number of Shares held	Percentage of the issued Shares
Major Focus Management Limited ("Major Focus")	(a)	Beneficial owner	3,311,090,560	62.03%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,311,090,560	62.03%
Wealthplus	(b)	Interest of a controlled corporation	3,311,090,560	62.03%
PCC	(b)	Interest of a controlled corporation	3,311,090,560	62.03%

notes:

All the Shares held are in long positions.

(a) 3,311,090,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at December 31, 2016, the Directors were not aware of any other person (other than Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

CONNECTED TRANSACTION

On November 14, 2016, the Company's indirect wholly-owned subsidiary, Winning Team Holdings Limited ("Winning Team"), entered into a sale and purchase agreement with Key International Co., Ltd. ("Key International"), an indirect wholly-owned subsidiary of Yue Yuen, pursuant to which Key International agreed to sell and Winning Team agreed to purchase the entire equity interests in PCG Bros (Holdings) Co. Limited ("PCG Bros"), which primarily engaged in sports marketing and organisation of sports events, at an aggregate consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000).

The consideration of the transaction was determined after arm's length negotiation between Key International and Winning Team with reference to the unaudited consolidated net asset value of PCG Bros and its subsidiaries ("PCG Group") as shown in the unaudited consolidated statement of financial position of PCG Group as at October 31, 2016.

Yue Yuen was a controlling shareholder of the Company holding 3,295,923,560 Shares representing approximately 61.75% of the issued shares of the Company on November 14, 2016 and was therefore a connected person of the Company. Key International, being an associate of Yue Yuen, was also a connected person of the Company under the Listing Rules.

The transaction was entered into on normal commercial terms; and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Details of the transaction were set out in the announcement of the Company dated November 14, 2016.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Purchase of footwear products from Yue Yuen

On August 29, 2014, the Company entered into a framework agreement with Yue Yuen pursuant to which the Company might, through its subsidiaries, joint ventures and associate (the "PS Sub Group"), purchase from Yue Yuen's subsidiaries, joint ventures and associates (the "YY Sub Group") and/or any factories operated and/or appointed by members of the YY Sub Group (the "YY Factories") footwear products for the period from April 7, 2014 to December 31, 2016 subject to the following original annual caps. On August 13, 2015, the Company entered into a supplemental agreement with Yue Yuen pursuant to which the original annual cap for each of the years ended December 31, 2015 and December 31, 2016 had been revised.

Period	Original Annual Cap	Revised Annual Cap
April 7, 2014 to December 31, 2014	RMB46,000,000	–
January 1, 2015 to December 31, 2015	RMB71,000,000	RMB85,000,000
January 1, 2016 to December 31, 2016	RMB85,000,000	RMB110,000,000

Details of the transactions were set out in the announcements of the Company dated August 29, 2014 and August 13, 2015.

On November 11, 2016, the Company entered into a new framework agreement with Yue Yuen pursuant to which the Company may, through the PS Sub Group, purchase from the YY Sub Group and/or the YY Factories footwear products for the period from January 1, 2017 to December 31, 2018 subject to the following annual caps.

Period	Annual Cap
January 1, 2017 to December 31, 2017	RMB143,000,000
January 1, 2018 to December 31, 2018	RMB200,000,000

The annual caps for each of the aforesaid periods were determined after taking into account (a) the unit price of the footwear products; (b) the historical purchase amounts of the footwear products; and (c) the expected increment of the purchase amounts of the footwear products from members of the YY Sub Group and/or the YY Factories.

Details of the transactions were set out in the announcement of the Company dated November 11, 2016.

The Company has followed the pricing policies and guidelines as described in the announcements when determining the price and terms of the transactions conducted during the year.

Yue Yuen was a controlling shareholder of the Company holding approximately 61% to 63% of the issued shares of the Company throughout the year and was therefore a connected person of the Company.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Purchase of footwear products from Yue Yuen (Continued)

During the year ended December 31, 2016, the total amount of orders placed by PS Sub Group with YY Factories was approximately RMB61 million (equivalent to approximately US$9.2 million).

Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's independent auditor was engaged to report on the above continuing connected transactions 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 independent auditor has provided an unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention in relation to the above continuing connected transactions of the matters set out in Rule 14A.56 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

Details of related and connected party transactions for the year are set out in Note 35 to the consolidated financial statements.

Save as disclosed herein and above in the sections "Connected Transaction" and "Continuing Connected Transactions", the Company has not entered into other transactions with its connected parties which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

With regard to the related party transactions which also constitute connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") has reviewed with management and the external auditor the Group's consolidated financial statements for the year ended December 31, 2016, the accounting principles and practices adopted and discussed auditing, risk management and internal controls, and financial reporting matters.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Aggregate purchases attributable to the Group's largest and five largest suppliers were 49% and 92% of the Group's total purchases for the year, respectively.

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

EMOLUMENT POLICY

The Group's emolument policy for employees is set up by the Board on the basis of their merit, qualifications and competence, with reference to prevailing salary levels in the market. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

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

The Company has adopted the Share Option Scheme and Share Award Scheme to provide its Directors and eligible employees with incentives and to recognise their contributions and ongoing efforts. Details of which are set out in Note 33 to the consolidated financial statements.

PENSION SCHEME

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

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

The Group contributed approximately RMB197.1 million to the above-mentioned schemes for the year ended December 31, 2016.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended December 31, 2016.

INDEPENDENT AUDITOR

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for its re-appointment as independent auditor of the Company will be proposed at the 2017 AGM.

On behalf of the Board

Wu, Pan-Tsu
Chairman
Hong Kong
March 24, 2017

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year ended December 31, 2016, the Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules. Subsequently, after the year ended December 31, 2016, there are two deviations from the CG Code as explained below.

(I) There was no segregation between the role of the Chairman and CEO during the period from January 6, 2017 up to February 5, 2017. This is a deviation from code provision A.2.1 of the CG Code. Further details are stipulated in the section "Chairman and Chief Executive Officer" in this report.

(II) There was no company secretary (the "Company Secretary") for the period from January 19, 2017 up to the date of the annual report. This is a deviation from code provision F.1.1 of the CG Code. Further details are stipulated in the section "Company Secretary" in this report.

BOARD OF DIRECTORS

The Board

The Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Currently, the Board comprises the following seven Directors:

Executive Directors (the "EDs")
Mr. Wu, Pan-Tsu (Chairman)*
Mr. Lee, Shao-Wu (CEO)**

Non-Executive Directors (the "NEDs")
Ms. Tsai Patty, Pei Chun
Mr. Li I-nan

Independent Non-executive Directors (the "INEDs")
Mr. Chen, Huan-Chung
Mr. Hsieh, Wuei-Jung
Mr. Shan Xue

* Mr. Wu, Pan-Tsu was appointed Chairman of the Board in succession to Mr. Tsai David, Nai Fung after the conclusion of a Board meeting held on August 12, 2016.

** Mr. Lee, Shao-Wu was appointed an executive Director and acting CEO with effect from February 6, 2017 after the resignation of Mr. Kwan, Heh-Der as an executive Director and CEO on January 6, 2017. He was then re-designated as an executive Director and the CEO on March 24, 2017.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" section on pages 20 to 22. Save as disclosed in that section, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

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

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

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

Minutes of all Board and committees meetings are kept by the Company Secretary. Draft minutes are circulated to all Directors or committee members for review and comment in a timely manner and final version for their records. Minutes are recorded in sufficient detail of the matters considered by the Board and decisions reached. The final versions of minutes/resolutions of the Board and the committees are available for inspection by Directors. Any matters which are material and/or substantial shareholder(s) or Directors and their close associates (as defined in the Listing Rules) with a material interest or may cause potential conflicts of interests in the transactions are discussed at physical Board meetings (instead of by circulating written resolutions of Directors) and relevant Directors will abstain from voting on the resolutions approving such transactions and are not counted in the quorum of the meetings.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

The Board (Continued)

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

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Annual General Meeting
	Number of meeting(s) attended/held				
Executive Directors					
Wu, Pan-Tsu[1]	4/5	N/A	N/A	N/A	0/1
Kwan, Heh-Der[2]	5/5	N/A	N/A	N/A	1/1
Lee, Shao-Wu[3]	N/A	N/A	N/A	N/A	N/A
Non-executive Directors					
Tsai David, Nai Fung[4]	3/3	N/A	2/2	N/A	1/1
Tsai Patty, Pei Chun	3/5	2/4	N/A	N/A	1/1
Li I-nan	5/5	N/A	N/A	4/4	1/1
Independent Non-executive Directors					
Chen, Huan-Chung	5/5	4/4	2/2	4/4	1/1
Hsieh, Wuei-Jung	5/5	N/A	N/A	4/4	1/1
Shan Xue	5/5	4/4	2/2	N/A	1/1

notes:

1. Mr. Wu, Pan-Tsu was appointed Chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016.
2. Mr. Kwan, Heh-Der resigned as an executive Director and CEO with effect from January 6, 2017.
3. Mr. Lee, Shao-Wu was appointed as an executive Director and acting CEO with effect from February 6, 2017. He was then re-designated as an executive Director and CEO on March 24, 2017.
4. Mr. Tsai David, Nai Fung retired as a non-executive Director and ceased to be the Chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Wu, Pan-Tsu and the CEO is Mr. Lee, Shao-Wu.

Mr. Tsai David, Nai Fung had been the Chairman of the Board from April 2008 and after his retirement on August 12, 2016 after the conclusion of a Board meeting, Mr. Wu, Pan-Tsu took office.

During the year, the roles of the Chairman and CEO are separate and set out in writing in the Statement of Policy on Corporate Governance of the Company. The Chairman is responsible for the leadership, governance to and effective running of the Board. The CEO is responsible for overseeing the overall strategies, planning and leading the management in the day-to-day operations of the Group.

Mr. Kwan, Heh-Der had been the CEO since August 2012. After the resignation of Mr. Kwan as an executive Director and CEO on January 6, 2017, Mr. Wu, Pan-Tsu, the Chairman of the Board, assumed the role and responsibilities of the CEO on a temporary basis until Mr. Lee, Shao-Wu was appointed as an executive Director and acting CEO on February 6, 2017. Mr. Lee was then re-designated as CEO on March 24, 2017.

There was no segregation between the roles of the Chairman and CEO for the period from January 6, 2017 to February 5, 2017. This is a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman of the Board and CEO should be separate and should not be performed by the same individual. The Company believes that it was only a temporary measure while the Company was actively searching for a replacement to fill in the position. As such, the Board does not consider that no segregation of the roles for such a short period had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibilities for each of the individual business operation segments of the Group.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Non-executive Directors and Independent Non-executive Directors

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

At all times during the year ended December 31, 2016, the Company has complied with the requirements under Rule 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three INEDs, representing at least one third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise required under the Listing Rules.

The Company has received from each of the INEDs, namely Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. Chen, Huan-Chung has been serving the Company as an INED for more than 9 years, he does not have any executive or management role in the Company nor has he been under the employment of any member of the Group. The Board considers that he has made considerable contributions to the Company with his relevant experience and knowledge throughout his years of service and he has maintained an independent view in relation to the Company's affairs. The Company considers that all INEDs are independent in accordance with the independence guidelines as set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Appointment and Re-election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board or by the Shareholders in a general meeting.

In assessing potential candidates for the Board, the Nomination Committee considers the diversity perspectives, such as, gender, age, cultural and education background, professional experience, skills, knowledge and length of service; and the Director succession plan adopted by the Company. Notwithstanding the diversity perspectives, all appointments to the Board are based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole. The recommendations of the Nomination Committee are then put to the full Board for decision. All Directors are subject to re-election by the Shareholders at the first general meeting following their appointments.

Besides that, at least one-third of Directors shall retire from office every year at the Company's annual general meeting. All Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provision of the Listing Rules and the Bye-laws. The key terms and conditions of the Directors' appointments are set out in their respective letter of appointment and/or service contract.

BOARD OF DIRECTORS (Continued)

Directors' Training

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

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

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

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

* Mr. Kwan, Heh-Der resigned as an executive Director and CEO with effect from January 6, 2017.

** Mr. Lee, Shao-Wu was appointed as an executive Director and acting CEO with effect from February 6, 2017. He was then re-designated as an executive Director and CEO on March 24, 2017.

*** Mr. Tsai David, Nai Fung retired as a non-executive Director with effect from the conclusion of a Board meeting held on August 12, 2016

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee currently consists of one NED and two INEDs: Mr. Chen, Huan-Chung (Chairman), Ms. Tsai Patty, Pei Chun and Mr. Shan Xue. Mr. Chen, Huan-Chung is an INED possessing the appropriate professional accounting and financial management expertise as required under the Listing Rules.

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

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

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

- reviewed and recommended the quarterly results, and interim and annual reports of the Group to the Board for approval;
- reviewed and discussed the various audit issues as reported by the external auditor;
- recommended the re-election of the external auditor;
- reviewed the internal control reports prepared by the Company's internal audit department (the "Internal Audit Department") covering the findings and recommendations on the effectiveness of the risk management and internal control systems;
- reviewed the continuing connected transactions of the Group for the year; and
- monitored the engagement/re-appointment, services provided by and remuneration of the external auditor and its independence and objectivity.

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

BOARD COMMITTEES (Continued)

Remuneration Committee

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

The Remuneration Committee currently consists of one NED and two INEDs: Mr. Hsieh, Wuei-Jung (Chairman), Mr. Chen, Huan-Chung and Mr. Li I-nan.

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

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

- reviewed and recommended the remuneration of Directors for the year ended December 31, 2015 to the Board for approval;
- reviewed and recommended the salary package of an ED to the Board for approval;
- reviewed and recommended the renewal of supplementary appointment letters to a NED and two INEDs;
- recommended the grant of share options and share awards to the Board for approval;
- reviewed and recommended the amendment on the Share Award Scheme of the Company and its vesting arrangement.

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Nomination Committee

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

The Nomination Committee currently consists of one ED and two INEDs: Mr. Wu, Pan-Tsu (Chairman) took office after Mr. Tsai David, Nai Fung ceased to be the Chairman after the conclusion of a Board meeting held on August 12, 2016, Mr. Chen, Huan-Chung and Mr. Shan Xue.

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

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

- recommended the replacement of the Chairman of the Board for Board approval;
- assessed the independence of INEDs;
- reviewed the retirement and nominated the re-election of retiring Directors at the 2016 AGM;
- reviewed the structure, size, composition and diversity of the Board; and
- reviewed the Board Diversity Policy and the measurable objectives.

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

Board Diversity

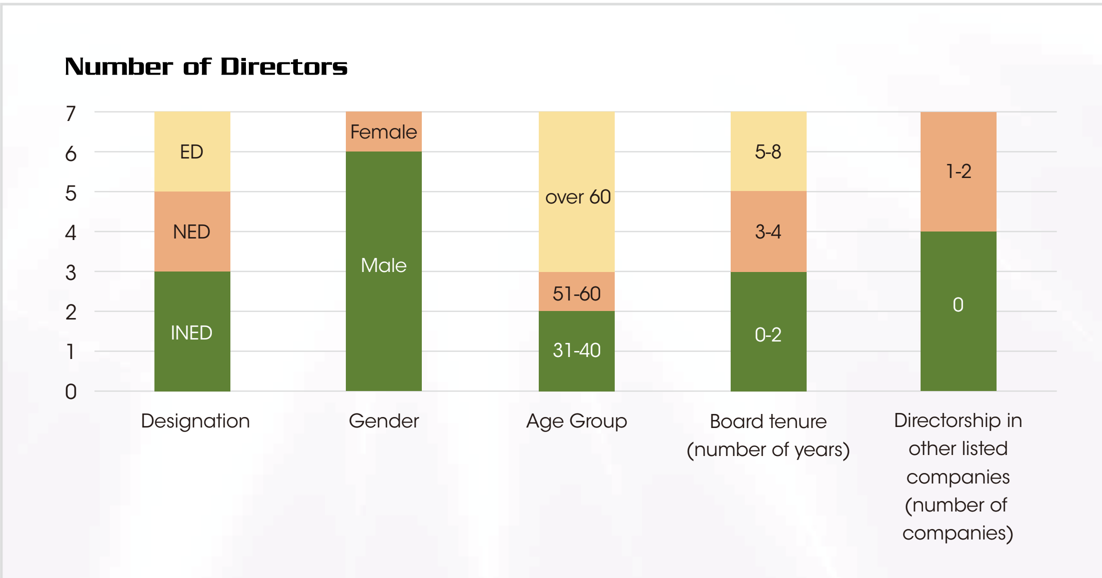
On August 13, 2013, the Board has adopted a Board Diversity Policy. The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. The policy is available on the website of the Company.

The Nomination Committee reviewed the Board Diversity Policy, the measurable objectives and monitor the implementation of the Board Diversity Policy.

BOARD COMMITTEES (Continued)

Board Diversity (Continued)

An analysis of the Board's current composition based on the measurable objectives of the existing Directors is set out below:



Academic Background		Experience/Expertise	
Banking		Sportswear Industry	43%
Legal		Accounting Expertise	29%
Economics/ Finance		Equity investment/ Financial services	86%
Others		Global Operation	57%

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board has adopted a Statement of Policy on Corporate Governance and is collectively responsible for performing the corporate governance duties including:

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended December 31, 2016, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Company's external auditor, in respect of audit services rendered are approximately RMB4,871,000 or US$733,000 (2015: approximately RMB3,593,000 or US$571,000) and in respect of non-audit services rendered are approximately RMB1,560,000 or US$235,000 (2015: approximately RMB972,000 or US$153,000). The non-audit services fees include the review of interim financial statements, professional services rendered in connection with profits tax, consolidation system implementation, ESG reporting and enterprise risk management services.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

A statement by the external auditor of the Company, Deloitte, with regard to their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 82 to 89.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code throughout the year ended December 31, 2016.

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

COMPANY SECRETARY

Ms. Chong, Yim Kuen ("Ms. Chong"), the Company Secretary, who was also the financial controller of the Group confirmed that during the year under review has complied with all the required qualifications, experience and training requirements of the Listing Rules.

After the resignation of Ms. Chong as the Company Secretary on January 19, 2017 and up to the date of this report, the day-to-day tasks of the Company Secretary has been carried out by personnel at the Company who possess relevant experience to deal with such tasks. This is a deviation from code provision F.1.1 of the CG Code which stipulates that the Company Secretary should be an employee of the issuer or external service provider. The Company is looking for a potential suitable candidate to take up the position of Company Secretary as soon as reasonably practicable and will make an announcement if and when an appointment is made.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

2. Procedures for putting forward enquiries to the Board

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

The Company Secretary
Pou Sheng International (Holdings) Limited
22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

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

3. Procedures for putting forward proposals at Shareholders' meeting

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

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

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

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

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

SHAREHOLDERS' RIGHTS (Continued)

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

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

INVESTOR RELATIONSHIP AND COMMUNICATION

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

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

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

CONSTITUTIONAL DOCUMENTS

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

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

The Board has overall responsibilities to evaluate and determine the nature and extent of risks the Group is willing to take in achieving the Group's objectives. It is also responsible for introducing and the on-going maintenance and review of appropriate and effective risk management and internal control systems of the Group. The Board has delegated to the management with defined structure and scope of authority, to conduct reviews on and maintenance of all material controls to ensure compliance with relevant legislations and regulations.

The Company has established its own Internal Audit Department which is independent of the Company's management in assessing and investigating the control on the risk management and internal control systems of the Company. On quarterly basis, Head of Internal Audit reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses to the Audit Committee. If the Internal Audit Department suspects weakness which will materially affect the Group, they will report to the Audit Committee when necessary on timely basis. Regular follow up actions will be carried out until condition is improved.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Responsibility (Continued)

The Board has entrusted the Audit Committee with the responsibility to review the financial controls, risk management and internal control systems of the Group. The Audit Committee, on behalf of the Board, reviews the Internal Audit Department's work and findings through internal audit reports on a quarterly basis. It reports to the Board especially on any material matters including but not limited to financial, operational and compliance control that have arisen from the Audit Committee's review on the risk management and internal control processes on a quarterly basis. The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, including changes in the nature and severity of significant risks since the previous year, the Group's ability to cope with external environmental changes, the ability to monitor the scope and quality of the risk and internal control system, internal audit work, the major weaknesses detected and their related impact, the Group's financial reports and compliance with the relevant regulations, etc.

Risk Management Framework

During the year, the Company has put in place the policy and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. The procedures are designed to identify, evaluate, manage and minimise risks that could adversely impact the achievement of the Group's business objectives but do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group's risk management and internal control system is characterised by a clear governance structure, policy procedures and reporting mechanism to facilitate the management of the Group's business risk.

Responsible Unit	Function
Board	• Has overall responsibility for the Group's risk management system • Final decision, guidance and instruction on the risk management system and its mitigation
Audit Committee	• Oversee the implementation of the control on risk management • Report the results of risk management to the Board
Internal Audit Department	• Co-ordinate the operation of risk management mechanism • Conduct independent review on the mechanism • Oversee the control and follow up of the risk and report the result to the audit committee
Internal risk management committee	• Establish and continuously modify the risk management system • Execute identification and estimation of risk • Manage, monitor and control risk • Report on risk management

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

Responsible Unit	Function
Risk management unit	• Implement risk management system • Co-ordinate and assist the internal risk management committee • Implement mitigation of risks • Arrange training for and introduce risk management
Functional and operation unit	• Communicate between risk management unit and departments • Guide, structure and co-ordinate risk management work • Identify risk, assess and mitigation review, and investigate on risk management work and its improvement

Process

The Group's methodology for its risk assessment comprises four core stages:

a) Risk Identification
Department/Functional Heads identify risks in the operation they are responsible for as well as risks they believe are relevant to the Group as a whole. All the identified risks are consolidated into a risk inventory.

b) Risk Assessment
Risks in the risk inventory are evaluated by assessment participants from the Group using predefined risk assessment criteria associated with two risk dimensions – i) impact of each risk; and ii) the Group's vulnerability to each risk. The risk scoring and prioritization process is then performed.

c) Risk Response
The prioritised risk ranking is then submitted to the internal risk management committee for review. Risk owners are assigned for each selected risk, with more significant risks being assigned to more senior individuals. Risk owners also formulate risk mitigation plans for the significant risks identified and relating to their areas of responsibility.

d) Risk Monitoring and Reporting
Risk monitoring and reporting are key components of the enterprise risk management system as they enable the Board of Directors, the Audit Committee, the internal risk management committee and Department/Functional Heads to determine whether it is functioning effectively. This includes ensuring that risks are identified, prioritised and communicated to those responsible for taking actions to address them, and that such actions have been taken and are being operated effectively.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

Risk owners are responsible for monitoring the implementation and effectiveness of risk mitigation plans. They provide periodic updates to the internal risk management committee regarding the progress of the implementation of their risk mitigation plans and on the performance of these plans, according to the frequency specified in each plan. Risk management monitoring activities and the effectiveness of the implementation of risk mitigation plans are made subjects of review by the Internal Audit Department and are included in its internal audit plans.

Control Effectiveness

During the regular internal review of the accounting records of the Company, the Company discovered certain incorrect sales records in the month of December 2016, which could potentially lead to recognition of revenue for sales transactions that did not take place before end of year 2016 (the "Incident"). The amount of purported sales under the Incident is not significant when compared to the level of revenue of the Company. The Company had immediately approached and informed its external auditor, Deloitte and Deloitte, as part of its annual audit work in relation to the Company's consolidated financial statements for the year ended December 31, 2016, prepared audit response in light of the Incident. In addition, the Audit Committee had directed the Internal Audit Department to set up a special internal audit team to investigate the Incident and to conduct additional internal audit review, check on the accounting records and financial or internal controls of the Company for the year ended December 31, 2016. Details of the Incident was disclosed in the announcement of the Company dated January 8, 2017 (the "Announcement"); and the details and major findings of the Incident are stipulated in the heading "Updates and Findings on the Incident Concerning Certain Purported Sales Transactions" in this report.

In respect of the year ended December 31, 2016, after reviewing the effectiveness of the risk management and internal control systems as reported by the Audit Committee, and also having regard to the Incident and the findings from the additional internal audit review concerning the Incident, the Board considers the risk management and internal control systems to be overall effective and adequate. Other than this, no significant areas of concern that might affect the Company and its Shareholders as a whole were identified during the year.

Inside Information

The Company has adopted an inside information policy in compliance with the SFO under which procedures are established for handling and disseminating inside information and to guard against possible mishandling of inside information within the Group.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Inside Information (Continued)

The Board has delegated to its disclosure committee the authority to consider matters associated with compliance with the Company's continuous disclosure obligations. The disclosure committee members review the materiality of the relevant information and assess any possible impact on the Group in order to determine the appropriate course of actions and, if considered appropriate, a Board meeting may be convened to consider and decide whether or not the information constitutes Inside Information and disclosure shall be made immediately. The Board may seek independent professional advice, if and when appropriate, to ensure that the Company can timely comply with the disclosure requirements.

UPDATES AND FINDINGS ON THE INCIDENT CONCERNING CERTAIN PURPORTED SALES TRANSACTIONS

Reference is made to the Announcement in relation to, among other things, the discovery of certain incorrect sales records in the month of December 2016, which could potentially lead to recognition of revenue for sales transactions that did not take place before end of year 2016.

Background of the Incident

The Incident was discovered by the Internal Audit Department while conducting the regular internal audit procedures with respect to the sales and accounting records of the Company for the month ended December 2016. Based on the Internal Audit Department's findings, the amount of the sales transactions involving purported sales of sportswear products to certain bulk sales customers of the Company amounted to approximately RMB132 million (the "Purported Sales"). The Purported Sales were identified to have taken place in the last week of December 2016 and the physical delivery of goods to the bulk sales customers did not take place prior to the year ended December 31, 2016. As the Purported Sales were unusually large as they have (i) exceeded the normal credit limits applicable to the bulk sales customers involved and (ii) involved an inactive bulk sales customer, the Purported Sales were brought to the attention of the Internal Audit Department, which were then reported to the Board. It was further discovered that the Purported Sales were made with an aim to reduce inventory level by December 31, 2016.

In light of the Incident, the Company has immediately approached and informed its external auditor, Deloitte and discussed with Deloitte the appropriate steps that the Company should take. Based on the discussion between the Company and Deloitte, it was decided that Deloitte will prepare audit response in light of the Incident as part of its annual audit work in relation to the Company's financial information for the year ended December 31, 2016. Accordingly, no separate engagement has been entered into between the Company and Deloitte concerning the Incident.

CORPORATE GOVERNANCE REPORT

UPDATES AND FINDINGS ON THE INCIDENT CONCERNING CERTAIN PURPORTED SALES TRANSACTIONS (Continued)

Formation of the IA Team and the Special Review

Following the Incident, the Audit Committee directed the Internal Audit Department to set up a special internal audit team to investigate the Incident and to conduct a special internal review and check on the accounting records and financial or internal controls of the Company for the year ended December 31, 2016 in light of the Incident (the "Special Review").

The Audit Committee has dedicated a team of six senior internal auditors from the Internal Audit Department (the "IA Team") to conduct the Special Review. The scope and procedures were designed by the IA Team and approved by the Audit Committee.

The IA Team has mainly carried out the following procedures as part of the Special Review:

- interviewed relevant personnel of the Group who had given approval to the Purported Sales, including, among other persons, Mr. Chen, Kuo-Lung ("Mr. Chen", the ex-chief financial officer of the Company whose employment was terminated by the Company on January 6, 2017) and Mr. Kwan, Heh-Der ("Mr. Kwan", who resigned as the CEO and executive Director on January 6, 2017), to understand the reasons and intention for carrying out the transactions and enquired whether the relevant personnel had previously approved or been involved in any other similar transactions;

- (i) reviewed the final stock count results for the year ended December 31, 2016 and (ii) compared the inventory level recorded under the warehouse management inventory system with that recorded under the enterprise resource planning system to ascertain that revenue is only recognised upon actual delivery of goods;

- (i) compared revenue against trade receivables recorded for the top ten bulk sales and wholesale customers of each region of the Group and (ii) reviewed the ageing analysis of trade receivables as at December 31, 2016 and conducted a subsequent settlement analysis with respect to outstanding trade receivables as at December 31, 2016 to ascertain that revenue are only recognised for actual credit sales transactions with the relevant customers;

- pinpointed the review of bulk sales customers or wholesalers being granted with unusual credit terms by checking that proper approval procedures (including those regarding the approval of special sales discounts) had been followed and cross-checking recorded sales against actual delivery notes to ensure that revenue are only recognised upon actual delivery of goods;

- (i) scrutinised the financial information of individual members of the Group for any unusual sales transactions and (ii) analysed unusual growth in sales to the top ten bulk sales and wholesale customers of each region of the Group to identify any other potentially irregular sales transactions;

UPDATES AND FINDINGS ON THE INCIDENT CONCERNING CERTAIN PURPORTED SALES TRANSACTIONS (Continued)

Formation of the IA Team and the Special Review (Continued)

- cross-checked purchase orders against the relevant sales contract entered into with the top ten bulk sales and wholesale customers of each region of the Group to ensure that the transactions are conducted in accordance with the contract terms and that no fictitious sales with apparently inactive customers;

- cross-checked internal delivery notes against the freight documents for sales transactions with the top ten bulk sales and wholesale customers of each region of the Group to ascertain actual shipment of the goods to such customers and no fictitious delivery order had been placed;

- reviewed all supporting documents and email correspondences concerning sales transactions which had been submitted to Mr. Chen and Mr. Kwan for special approval in 2016 to ensure that no other similar sales transactions have been carried out nor any special approval has been granted in 2016;

- interviewed bulk sales or wholesale customers who were purportedly involved in the Purported Sales and obtained confirmation from the relevant customers as to the actual sales amount and volume for the year ended December 31, 2016 to ascertain that the revenue recognised by the Group has not been overstated or early recognised; and

- reviewed the sales processes (including its approval processes) to assess whether sufficient internal control measures were in place.

Based on the Special Review, the IA Team did not find any other material irregularities or similar findings to the Incident for the year ended December 31, 2016. In particular, no other material irregularities concerning (i) the revenue, inventory level and accounts receivables balances for the year ended and as of December 31, 2016, (ii) the internal controls concerning the sales processes and inventory management processes and (iii) the approval process and authority granted to relevant personnel with respect to sales transactions, were noted during the Special Review.

CORPORATE GOVERNANCE REPORT

UPDATES AND FINDINGS ON THE INCIDENT CONCERNING CERTAIN PURPORTED SALES TRANSACTIONS (Continued)

Measures taken by the Company

In light of the Incident, the Company has taken the following remedial measures:

(i) all accounting entries relating to the Purported Sales were adjusted to ensure that the Purported Sales have no impact on the audited consolidated financial statements of the Group;

(ii) based on the findings from the Special Review, further enhance internal control measures by, among other things:

a. strengthening the sales, inventory management and revenue recognition processes by further requiring available documents in relation to signed acknowledgement by bulk sales or wholesale customers to be marked in the financial reporting system for recognition of revenue from bulk sales or wholesales customers, and which is in addition to the current revenue recognition controls such as recognising revenue from bulk sales or wholesale customers upon the issuance of the relevant goods delivery notes through the inventory management system. The Board believes that this additional measure could prevent, among other things, recognition of revenue prior to the actual delivery of goods or early revenue recognition due to time lag in actual delivery of goods to the customers;

b. increasing the frequency for conducting analytical review on the correlation between sales to wholesale or bulk sales customers and the respective receivables from a monthly basis to a weekly basis. In the event that an irregularity is found, the Company shall conduct interview with, and seek written confirmation from, the relevant customers in order to ascertain transaction amounts. The Board believes that this could facilitate the Company in identifying potentially improper recognition of revenue in the future; and

c. systemising the credit approval process by modifying and updating the electronic submission system for the credit operation process, which would require request for special approval for sales exceeding relevant customers' credit limits and the subsequent approval be conducted through the electronic submission system as opposed to the existing manual special approval process. The Board believes that this systemised approach can further strengthen segregation of duties and better define accountability.

(iii) terminated the employment of Mr. Chen and transferred two other relevant personnel of the Group who had given approval to the Purported Sales to the administrative department of the Company or other affiliated company whereby all rights and authorities previously granted to them shall cease. Such personnel shall no longer be involved in the sales and inventory control processes of the Group.

UPDATES AND FINDINGS ON THE INCIDENT CONCERNING CERTAIN PURPORTED SALES TRANSACTIONS (Continued)

Matters addressed and procedures conducted by Deloitte in light of the Incident

Deloitte has identified the Incident as one of the key audit matters and carried out procedures in relation to the Incident as part of the annual audit of the consolidated financial statements for the year ended December 31, 2016. For details, please refer to the Independent Auditor's Report as disclosed on pages 86 to 87 to this annual report.

Conclusion

The Audit Committee has reviewed and discussed with management and Deloitte the Group's consolidated financial statements for the year ended December 31, 2016, the accounting principles and practices adopted, auditing, internal controls and financial reporting matters, including (i) the Incident, (ii) the Special Review and (iii) the key audit matters identified and related procedures carried out by Deloitte in the annual audit of the consolidated financial statements for the year ended December 31, 2016.

Based on the discussions with the Audit Committee and reviewed the relevant information of the Incident, the Special Review and the procedures conducted by Deloitte in light of the Incident, the Board considers the Incident is an isolated incident, which only occurred in last week of December 2016 and that appropriate adjustments had been made accordingly. Hence, the Board believes that the Incident does not materially affect the consolidated financial statements of the Group for the year ended December 31, 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to promoting high quality of living and healthy lives, as well as developing sustainable and profitable growth for our Shareholders and employees. This environmental, social and governance ("ESG") report (the "Report") is prepared pursuant to the environmental, social and governance reporting guide (the "ESG Guide") as set out in Appendix 27 of the Listing Rules, to inform all stakeholders about our ESG policies, measures and performance.

This Report covers the businesses of retailing of sportswear products and distribution of licensed products for the period commenced from January 1, 2016 and ended on December 31, 2016 (the "Reporting Period" or "Current Financial Year"). All major subsidiaries, retail outlets as well as the management and employees of all functions have participated in the preparation of this Report, to assist the Group in conducting operation review and identification of ESG issues and to assess the materiality of such issues to our businesses and stakeholders. The table below summarises the ESG issues that are material to the Group included herein:

Summary of ESG Guide		Significant ESG issues
A.	**Environmental**	
A1.	**Emissions**	Waste treatment and carbon emission
A2.	**Use of Resources**	Consumption of energy, water and packaging materials
A3.	**Environment and natural resources**	Environmental impact management
B.	**Social**	
B1.	**Employment**	Employee remuneration package and equal opportunities policy
B2.	**Health and safety**	Occupational health and safety
B3.	**Development and training**	Staff development and training
B4.	**Labour standards**	Prevention of child labour or forced labour
B5.	**Supply chain management**	Supply chain environmental management
B6.	**Product responsibility**	Product and service quality, customer service and information privacy policy
B7.	**Anti-corruption**	Anti-bribery and corruption
B8.	**Community investment**	Community charity

Note: As a retailer of sportswear and distributor of licensed products, the Group has no significant gas emission or hazardous waste produced during the Reporting Period. Hence the relevant disclosure requirements under the ESG Guide (KPI A1.1, A1.3 and A1.5) are not applicable to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1 Emissions

With the aims of protecting the environment and promoting green living in mind, the Group selects its product mix very carefully and exercises strict control over product safety and quality, thereby assuring its nature-loving stakeholders that no harm will be done to the Earth to stick up for a healthy and green earth.

As the Group is a retailer of sportswear and distributor of licensed products, its business operation does not directly generate hazardous wastes and air, water and land pollution, which are usually regulated under laws and regulations.

Waste treatment

The Group actively implements green measures and all of its subsidiaries and retail outlets are required to strictly comply with the internal environmental management system to reduce waste in the course of daily operation and business activities while maintaining compliance with the relevant statutory requirements strictly based on the waste management system. During the Reporting Period, the Group found no incidents in violation of environmental laws and regulations.

Non-hazardous waste produced by the Group during the Reporting period comprised mainly domestic waste, including paper, ink cartridges, toner cartridges, plastic bottles, paper cups and ink ribbons for printer, totalling approximately 51.66 tonnes. This included those produced from the operation of each varied operating unit of the Group (including: directly operated retail outlets, department store counters, sports cities and offices) located in the Mainland of China, Taiwan and Hong Kong, but excluded those wastes produced by customers or from other sources of which the Group has no direct control.

During the Reporting Period, the Group implemented waste separation of non-hazardous waste and engaged dedicated companies for recycling.

Meanwhile, the Group also carried out relevant promotion, education and training to its employees. To support green initiatives, we gradually launched the electronic office system to achieve paperless operation. Leveraging such system, approximately one-third of the paper consumption was reduced in the Current Financial Year as compared to the 2015 financial year.

Carbon emission

Our main sources of carbon emission included energy consumption of electricity, gasoline and diesel. During the Reporting Period, energy-related carbon dioxide equivalent from our business operation amounted to 58,895.68 tonnes. We will continue to monitor the environmental impacts of our business operation and we have implemented a wide range of energy saving measures to reduce the corresponding carbon emissions. Details of which are set out in the section headed "Energy consumption" below.

Note: Carbon emission is calculated based on the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), the Reporting Guidance on Environmental KPIs issued by the Stock Exchange and the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change under the National Development and Reform Commission of the PRC and the electricity emission factors by the Bureau of Energy under the Ministry of Economics Affairs of Taiwan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A2 Use of Resources

In pursuit of green operation, the Group has long been monitoring the use of resources by its subsidiaries and retail outlets.

We are dedicated to enhance energy efficiency and reduce wastage by encouraging employees to switch off the lighting system, computers and electronic equipment in idle to save energy consumption, minimise the use of paper, communicate and hold meetings via videoconferencing and other means in place of business trips to reduce number of flights.

The Group has not only promoted energy saving initiatives to employees, but also established a variety of energy consumption indicators for all subsidiaries and retail outlets, which are under regular monitoring to ensure efficient use of energy.

Apart from raising green awareness of employees, the Group is dedicated to promote green awareness of its customers as well by reducing packaging materials, encouraging them to be used to bring their own reusable bags.

Energy consumption

Total energy consumption during the Reporting Period is as follows:

Types of energy	Consumption
Electricity	84,174,863 kWh
Gasoline	47,460 litre
Diesel	53,746 litre

Note: The above statistics include major energy consumption of each varied operating unit of the Group (including: directly operated retail outlets, department store counters, sports cities and offices). The above data excludes those from sources that are beyond the direct control of the Group.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

The Group has implemented the following energy saving and emission reduction measures during the Reporting Period:

- Gradually replacing aging light tubes with LED lighting at offices, which might reduce electricity consumption by approximately 15%;

- Switching off air-conditioning and electric appliances during lunch breaks and all lightings and computers, etc. before leaving the offices, conducting regular inspections and monitoring by dedicated staff, which might reduce electricity consumption by approximately 10%;

- Light zoning in retail outlets when cleaning the outlets before and after opening hours, which might reduce electricity consumption by 3-5%;

- Selecting energy-saving lightings as possible for renovation;

- Communicating with clients and subsidiaries through video conferencing and multi-party teleconferencing, which reduced business trip frequency by approximately 20%. During the Current Financial Year, over half of the meetings of the Board and its committees were conducted through video or teleconferencing;

- Setting air conditioning temperature strictly in line with the national requirements (i.e., not lower than 26°C) and performing regular inspections, which might reduce electricity consumption by approximately 5%.

Water consumption

Total water consumption of the Group for the Current Financial Year amounted to approximately 94,505 m^3, which mainly comprised daily water usage of employees. The water consumption covered each varied operating unit of the Group (including directly operated retail outlets, department store counters, sports cities and offices), but excluded the water usage borne by the landlord. During the Reporting Period, the Group has implemented the following measures to reduce water consumption:

- Posting signs and notices by the washbasins to raise awareness towards water conservation;

- Inspection by dedicated staff to check if the taps were closed and whether there was any leakage, which might reduce water consumption by 5%; and

- Installation of sensors at the water taps to control water consumption, which reduced water consumption by approximately 5%.

Use of packaging materials

In 2016, our consumption of packaging materials comprised shopping bags for customers, the categories of which included plastic bags, eco bags and paper bags, totalling approximately 1,132 tonnes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A3 Environment and natural resources

The Group closely monitors the potential environmental impacts caused by its subsidiaries and retail outlets, with the aim of minimising the damages done to the environment as a result of our operation.

Environmental impact management

Apart from the aforementioned measures for non-hazardous waste and energy consumption, during the Reporting Period, the Group took actions to manage other significant environmental impacts due to our operation as well, including construction wastes, dusts, odours and noises from the decoration activities. Meanwhile, the lightboxes installed outside street shops and sports cities are mainly in two forms: 1) lightboxes made of LED resin for outdoor display signboards and 2) lightboxes for billboards (no internal lighting) which consist of external spotlights and only switched on at night (accounted for 20% of the electricity consumption for lightings).

To achieve better control and reduce the environmental impacts, the Group has adopted the following major measures:

- *Construction materials:* we followed stringent criteria in selecting construction materials and contractors to ensure employees and customers are protected from the harmful effects of odour and hazardous substances after decoration. Reusable materials and equipment (such as shelves, props, air conditioners and televisions) which were demolished when stores shut down or underwent renovation were stored collectively at our regional warehouses for recycle and reuse at next store opening.

- *Construction wastes:* wastes were collected and transported to the disposal sites by the contractors in accordance with the requirements of the municipal construction waste office.

- *Dusts and odours:* site hoardings were erected around the worksites and water sprays were used to reduce the spread of airborne dust and odour.

- *Noises:* site hoardings with rock wools were erected around the worksites to reduce noise.

- *Lightboxes:*

  1) The LED resin used in the outdoor display signboards is an energy saving material and the lightboxes are only switched on at night to reduce energy use;

  2) Security guard timely turned off the spotlight of the billboards every morning; and

  3) The Group constantly and regularly considered shortening the operating hours of the lightboxes at night to reduce energy consumption and light pollution.

B. SOCIAL

B1 Employment

Employee remuneration package

Talents are the Group's most valuable assets, hence nurturing them has become one of our major development goals. The ideas of our talent development strategies are as follows:

- Enhancing soft power: Introduce and enhance our employees' recognition of our corporate core values, namely dedication, loyalty, innovation and service, and incorporate them in performance evaluation to set up standards for mind-sets and behaviours, ensuring that employees' attitude and behaviour embody and conform to our corporate culture;
- Boosting hard power: Establish the organisational structure, staff evaluation system, recruitment platform and system, and formulate plans on the sustainable career development for employees based on the development strategies;
- Incentive strategy characterised by high-compensation for talents with remarkable performance and high-contribution;
- Building of comprehensive employer brand; and
- Providing opportunities to achieve personal ambition to talents who share the same vision with the Group, making the Group the best and desirable employer for them.

Staff remuneration package is reviewed annually based on individual performance and the remuneration system of the Group. We also maintain social insurance as required by the labour laws and make contributions to the pension schemes for employees' benefits. In addition, the Group is of the view that share-based incentive is crucial to attract and retain talents. As a result, we adopted (1) a share option scheme and (2) a share award scheme, details of which are set out in "Share Option Scheme" and "Share Award Scheme" in the Directors' Report. Furthermore, the Group also organises a wide range of travel trips, sports and recreation events, health and caring activities for employees from time to time to increase their sense of belonging to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B1 Employment (Continued)

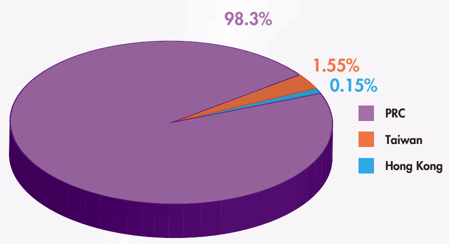
Equal opportunities policy

With the philosophy of equal opportunities in mind, the Group undertakes the responsibility of an equal opportunity employer to create a working environment free from discrimination. The Group ensures that all employees and job applicants are entitled to equal opportunities and are treated fairly in all employment arrangements, such as employment, deployment, recruitment, training, promotion, conduct, rates of pay and benefits. In addition, pursuant to Law of the PRC on the Protection of Disabled Persons, the Group employs people with disabilities for certain appropriate positions.

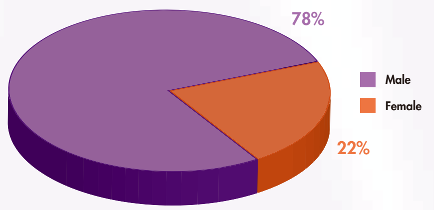
During the Reporting Period, the Group found no significant non-compliance with laws and regulations regarding human resources management.

As at December 31, 2016, the Group has a total of approximately 28,600 employees. The diagram below shows details of our employee distribution:

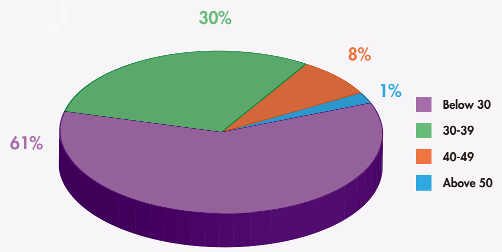
Region



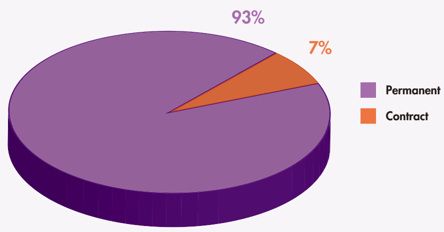
Gender



Age Group



Employment Type



B. SOCIAL (Continued)

B1 Employment (Continued)

Equal opportunities policy (Continued)

The tables below set out the Group's employee turnover rate by gender, age group and region:

By Gender	
Male	81%
Female	47%

By Age Group	
Below 30	83%
30-39	40%
40-49	32%
50 & above	36%

By Region	
PRC	66%
Taiwan	29%
Hong Kong	52%

Except for the numbers of certain employees who are working at Yunnan, PRC, the above figures include all fulltime, part-time and contract employees of the Group.

B2 Health and safety

Occupational health and safety

The Group values the employees as its most valuable assets, hence it is dedicated to provide a desirable and safe working environment by implementing appropriate measures, such as regular body checks to ensure their health and safety. As to employees who need to work under extreme temperature (for example, warehouse staff), the Group will provide subsidies and supports (offering cool drinks, warm clothes and reminding them to take rest) in strict compliance with national requirements. Dedicated electrical technicians and mechanics are assigned to subsidiaries of the Group for periodic safety inspection and prompt rectification of potential safety risks, so as to prevent accidents involving sales persons who are not professional technicians. All of our operation sites have passed fire inspection and we actively cooperate with the shopping malls in regular emergency drills and replacing relevant equipment. We also put emphasis on employees' work-life balance and organise outward bound trainings as well as team building activities. Our human resources department would also follow up the implementation of staff caring program when conducting regular store visits.

During the Reporting Period, the Group found no incidents in violation of laws and regulations regarding health and safety at workplace.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B3 Development and training

Staff development

We encourage internal promotion and offer a platform for employees' career development. The Group is committed to providing tailored on-job training, consultation and courses, enabling employees continue to achieve personal growth and realise their potential.

We provide a wide range of career development programs and plans based on different business nature, employees' individual aptitudes, abilities and development needs. Meanwhile, staff of the finance department, human resources and administration department, information technology department and legal department can participate in job or project rotation to gain exposure to different business segments, which allows them to broaden their horizons.

Staff training

We encourage continuous learning. During the Current Financial Year, various trainings were provided to our employees to enhance their capabilities, professional skills and knowledge for the long-term development of themselves and the Group. Besides, an e-learning platform, namely "Pou Sheng University", has been set up with learning materials of diverse topics including corporate culture, management skills, communication skills, time management, legal knowledge, etc., allowing the employees to learn anywhere and anytime at their own pace.

The tables below show the percentage of employees trained by gender and employee category, as well as the average training hours completed per employee:

By Gender	% of Employee trained	Average Training Hours
Male	85%	20.1
Female	73%	20.5

By Employee Category	% of Employee trained	Average Training Hours
Senior	35%	22.6
Middle-level	81%	36.8
Supervisory-level	98%	29.7
General	74%	22.1
Shop	74%	18.4

Except for the numbers of certain employees who are working at Yunnan, PRC, the above figures include all fulltime, part-time and contract employees of the Group.

B. SOCIAL (Continued)

B4 Labour standards

Prevention of child labour or forced labour

All of our subsidiaries, retail outlets and offices are in strict compliance with the local statutory requirements and expressly prohibit any forced or child labour.

The Group closely follows the local labour laws by ensuring all employees must attain the local minimum legal working age. We conduct open recruitment online based on different business nature and employment criteria, and recruit employees with reference to the position requirements and our corporate culture. Applicants will have to present identification documents at interviews for us to verify their ages and conduct background checks.

The human resources department also carries out comprehensive recruitment review procedure to ensure the information provided by the applicants is accurate and correct. Moreover, the Group will regularly review its business operation to check if any child or forced labour is employed.

During the Reporting Period, the Group found no incidents in violation of laws and regulations regarding the prevention of child or forced labour.

B5 Supply chain management

Supply chain environmental management

To uphold our concept of close cooperation with international and domestic leading brands and to pursue mutual development together, we adopt stringent criteria in selecting suppliers and require them to maintain high standards in terms of quality control, service quality and environmental policies. The Group insists on offering equal opportunities to all potential partners and participates actively in market competition to fulfil the various needs of different brands, so that it can enhance product quality while achieving cost minimization, and rapidly respond to clients' needs while providing them with more options. We will assess suppliers based on their quality, price, delivery time, overall capabilities and experience. In addition, they must conduct business in compliance with the environmental and social regulations.

The Group will continue to provide high quality products and omni-channel consumer experience to diversified customers centring on the concept of innovation and service offering, so as to establish its leading position as the best retailer in the sports-inspired and lifestyle industry in the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B6 Product responsibility

Product and service quality

The Group's products and services do not involve in any form of unfair commercial practices. We are committed to provide high quality products as well as all-rounded consumer experience and services to diversified consumers in the sports-inspired and lifestyle industry. We carefully select our products mix and strictly control product safety and quality for the purpose of promoting high quality of living and healthy lives, as well as developing sustainable and profitable growth for our Shareholders and employees. Our procurement and service procedures are designed to ensure transparency and safety of product and service information. Meanwhile, we have established and published our customer rights policy, which is implemented in our operation to safeguard customers' rights, health and safety. We comply with the relevant regulations and international standards on products and services, and prohibit fraudulent, misleading, deceptive or any other behaviours that may undermine customers' confidence and their rights.

Customer service

We adopt a business model centring around customers' needs so as to provide products with highest quality that fulfil their requirements. In pursuing the ultimate goal of providing the best services, we carry out inspection in line with our commitment. Regarding the retail business, the Group insists on ensuring product quality in order to offer qualified outstanding products to consumers. In the event of complaint of our services, an independent investigation will be conducted in accordance with the internal guidelines.

Data privacy

Brand Vendor

The Group ensures strict compliance with the laws in maintaining high level of security and privacy protection on all brand information. We attach great importance to the privacy of such information, which include all intellectual property and confidential information related to the brand such as design layouts, brand vendor information, trademark information, development and production information, operation manual and inspection results, as well as confidential information of any form with implied property interests or economic value, and we are dedicated to its safeguard and protection. We also require suppliers which are cooperating with us to execute relevant agreements for brand privacy protection. Unless required by the laws or notice is given in advance, we will not transfer or disclose the information of suppliers or brand vendors to any entities other than members of the Group without the consent of the relevant parties. In addition, appropriate security system and measures are in place to prevent unauthorised use of such information. Once any suppliers or employees have found to be responsible for any leakage of information, we will strictly enforce the relevant provisions under the signed agreements or our internal regulations of reward and punishment.

B. SOCIAL (Continued)

B6 Product responsibility (Continued)

Data privacy (Continued)

Consumer

The Group possesses a huge amount of consumer members and member information. Therefore, safeguard the privacy of our members is one of our most concerned issues. The information technology department of the Group has been implementing the comprehensive data security system and standardizing the security management of informationalization in compliance with the relevant national laws and regulations, requirements of industry regulation as well as relevant confidentiality provisions of the Company, in order to ensure that our collected data is protected, and the customer privacy is respected and secured.

In addition, as to the promotional and advertising messages of the Group, the Group shall not send any commercial messages to our members without their consent or upon their refusal. The privacy information of members is kept in strict confidence by the Group, and the Group shall not disclose, transfer, rent/sell such privacy information to the third party unless it is authorised by the members or otherwise described by laws.

During the Reporting Period, the Group found no incidents in violation of laws and regulations regarding product and service responsibilities.

B7 Anti-corruption

Anti-bribery and anti-corruption

"Loyalty" is one of the Group's core values. We define "honesty and integrity" as commitment to follow the rules and regulations of the Group, dedication to do the right things and zero tolerance to corruption or any misconduct that is against the Group's interest.

We always endeavour to accomplish the core value of integrity and require all supervisors and employees to uphold their personal and professional conduct. Apart from incorporating the anti-bribery and anti-corruption policy in the employee handbook, we also set up a reporting procedure and review the effectiveness of the internal management on a regular basis.

During the Reporting Period, the Group found no incidents in violation of relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B8 Community investment

Community charity

Corporate social responsibility remains our priority. The Group has been actively participated in community events for years through promotion of sports development for teenagers, disaster relief, poverty alleviation and donation for school establishment and operation. We also aim at carrying out charity events more effectively by gradually integrating the diverse resources and reorganising the structure to better integrate into the community and gain the public recognition.

Leveraging its own business operation, the Group took initiatives to support sports development for teenagers.

Since 2015 the Group has commenced a three-year charity cooperation with the "Yao Foundation", which is found by the famous basketball player Mr. Yao Ming, to organise a series of events designed to promote sports among teenagers, in particular those in deprived regions, by using basketball as a vehicle. By participating in the "Yao Foundation Hope Primary School Basketball Season", "Shanghai Pudong International Women's Half Marathon" and other events, and providing sports equipment and subsidies, we help teenagers to develop a sporty and happy living style. In April 2016, the Group started a campaign at its sports cities, raised and donated 5,000 basketballs to the Yao Foundation Hope Primary School Basketball Season, and as a mean to arouse public awareness (i.e., consumers at sports cities) to sports development for teenagers.

In addition, the Group sponsored the college basketball league, U League, which had over 120 participating colleges and held matches at 12 cities. It also organised 3-on-3 basketball matches at desirable cities. It plans to support similar primary and secondary school football events in the upcoming financial years.

The Group attaches importance to community charity for years. To contribute to society and to reciprocate the community in different aspects, we have been actively fulfilling our corporate social responsibility in numerous ways, which included providing relief in Wenchuan and Yushu earthquakes, donating supplies to schools in poor mountainous areas in Guizhou, and helping disabled children and the elderly living at homes for elderly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B8 Community investment (Continued)

Community charity (Continued)

Since 2015, we launched the "Raising the Sun of Tomorrow" charity campaign to facilitate school improvement projects in underprivileged mountain areas in Guizhou. As our first initiative, we donated around 100,000 items of various types to Rongjiang County in Guizhou, which included teaching equipment, stationery and a substantial amount of books that we collected from donators. The event is also one of our long-term campaigns.

To conclude, in the Current Financial Year, the Group set up a charitable organisation to plan and organise charity events in a more systematic manner. We also carried out the following activities, including but not limited to:

- Yao Foundation Hope Primary School Basketball Season;
- 2016 Pou Sheng 3-on-3 Basketball Match-Shenyang;
- U League – College Basketball League;
- "Raising the Sun of Tomorrow" charity campaign; and
- Charity events organised by different regional offices.






INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 90 to 210, which comprise the consolidated statement of financial position as at December 31, 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives	
We identified the impairment assessment of goodwill and intangible assets with indefinite useful lives allocated to the business of distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales ("Retail Business") as a whole, which represented: (a) goodwill allocated to the Retail Business; and (b) brand names with indefinite useful lives allocated to certain chains of retail stores in different provinces in the People's Republic of China as a key audit matter due to the complexity and significant judgments involved in the assessment process of the management of the Group. As disclosed in notes 14 and 15 to the consolidated financial statements, the carrying amounts of these brand names and goodwill as at December 31, 2016 were RMB407,781,000 and RMB532,450,000, respectively. Determining whether goodwill and brand names are impaired requires the management's estimation of the value in use of the cash generating units ("CGUs") to which the goodwill and brand names have been allocated. As set out in note 16 to the consolidated financial statements, for the purpose of impairment assessment, the goodwill and brand names of the Group have been allocated to Retail Business as a group of CGUs and CGUs of Retail Business which were expected to benefit from the brand names to generate future economic benefits, respectively.	Our procedures in relation to the impairment assessment of goodwill and intangible assets with indefinite useful lives included: • Evaluating the competence, capabilities and objectivity of the independent valuers; • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margin through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Group as well as industrial trend; • Involving our internal valuation experts to assess the discount rates applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the reasonableness of parameters applied by independent valuers; • Evaluating the reasonableness of and reperforming the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value in use; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current year on a sample basis and understanding the causes for the significant variances.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives (Continued) In estimating the value in use of the CGUs, key assumptions used by the management included discount rates, growth rates, budgeted sales and gross margin and their related cash inflow and outflow patterns. The management also engaged independent valuers to determine the discount rates. None of the group of CGUs containing goodwill and the CGUs containing brand names suffered any impairment during the year ended December 31, 2016; except that an impairment loss of RMB14,047,000 was recognised on goodwill that was allocated to the groups of CGUs in the Retail Business and related to the disposal group classified as held for sale as set out in note 26 for the year ended December 31, 2016, which was determined by reference to the expected disposal proceeds from the buyer from its anticipated disposal.	

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of finished goods	
We identified the assessment of net realisable value of finished goods as a key audit matter due to the significant judgments involved in the determination of the net realisable value of these finished goods by the management of the Group. As disclosed in notes 23 and 9 to the consolidated financial statements, the carrying amount of finished goods included in the inventories balances as at December 31, 2016 was RMB4,396,953,000 and the related net reversal of allowance for inventories associated with finished goods for the year ended December 31, 2016 was RMB1,972,000, respectively. As explained in note 5(b)(iii) to the consolidated financial statements, the management of the Group reviewed the aging of the inventories at the end of the reporting period and made allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management of the Group estimated the net realisable value for those items based primarily on the latest invoice prices and current market conditions.	Our procedures in relation to assessment of net realisable value for finished goods included: • Comparing the estimated selling prices of finished goods in prior year to their actual selling price in the current year, on a sample basis, to evaluate the reasonableness of methodologies, judgements and assumptions adopted by the management of the Group on the assessment of net realisable value of finished goods; • Evaluating the accuracy of aging analysis of finished goods by checking, on a sample basis, to the invoices and other relevant supporting documents to assess the judgment of the management of the Group made for making allowance for obsolete and slow-moving finished goods based on the aging analysis; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are stated at the lower of cost and net realisable value.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Incident concerning certain purported sales transactions	
We identified the discovery of certain incorrect sales records in the month of December 2016 (the "Incident") by the internal audit department of the Company (the "Internal Audit Department") in January 2017 as a key audit matter due to the fact that this Incident could potentially lead to recognition of revenue for sales transactions that did not take place during the year ended December 31, 2016. As set out in note 39 to the consolidated financial statements, the Internal Audit Department discovered that sales transactions, amounting to approximately RMB132 million (equivalent to approximately US$19 million) in aggregate, initiated by the bulk sales department (the "Bulk Sales Department") had taken place in late December 2016 without physical delivery of goods to customers of the Company prior to the year ended December 31, 2016 ("Purported Sales"). The Audit Committee directed the Internal Audit Department to set up an independent team, which comprised a team of six senior internal auditors from the Internal Audit Department (the "IA Team") to investigate the Incident and to conduct a special internal review and checking of the accounting records of the Group for the year ended December 31, 2016 in light of the Incident (the "Special Review").	Our procedures in relation to the Incident included the following, with the assistance of our internal specialists where relevant: • Obtaining an understanding of the background of the Incident from the directors and management of the Company, the IA Team and the personnel involved in the Incident; • Evaluating (i) the scope of the Special Review; (ii) the competence, objectivity and independence of the IA Team; (iii) the findings of the Special Review; and (iv) the conclusions reached by the Audit Committee in respect of the findings and impact of the Special Review, to determine the consequential impact of the Incident on our audit of the Group's consolidated financial statements; and • Designing and performing additional procedures, which included background checks on the relevant personnel within the Group, additional customer interviews and background checks as well as extending our customer confirmation procedures and testing of the supporting documentation of the sales recognised in respect of the Bulk Sales Department.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Incident concerning certain purported sales transactions (Continued) Other than the Purported Sales as mentioned above, no other inappropriate sales transactions were identified by the IA Team. The Board has reached the conclusion that the Incident was an isolated incident, which only occurred in December 2016 and that appropriate adjustments had been made in the consolidated financial statements of the Group for the year ended December 31, 2016.	

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 24, 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Revenue	6	16,236,384	14,465,564	2,443,730	2,300,174
Cost of sales		(10,467,944)	(9,647,897)	(1,575,525)	(1,534,115)
Gross profit		5,768,440	4,817,667	868,205	766,059
Other operating income and gains (losses)	7(a)	228,178	121,002	34,342	19,247
Selling and distribution expenses		(4,415,748)	(3,724,350)	(664,612)	(592,213)
Administrative and other expenses		(656,714)	(615,360)	(98,841)	(97,865)
Operating profit		924,156	598,959	139,094	95,228
Finance costs		(61,881)	(54,766)	(9,314)	(8,709)
Finance income		11,367	18,234	1,711	2,900
Finance costs – net	7(b)	(50,514)	(36,532)	(7,603)	(5,809)
Share of results of an associate		(7,225)	(2,222)	(1,087)	(353)
Share of results of joint ventures		(4,691)	(6,157)	(706)	(979)
Other gains (losses)	7(c)	(29,803)	(21,590)	(4,486)	(3,433)
Profit before taxation		831,923	532,458	125,212	84,654
Income tax expense	8	(262,312)	(149,323)	(39,480)	(23,744)
Profit for the year	9	569,611	383,135	85,732	60,910
Attributable to:					
Owners of the Company		560,579	396,592	84,373	63,050
Non-controlling interests		9,032	(13,457)	1,359	(2,140)
		569,611	383,135	85,732	60,910
Earnings per share	12				
– Basic		RMB10.72 cents	RMB7.45 cents	US1.61 cents	US1.18 cents
– Diluted		RMB10.61 cents	RMB7.42 cents	US1.60 cents	US1.18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Profit for the year	569,611	383,135	85,732	60,910
Other comprehensive income (expense)				
An item that will not be reclassified subsequently to profit or loss				
Exchange difference arising on translation to presentation currency	–	–	(51,241)	(46,222)
An item that may be reclassified subsequently to profit or loss				
Exchange difference arising on translation of foreign operations	7,551	2,072	81	(15)
Total comprehensive income for the year	577,162	385,207	34,572	14,673
Attributable to:				
Owners of the Company	565,969	398,182	33,340	17,447
Non-controlling interests	11,193	(12,975)	1,232	(2,774)
	577,162	385,207	34,572	14,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	Notes	December 31, 2016 RMB'000	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000	December 31, 2016 US$'000	December 31, 2015 US$'000	January 1, 2015 US$'000
					(FOR INFORMATION PURPOSE ONLY)		
NON-CURRENT ASSETS							
Property, plant and equipment	13(a)	902,732	707,427	586,876	129,778	107,575	94,414
Deposit paid for acquisition of property, plant and equipment		55,224	9,006	11,655	7,939	1,369	1,875
Prepaid lease payments	13(b)	143,621	140,327	144,371	20,647	21,339	23,226
Rental deposits and prepayments		127,335	113,813	108,656	18,306	17,307	17,480
Intangible assets	14	614,678	657,401	704,924	88,367	99,968	113,405
Goodwill	15	532,450	545,748	536,210	76,545	84,523	82,977
Interest in an associate	17	–	10,411	12,633	–	1,451	2,022
Interests in joint ventures	18	51,791	67,061	58,188	7,446	10,035	9,292
Loans to joint ventures	18	17,500	47,500	107,203	2,516	7,223	17,246
Long-term loan receivable	20	–	–	50,000	–	–	8,044
Available-for-sale investments	21	2,156	1,999	–	310	304	–
Deferred tax assets	22	–	428	5,151	–	65	1,003
		2,447,487	2,301,121	2,325,867	351,854	351,159	370,984
CURRENT ASSETS							
Inventories	23	4,400,649	3,910,362	3,712,064	632,641	594,633	597,179
Trade and other receivables	24	2,412,346	2,104,757	1,965,674	346,797	320,061	316,228
Taxation recoverable		1,526	7,248	2,038	219	1,102	328
Pledged bank deposits	25(a)	–	5,997	–	–	912	–
Bank balances and cash	25(b)	482,635	297,182	271,907	69,384	45,191	43,743
		7,297,156	6,325,546	5,951,683	1,049,041	961,899	957,478
Assets classified as held for sale	26	299,133	–	–	43,004	–	–
		7,596,289	6,325,546	5,951,683	1,092,045	961,899	957,478
CURRENT LIABILITIES							
Trade and other payables	27	2,006,378	2,069,832	1,283,328	288,438	315,428	206,856
Taxation payable		64,664	42,582	12,230	9,296	6,475	1,967
Bank borrowings	28	1,375,826	368,682	1,221,722	197,790	56,064	196,545
Consideration payable for acquisition of business		60,439	74,301	–	8,689	11,299	–
Bank overdrafts	25(c)	–	100,230	–	–	15,242	–
		3,507,307	2,655,627	2,517,280	504,213	404,508	405,368
Liabilities associated with assets classified as held for sale	26	230,309	–	–	33,109	–	–
		3,737,616	2,655,627	2,517,280	537,322	404,508	405,368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	Notes	December 31, 2016 RMB'000	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000	December 31, 2016 US$'000	December 31, 2015 US$'000	January 1, 2015 US$'000
					(FOR INFORMATION PURPOSE ONLY)		
NET CURRENT ASSETS		3,858,673	3,669,919	3,434,403	554,723	557,391	552,110
TOTAL ASSETS LESS CURRENT LIABILITIES		6,306,160	5,971,040	5,760,270	906,577	908,550	923,094
NON-CURRENT LIABILITIES							
Consideration payable for acquisition of business		–	–	102,169	–	–	16,436
Deferred tax liabilities	22	172,649	183,310	195,108	24,820	27,875	31,388
		172,649	183,310	297,277	24,820	27,875	47,824
NET ASSETS		6,133,511	5,787,730	5,462,993	881,757	880,675	875,270
CAPITAL AND RESERVES							
Share capital	29	46,523	46,877	46,873	6,855	6,910	6,909
Reserves		6,057,008	5,695,497	5,325,611	870,593	866,868	853,797
Equity attributable to owners of the Company		6,103,531	5,742,374	5,372,484	877,448	873,778	860,706
Non-controlling interests		29,980	45,356	90,509	4,309	6,897	14,564
Total equity		6,133,511	5,787,730	5,462,993	881,757	880,675	875,270

The consolidated financial statements on pages 90 to 210 were approved and authorised for issue by the Board of Directors on March 24, 2017 and are signed on its behalf by:

Wu, Pan-Tsu	**Lee, Shao-Wu**
CHAIRMAN AND EXECUTIVE DIRECTOR	CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Equity attributable to owners of the Company														
	Share capital RMB'000 (Note 29)	Share premium RMB'000	Special reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Revaluation reserve RMB'000 (note (iii))	Merger reserve RMB'000 (note (iv))	Shares held under share award scheme RMB'000	Share award reserve RMB'000	Share-based compensation reserve RMB'000	Non-distributable reserve RMB'000 (note (v))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2015	46,873	5,187,992	676,506	(1,445,655)	55,395	-	(7,304)	508	34,657	259,502	(20,077)	584,087	5,372,484	90,509	5,462,993
Exchange difference arising on translation of foreign operations (restated)	-	-	-	-	-	-	-	-	-	-	1,590	-	1,590	482	2,072
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	-	396,592	396,592	(13,457)	383,135
Total comprehensive income for the year (restated)	-	-	-	-	-	-	-	-	-	-	1,590	396,592	398,182	(12,975)	385,207
Purchase of shares under share award scheme	-	-	-	-	-	-	(69,107)	-	-	-	-	-	(69,107)	-	(69,107)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	-	2,494	102	-	-	-	2,596	-	2,596
Exercise of share options	4	736	-	-	-	-	-	-	(251)	-	-	-	489	-	489
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,178)	(32,178)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control (restated)	-	-	-	-	-	37,730	-	-	-	-	-	-	37,730	-	37,730
Transfer	-	-	-	-	-	-	-	-	-	42,936	-	(42,936)	-	-	-
At December 31, 2015 (restated)	46,877	5,188,728	676,506	(1,445,655)	55,395	37,730	(76,411)	3,002	34,508	302,438	(18,487)	937,743	5,742,374	45,356	5,787,730
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	5,390	-	5,390	2,161	7,551
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	560,579	560,579	9,032	569,611
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	5,390	560,579	565,969	11,193	577,162
Repurchase of own shares	(453)	(64,780)	-	-	-	-	-	-	-	-	-	-	(65,233)	-	(65,233)
Purchase of shares under share award scheme	-	-	-	-	-	-	(61,864)	-	-	-	-	-	(61,864)	-	(61,864)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	-	6,846	486	-	-	-	7,332	-	7,332
Exercise of share options	99	20,147	-	-	-	-	-	-	(7,038)	-	-	-	13,208	-	13,208
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	-	-	-	-	(90,069)	(90,069)	-	(90,069)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,569)	(26,569)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	-	-	-	-	-	54,448	-	-	-	-	-	-	54,448	-	54,448
Consideration payable for acquiring subsidiaries under common control (Note 2)	-	-	-	-	-	(62,634)	-	-	-	-	-	-	(62,634)	-	(62,634)
Transfer	-	-	-	-	-	-	-	-	-	98,660	-	(98,660)	-	-	-
At December 31, 2016	46,523	5,144,095	676,506	(1,445,655)	55,395	29,544	(138,275)	9,848	27,956	401,098	(13,097)	1,309,593	6,103,531	29,980	6,133,511

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

(FOR INFORMATION PURPOSE ONLY)

	Equity attributable to owners of the Company														
	Share capital US$'000 (Note 29)	Share premium US$'000	Special reserve US$'000 (note (i))	Other reserve US$'000 (note (ii))	Revaluation reserve US$'000 (note (iii))	Merger reserve US$'000 (note (iv))	Shares held under share award scheme US$'000	Share award reserve US$'000	Share-based compensation reserve US$'000	Non-distributable reserve US$'000 (note (v))	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2015	6,909	758,792	96,269	(211,527)	8,108	-	(1,168)	82	5,219	38,878	97,392	61,752	860,706	14,564	875,270
Exchange difference arising on translation to presentation currency	-	-	-	-	-	-	-	-	-	-	(45,588)	-	(45,588)	(634)	(46,222)
Exchange difference arising on translation of foreign operations (restated)	-	-	-	-	-	-	-	-	-	-	(15)	-	(15)	-	(15)
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	-	63,050	63,050	(2,140)	60,910
Total comprehensive income for the year (restated)	-	-	-	-	-	-	-	-	-	-	(45,603)	63,050	17,447	(2,774)	14,673
Purchase of shares under share award scheme	-	-	-	-	-	-	(10,863)	-	-	-	-	-	(10,863)	-	(10,863)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	-	397	16	-	-	-	413	-	413
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	(230)	230	-	-	-
Realised on deregistration of a joint venture	-	-	-	-	-	-	-	-	-	-	5	(5)	-	-	-
Realised on disposal of a joint venture	-	-	-	-	-	-	-	-	-	-	(538)	538	-	-	-
Exercise of share options	1	114	-	-	-	-	-	-	(40)	-	-	-	75	-	75
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,893)	(4,893)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control (restated)	-	-	-	-	-	6,000	-	-	-	-	-	-	6,000	-	6,000
Transfer	-	-	-	-	-	-	-	-	-	5,272	-	(5,272)	-	-	-
At December 31, 2015 (restated)	6,910	758,906	96,269	(211,527)	8,108	6,000	(12,031)	479	5,195	44,150	51,026	120,293	873,778	6,897	880,675
Exchange difference arising on translation to presentation currency	-	-	-	-	-	-	-	-	-	-	(51,114)	-	(51,114)	(127)	(51,241)
Exchange difference arising on the translation of foreign operation	-	-	-	-	-	-	-	-	-	-	81	-	81	-	81
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	84,373	84,373	1,359	85,732
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	(51,033)	84,373	33,340	1,232	34,572
Repurchase of own shares	(69)	(9,884)	-	-	-	-	-	-	-	-	-	-	(9,953)	-	(9,953)
Purchase of shares under share award scheme	-	-	-	-	-	-	(9,034)	-	-	-	-	-	(9,034)	-	(9,034)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	-	1,023	71	-	-	-	1,094	-	1,094
Realised on disposal of an associate	-	-	-	-	-	-	-	-	-	-	(721)	721	-	-	-
Exercise of share options	14	3,048	-	-	-	-	-	-	(1,065)	-	-	-	1,997	-	1,997
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	-	-	-	-	(12,948)	(12,948)	-	(12,948)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,820)	(3,820)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	-	-	-	-	-	8,400	-	-	-	-	-	-	8,400	-	8,400
Consideration payable for acquiring subsidiaries under common control (Note 2)	-	-	-	-	-	(9,226)	-	-	-	-	-	-	(9,226)	-	(9,226)
Transfer	-	-	-	-	-	-	-	-	-	15,663	-	(15,663)	-	-	-
At December 31, 2016	6,855	752,070	96,269	(211,527)	8,108	5,174	(21,065)	1,502	4,201	59,813	(728)	176,776	877,448	4,309	881,757

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

notes:

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

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

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

(iv) The merger reserve represents the difference in the fair value of the consideration paid to Yue Yuen (as defined in Note 1) for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
OPERATING ACTIVITIES				
Profit before taxation	831,923	532,458	125,212	84,654
Adjustments for:				
Depreciation of property, plant and equipment	207,280	163,332	31,198	25,973
Release of prepaid lease payments	4,081	4,044	614	643
Amortisation of intangible assets	43,049	47,612	6,479	7,571
Reversal of allowance for inventories, net	(1,972)	(10,737)	(297)	(1,707)
Impairment loss recognised on trade receivables	18,872	74,242	2,840	11,805
Impairment loss recognised on other receivables	7,252	4,701	1,092	748
Interest expense	61,881	54,766	9,314	8,709
Interest income	(11,367)	(18,234)	(1,711)	(2,900)
Share of results of an associate	7,225	2,222	1,087	353
Share of results of joint ventures	4,691	6,157	706	979
Recognition of equity-settled share-based payments	7,332	2,596	1,094	413
Dividend income from an available-for-sale investment	(469)	–	(71)	–
Gain on disposal of a joint venture	–	(600)	–	(95)
Gain on disposal of an associate	(10,048)	–	(1,512)	–
Impairment loss on goodwill	14,047	–	2,114	–
Impairment losses on rental deposits and prepayments	9,928	–	1,495	–
Impairment losses on property, plant and equipment	2,512	–	378	–
Loss on disposal of property, plant and equipment	18,192	9,071	2,738	1,442
Impairment loss (reversal of impairment loss) recognised on interest in a joint venture	579	(15,030)	87	(2,390)
Impairment losses on loans to joint ventures	30,000	53,600	4,515	8,523
Impairment loss on consideration receivable for disposal of properties	–	16,000	–	2,544
Fair value gain on consideration payable for acquisition of business	(17,215)	(32,380)	(2,591)	(5,149)
Operating cash flows before movements in working capital	1,227,773	893,820	184,781	142,116
Increase in rental deposits and prepayments	(45,056)	(26,849)	(6,598)	(4,191)
Increase in inventories	(580,652)	(186,627)	(86,223)	(28,308)
Increase in trade and other receivables	(524,562)	(139,063)	(77,671)	(21,369)
Increase in trade and other payables	160,406	468,567	21,345	76,260
Cash generated from operations	237,909	1,009,848	35,634	164,508
Income tax paid	(249,332)	(131,309)	(37,481)	(20,921)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(11,423)	878,539	(1,847)	143,587

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(454,854)	(290,908)	(68,447)	(45,781)
Advance to non-controlling interest of a subsidiary		(90,000)	(90,000)	(13,546)	(13,686)
Deposit paid for acquisition of property, plant and equipment		(55,208)	(9,006)	(8,373)	(1,444)
Placement of pledged bank deposits		–	(5,997)	–	(912)
Additions of prepaid lease payments		(7,525)	–	(1,133)	–
Advance to a joint venture		(10,269)	–	(1,546)	–
Release of pledged bank deposits		5,997	–	903	–
Repayment of advance to a joint venture		14,300	6,103	2,152	928
Proceeds from disposal of property, plant and equipment		37,467	13,328	5,640	1,685
Interest received		11,367	18,234	1,711	2,900
Repayment of advance to non-controlling interest of a subsidiary		90,000	100,000	13,546	15,207
Placement of structured bank deposit		(1,850,000)	–	(278,443)	–
Release of structured bank deposit		1,850,000	–	278,443	–
Acquisition of business (net of cash and cash equivalents acquired)	31	–	(12,661)	–	(2,060)
Purchase of an available-for-sale investment		–	(1,971)	–	(317)
Deposit received for an asset held for sale		5,500	–	828	–
Proceeds from disposal of an associate		2,765	–	417	–
Dividends received from an available-for-sale investment		469	–	71	–
Repayment of long-term loan receivable		50,000	–	7,525	–
NET CASH USED IN INVESTING ACTIVITIES		(399,991)	(272,878)	(60,252)	(43,480)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
FINANCING ACTIVITIES					
Repayment of bank borrowings		(2,193,711)	(2,573,552)	(330,869)	(410,400)
Repayment of advance from related and connected parties		(1,615,472)	(1,974,684)	(243,144)	(300,282)
Purchase of shares under share award scheme		(61,864)	(69,107)	(9,034)	(10,863)
Interest paid		(61,881)	(54,766)	(9,314)	(8,709)
Dividend paid to non-controlling interests of a subsidiary		(26,569)	(32,178)	(3,820)	(4,893)
Shares repurchased		(65,233)	–	(9,953)	–
Dividends paid		(92,111)	–	(12,948)	–
Proceeds from issue of shares upon exercise of share options		13,208	489	1,997	75
New bank borrowings raised		3,198,889	1,716,845	480,768	272,884
Advance from related and connected parties		1,613,479	2,264,684	242,844	344,381
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control		54,448	37,730	8,400	6,000
Consideration paid for acquiring subsidiaries under common control		(62,634)	–	(9,226)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		700,549	(684,539)	105,701	(111,807)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		289,135	(78,878)	43,602	(11,700)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		5,930	3,923	(2,818)	(2,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		196,952	271,907	29,949	43,743
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		492,017	196,952	70,733	29,949
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank balances and cash		482,635	297,182	69,384	45,191
Cash and cash equivalents included in assets classified as held for sale	26	9,382	–	1,349	–
Bank overdrafts		–	(100,230)	–	(15,242)
		492,017	196,952	70,733	29,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

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

The Company's functional currency is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was United States Dollars ("USD"). Starting from January 1, 2016, the Group has changed its presentation currency for the preparation of its consolidated financial statements from USD to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in the PRC with substantially all of its transactions denominated and settled in RMB. The directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. The presentation of USD amounts in the consolidated financial statements is for information purpose only.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the consolidated income statement are translated into RMB at the average exchange rates for the month of the transactions, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. The share capital, the share premium and reserves are translated into RMB at the exchange rate at the date when the amount was determined (i.e. the rate at the date of transaction for an item measured in terms of the historical cost). The non-controlling interests for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF MERGER ACCOUNTING

On November 14, 2016, Winning Team Holdings Limited ("Winning Team"), an indirect wholly-owned subsidiary of the Company, acquired from Key International Co., Ltd., an indirect wholly-owned subsidiary of Yue Yuen, the entire equity interests in PCG Bros (Holdings) Co. Limited ("PCG Bros") for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000.00). PCG Bros and its subsidiaries (collectively referred to as the "PCG Bros Group") are principally engaged in sports marketing and organisation of sports events in Taiwan.

The Group and PCG Bros Group are both under the control of Yue Yuen before and after the date of acquisition, and that control is not transitory. The Group and PCG Bros Group are regarded as continuing entities as at the date of business combinations and hence the acquisition has been accounted for as combination of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended December 31, 2015 and 2016 include the financial performance, changes in equity and cash flows of PCG Bros Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the years ended December 31, 2015 and 2016, or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statement of financial position of the Group as at December 31, 2015 has been restated to include the assets and liabilities of the companies comprising PCG Bros Group as if the current group structure had been in existence as at December 31, 2015.

The effects of all transactions between the Group and the PCG Bros Group, whether occurring before and after the acquisition, are eliminated in preparing the consolidated financial statements. The transaction costs for the acquisition were recognised as expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF MERGER ACCOUNTING (Continued)

The effects of acquisition of PCG Bros Group using merger accounting on the consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2015 are as follows:

	2015 RMB'000 (originally stated)	Adjustments on merger accounting RMB'000	Elimination RMB'000	2015 RMB'000 (restated)	2015 US$'000	Adjustments on merger accounting US$'000	Elimination US$'000	2015 US$'000
					(FOR INFORMATION PURPOSES ONLY)			
Revenue	14,465,564	-	-	14,465,564	2,300,174	-	-	2,300,174
Cost of sales	(9,647,897)	-	-	(9,647,897)	(1,534,115)	-	-	(1,534,115)
Gross profit	4,817,667	-	-	4,817,667	766,059	-	-	766,059
Other operating income and gains (losses)	119,059	2,199	(256)	121,002	18,931	357	(41)	19,247
Selling and distribution expenses	(3,723,343)	(1,263)	256	(3,724,350)	(592,050)	(204)	41	(592,213)
Administrative and other expenses	(605,425)	(9,935)	-	(615,360)	(96,269)	(1,596)	-	(97,865)
Operating profit (loss)	607,958	(8,999)	-	598,959	96,671	(1,443)	-	95,228
Finance costs	(54,730)	(36)	-	(54,766)	(8,703)	(6)	-	(8,709)
Finance income	18,230	4	-	18,234	2,899	1	-	2,900
Finance costs - net	(36,500)	(32)	-	(36,532)	(5,804)	(5)	-	(5,809)
Share of results of an associate	(2,222)	-	-	(2,222)	(353)	-	-	(353)
Share of results of joint ventures	(6,157)	-	-	(6,157)	(979)	-	-	(979)
Other gains (losses)	(21,590)	-	-	(21,590)	(3,433)	-	-	(3,433)
Profit before taxation	541,489	(9,031)	-	532,458	86,102	(1,448)	-	84,654
Income tax expense	(149,323)	-	-	(149,323)	(23,744)	-	-	(23,744)
Profit (loss) for the year	392,166	(9,031)	-	383,135	62,358	(1,448)	-	60,910
Attributable to:								
Owners of the Company	405,623	(9,031)	-	396,592	64,498	(1,448)	-	63,050
Non-controlling interests	(13,457)	-	-	(13,457)	(2,140)	-	-	(2,140)
	392,166	(9,031)	-	383,135	62,358	(1,448)	-	60,910
	cents	cents	cents	cents	cents	cents	cents	cents
Earnings (loss) per share								
- Basic	RMB7.62	RMB(0.17)	RMB nil	RMB7.45	US1.21	US(0.03)	US nil	US1.18
- Diluted	RMB7.59	RMB(0.17)	RMB nil	RMB7.42	US1.21	US(0.03)	US nil	US1.18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF MERGER ACCOUNTING (Continued)

	2015 RMB'000 (originally stated)	Adjustments on merger accounting RMB'000	Elimination RMB'000	2015 RMB'000 (restated)	2015 US$'000	Adjustments on merger accounting US$'000	Elimination US$'000	2015 US$'000
					(FOR INFORMATION PURPOSES ONLY)			
Profit (loss) for the year	392,166	(9,031)	-	383,135	62,358	(1,448)	-	60,910
Other comprehensive income (expense)								
An item that will not be reclassified subsequently to profit or loss								
Exchange difference arising on translation to presentation currency	-	-	-	-	(46,222)	-	-	(46,222)
An item that may be reclassified subsequently to profit or loss								
Exchange difference arising on translation of foreign operations	1,564	508	-	2,072	-	(15)	-	(15)
Total comprehensive income (expense) for the year	393,730	(8,523)	-	385,207	16,136	(1,463)	-	14,673
Attributable to:								
Owners of the Company	406,705	(8,523)	-	398,182	18,910	(1,463)	-	17,447
Non-controlling interests	(12,975)	-	-	(12,975)	(2,774)	-	-	(2,774)
	393,730	(8,523)	-	385,207	16,136	(1,463)	-	14,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF MERGER ACCOUNTING (Continued)

The effects of acquisition of PCG Bros Group using merger accounting on the consolidated statement of financial position as at December 31, 2015 are as follows:

	December 31, 2015 RMB'000 (originally stated)	Adjustments on merger accounting RMB'000	Elimination RMB'000	December 31, 2015 RMB'000 (restated)	December 31, 2015 US$'000	Adjustments on merger accounting US$'000	Elimination US$'000	December 31, 2015 US$'000
					(FOR INFORMATION PURPOSES ONLY)			
ASSETS								
Property, plant and equipment	702,093	5,334	-	707,427	106,764	811	-	107,575
Deposit paid for acquisition of property, plant and equipment	8,957	49	-	9,006	1,362	7	-	1,369
Goodwill	536,210	9,538	-	545,748	82,977	1,546	-	84,523
Available-for-sale investments	-	1,999	-	1,999	-	304	-	304
Trade and other receivables	2,057,530	47,275	(48)	2,104,757	312,880	7,188	(7)	320,061
Bank balances and cash	284,132	13,050	-	297,182	43,207	1,984	-	45,191
Other assets	4,960,548	-	-	4,960,548	754,035	-	-	754,035
	8,549,470	77,245	(48)	8,626,667	1,301,225	11,840	(7)	1,313,058
LIABILITIES								
Trade and other payables	2,028,839	41,041	(48)	2,069,832	309,196	6,239	(7)	315,428
Bank borrowings	361,685	6,997	-	368,682	55,000	1,064	-	56,064
Other liabilities	400,423	-	-	400,423	60,891	-	-	60,891
	2,790,947	48,038	(48)	2,838,937	425,087	7,303	(7)	432,383
NET ASSETS	5,758,523	29,207	-	5,787,730	876,138	4,537	-	880,675
CAPITAL AND RESERVES								
Share capital	46,877	112	(112)	46,877	6,910	18	(18)	6,910
Reserves	5,666,290	29,095	112	5,695,497	862,331	4,519	18	866,868
Non-controlling interests	45,356	-	-	45,356	6,897	-	-	6,897
Total equity	5,758,523	29,207	-	5,787,730	876,138	4,537	-	880,675

The acquisition of PCG Bros Group using merger accounting did not have any impact on the consolidated statement of financial position as at January 1, 2015 as Yue Yuen obtained control over PCG Bros Group during the year ended December 31, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2017.
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), 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 attributable to a financial liability's 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 FVTPL is presented in profit or loss.

3. APPLICATION OF NEW AND AMENDMENTS TO 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 recognised.

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as FVTPL or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. recognition of bulk discount and sales return) as the timing of revenue recognition may be affected/ and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

HKFRS 16 "Leases" (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB1,461,233,000 (approximately US$210,067,000) as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for the consideration payable for acquisition of business as at December 31, 2015 that was measured at fair value at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each component 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves 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 after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

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

Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in an associate and joint ventures

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and joint ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in the profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, 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 the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying 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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Customer loyalty programmes

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

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

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

Property, plant and equipment

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

Construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy, if any. 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Leasehold land and building

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Inventories

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an 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 each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

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

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 income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Research and development expenditure

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

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

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

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

Recoverable amount is the higher of fair value less costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share option scheme

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share award scheme

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

The fair value of services received determined by reference to the fair value of shares awarded at the grant date 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 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 is reversed from the share award reserve. The difference arising from such transfer is debited/credited to accumulated profits. When share awards are forfeited after the vesting date, the amount previously recognised in share award reserve will be transferred to accumulated profits.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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

Impairment of financial assets

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

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in "fair value changes on consideration payable for acquisition of business" under "other gains (losses)" in profit or loss. Fair value is determined in the manner described in Note 37(c).

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgments in applying the Group's accounting policies

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

Intangible assets with indefinite useful lives

The directors consider that the brand names, as set out in Note 14, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brand names are tested for impairment annually.

(b) Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the CGUs to which goodwill and the intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. 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 16. As at December 31, 2016, the carrying amounts of goodwill and intangible assets are RMB532,450,000 (approximately US$76,545,000) (2015: RMB545,748,000, as restated, (approximately US$84,523,000)) and RMB614,678,000 (approximately US$88,367,000) (2015: RMB657,401,000 (approximately US$99,968,000)), respectively.

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

(b) Key sources of estimation uncertainty (Continued)

(ii) *Estimated impairment of interests in joint ventures*

Management review the recoverable amounts of the Group's joint ventures. The amounts of the impairment losses in respect of each joint venture is measured as the difference between the carrying amounts of the joint ventures and their recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) *Impairment loss for inventories*

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) *Estimated impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at December 31, 2016, the carrying amount of trade receivables is RMB1,292,686,000 (approximately US$185,838,000) (net of allowance for doubtful debts of RMB105,744,000 (approximately US$15,202,000)) (2015: carrying amount of RMB1,161,869,000 (approximately US$176,681,000), net of allowance for doubtful debts of RMB107,890,000 (approximately US$16,406,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(b) Key sources of estimation uncertainty (Continued)

(v) Income taxes

As at December 31, 2016, the Group had unused tax losses of approximately RMB797.4 million or US$114.6 million (2015: approximately RMB1,076.2 million, as restated, or US$163.7 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses of approximately RMB797.4 million or US$114.6 million due to the unpredictability of future profit streams. As at December 31, 2015, a deferred tax asset has been recognised in respect of such tax losses of approximately RMB1.7 million or US$0.3 million and no deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately RMB1,074.5 million, as restated, or US$163.4 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material provision or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a provision or reversal takes place.

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

6. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales ("Retail Business"). Information is reported on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of resource allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major business products

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

	For the year ended December 31,			
	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
Sales of sportswear and footwear products	16,131,960	14,358,879	2,428,013	2,283,210
Commissions from concessionaire sales	104,424	106,685	15,717	16,964
	16,236,384	14,465,564	2,443,730	2,300,174

Information about major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Geographical information

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

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

	Revenue from external customers for the year ended December 31,			
	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
PRC	16,097,503	14,322,196	2,422,827	2,277,377
Hong Kong	12,993	7,723	1,956	1,228
Other locations	125,888	135,645	18,947	21,569
	16,236,384	14,465,564	2,443,730	2,300,174

	Non-current assets (note)			
	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
PRC	2,344,722	2,148,667	336,889	328,176
Hong Kong	4,120	1,309	593	199
Other locations	27,198	23,746	4,100	3,706
	2,376,040	2,173,722	341,582	332,081

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Included in the balance is the following items:				
Subsidies, rebates and other income from suppliers	133,829	115,083	20,142	18,300
Net exchange gain	1,676	1,781	252	282
Dividend income from an available-for-sale investment	469	–	71	–
Loss on disposal of property, plant and equipment	(18,192)	(9,071)	(2,738)	(1,442)
Impairment loss recognised on trade receivables (Note 24)	(18,872)	(74,242)	(2,840)	(11,805)
Impairment loss recognised on other receivables	(7,252)	(4,701)	(1,092)	(748)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(b) Finance income and costs

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Interest expenses on:				
– bank overdrafts and bank borrowings	(50,285)	(45,352)	(7,569)	(7,212)
– advances from related parties	(11,596)	(9,414)	(1,745)	(1,497)
	(61,881)	(54,766)	(9,314)	(8,709)
Interest income from:				
– bank deposits	5,481	10,656	825	1,695
– advances to related parties	4,897	6,017	737	956
– advances to a former joint venture and third parties	989	1,561	149	249
	11,367	18,234	1,711	2,900
Finance costs, net	(50,514)	(36,532)	(7,603)	(5,809)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Impairment losses on loans to joint ventures (Note 18)	(30,000)	(53,600)	(4,515)	(8,523)
Impairment loss on goodwill (Notes 15 and 26)	(14,047)	–	(2,114)	–
Impairment losses on property, plant and equipment (Notes 13 and 26)	(2,512)	–	(378)	–
Impairment losses on rental deposits and prepayments (Note 26)	(9,928)	–	(1,495)	–
Impairment loss on consideration receivable for disposal of properties	–	(16,000)	–	(2,544)
Gain on disposal of a joint venture (Note 18)	–	600	–	95
Gain on disposal of an associate (Note 17)	10,048	–	1,512	–
(Impairment loss) reversal of impairment loss recognised on interest in a joint venture (note)	(579)	15,030	(87)	2,390
Fair value gain on consideration payable for acquisition of business (Note 37(c))	17,215	32,380	2,591	5,149
	(29,803)	(21,590)	(4,486)	(3,433)

note: The impairment loss and reversal of impairment loss recognised have been determined based on the difference between the disposal proceeds and the carrying value of relevant joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

8. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
Taxation attributable to the Company and its subsidiaries:				
Current year:				
Hong Kong Profits Tax (note i)	–	–	–	–
PRC Enterprise Income Tax ("EIT") (note ii)	235,309	162,108	35,416	25,777
Overseas income tax (note iii)	752	1,264	113	201
	236,061	163,372	35,529	25,978
Under(over)provision in prior years:				
Hong Kong Profits Tax	4	–	1	–
PRC EIT	36,551	(7,440)	5,501	(1,183)
Overseas income tax	(15)	529	(2)	84
	36,540	(6,911)	5,500	(1,099)
Current tax charge – total	272,601	156,461	41,029	24,879
Deferred tax credit (Note 22)	(10,289)	(7,138)	(1,549)	(1,135)
	262,312	149,323	39,480	23,744

8. INCOME TAX EXPENSE (Continued)

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the relevant subsidiaries had no 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 enterprise income tax law, implementation rules and notices in the PRC, except as follows:

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) and the Bulletin of the State Administration of Taxation【2012】No. 12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions and engaged in the business activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the revenue in the current year accounts for more than 70% of its total revenue is entitled to pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company which are located in the specified provinces of Western Regions and engaged in the business activities under the New Catalogue. The directors of the Company consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both years.

(iii) Overseas

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

8. INCOME TAX EXPENSE (Continued)

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

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Profit before taxation	831,923	532,458	125,212	84,654
Tax at income tax rate of 25% (note)	207,981	133,115	31,303	21,164
Tax effect of share of results of an associate and joint ventures	2,979	2,095	448	333
Tax effect of expenses not deductible for tax purposes	36,746	49,874	5,531	7,932
Tax effect of income not taxable for tax purposes	(15,653)	(47,081)	(2,356)	(7,487)
Effect of tax holidays granted to PRC subsidiaries	(16,903)	(21,250)	(2,544)	(3,379)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,304	(2,095)	196	(333)
Effect of tax loss not recognised	69,485	52,198	10,458	8,302
Utilisation of tax losses previously not recognised	(67,751)	(19,037)	(10,197)	(3,027)
Under(over)provision of tax in prior years	36,540	(6,911)	5,500	(1,099)
Withholding income tax on unremitted earnings of overseas subsidiaries	7,584	8,415	1,141	1,338
Income tax expenses for the year	262,312	149,323	39,480	23,744

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

9. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Profit for the year has been arrived at after charging (crediting):				
Directors' and chief executives' emoluments (Note 10)	3,927	6,093	591	969
Retirement benefit scheme contributions, excluding directors and the chief executive	197,093	153,624	29,665	24,427
Equity-settled share-based payments, excluding directors and the chief executive	6,677	2,434	995	387
Other staff costs	1,499,285	1,241,420	225,664	197,404
Total staff costs	1,706,982	1,403,571	256,915	223,187
Auditor's remuneration	4,871	3,593	733	571
Depreciation of property, plant and equipment	207,280	163,332	31,198	25,973
Reversal of allowance for inventories, net	(1,972)	(10,737)	(297)	(1,707)
Release of prepaid lease payments	4,081	4,044	614	643
Amortisation of intangible assets (included in selling and distribution expenses)	43,049	47,612	6,479	7,571
Research and development expenditure recognised as an expense	360	295	54	47
Share of taxation of an associate (included in share of results of an associate)	–	233	–	37
Share of taxation of joint ventures (included in share of results of joint ventures)	(28)	75	(4)	12

For the years ended December 31, 2015 and 2016, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the eight (2015: eight) individual directors for the year disclosed pursuant to the applicable Listing Rules and CO, are set out as follows:

	Fees RMB'000	Salaries and other allowances RMB'000	Bonus RMB'000 (note i)	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2016						
Executive directors:						
Kwan, Heh-Der (note ii)	-	2,445	-	15	655	3,115
Wu, Pan-Tsu	-	-	-	-	-	-
Non-executive directors:						
Tsai David, Nai Fung (note iii)	-	-	-	-	-	-
Tsai Patty, Pei Chun	-	-	-	-	-	-
Li I-nan	128	-	-	-	-	128
Independent non-executive directors:						
Chen, Huan-Chung	257	-	-	-	-	257
Hsieh, Wuei-Jung	257	-	-	-	-	257
Shan Xue	170	-	-	-	-	170
	812	2,445	-	15	655	3,927
For the year ended December 31, 2015						
Executive directors:						
Kwan, Heh-Der (note ii)	-	2,233	2,762	15	162	5,172
Wu, Pan-Tsu	-	70	-	-	-	70
Non-executive directors:						
Tsai David, Nai Fung (note iii)	-	-	-	-	-	-
Tsai Patty, Pei Chun	-	-	-	-	-	-
Li I-nan	122	-	-	-	-	122
Independent non-executive directors:						
Chen, Huan-Chung	243	-	-	-	-	243
Hsieh, Wuei-Jung	243	-	-	-	-	243
Shan Xue	243	-	-	-	-	243
	851	2,303	2,762	15	162	6,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

(FOR INFORMATION PURPOSE ONLY)

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the year ended December 31, 2016						
Executive directors:						
Kwan, Heh-Der (note ii)	-	368	-	2	99	469
Wu, Pan-Tsu	-	-	-	-	-	-
Non-executive directors:						
Tsai David, Nai Fung (note iii)	-	-	-	-	-	-
Tsai Patty, Pei Chun	-	-	-	-	-	-
Li I-nan	19	-	-	-	-	19
Independent non-executive directors:						
Chen, Huan-Chung	39	-	-	-	-	39
Hsieh, Wuei-Jung	39	-	-	-	-	39
Shan Xue	25	-	-	-	-	25
	122	368	-	2	99	591
For the year ended December 31, 2015						
Executive directors:						
Kwan, Heh-Der (note ii)	-	355	439	2	26	822
Wu, Pan-Tsu	-	11	-	-	-	11
Non-executive directors:						
Tsai David, Nai Fung (note iii)	-	-	-	-	-	-
Tsai Patty, Pei Chun	-	-	-	-	-	-
Li I-nan	19	-	-	-	-	19
Independent non-executive directors:						
Chen, Huan-Chung	39	-	-	-	-	39
Hsieh, Wuei-Jung	39	-	-	-	-	39
Shan Xue	39	-	-	-	-	39
	136	366	439	2	26	969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

notes:

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

(ii) Mr. Kwan, Heh-Der resigned as an executive director and the chief executive officer of the Company on January 6, 2017. His emoluments disclosed above include those for services rendered by him as the chief executive officer for the years ended December 31, 2015 and 2016.

(iii) Mr. Tsai David, Nai Fung retired as a non-executive director on August 12, 2016.

(b) Emoluments of senior management

Of the five (2015: four) senior management of the Company for the year ended December 31, 2016, two (2015: two) of them were directors of the Company and their remuneration has been disclosed in Note 10(a). The emoluments of the remaining three (2015: two) individuals for the year are within the following bands:

	2016 Number of employees	2015 Number of employees
HK$500,001 to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
	3	2

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

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended December 31, 2016, one (2015: one) was a director and the chief executive, and one (2015: one) was senior management of the Company whose emoluments are included in Notes 10(a) and 10(b) respectively. The emoluments of the remaining three (2015: three) individuals for the year are as follows:

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Salaries and other allowances	4,073	3,949	613	628
Bonus	2,150	1,503	324	239
Equity-settled share-based payment	538	251	81	40
	6,761	5,703	1,018	907

Their emoluments were within the following bands:

	2016 Number of employees	2015 Number of employees
HK$2,000,001 to HK$2,500,000	1	3
HK$2,500,001 to HK$3,000,000	2	–
	3	3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(d) Transactions, arrangements or contracts in which directors of the Company have material interests

The Company and Yue Yuen entered into a framework agreement on August 29, 2014 together with a supplementary agreement on August 13, 2015, and a framework agreement on November 11, 2016, pursuant to which, the Company may, through its subsidiaries, purchase from Yue Yuen's subsidiaries, and/or any factories operated and/or appointed by members of the Yue Yuen's subsidiaries footwear products, for the period from April 7, 2014 to December 31, 2016 and for two years from January 1, 2017 to December 31, 2018, respectively, subject to the various annual caps. Details of relevant transactions are set out in Note 35(a).

During certain period in the year ended December 31, 2015, Mr. Tsai David, Nai Fung (retired on August 12, 2016) and Ms. Tsai Patty, Pei Chun were beneficiaries of trusts which hold shares in Yue Yuen. Mr. Kwan, Heh-Der (resigned on January 6, 2017) was interested in share awards of 45,000 shares in Yue Yuen which were vested and sold during the year.

11. DIVIDENDS

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Dividends recognised as distribution during the year:				
2016 Interim dividend of HK$0.02 per share (2015: nil)	90,069	–	12,948	–

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2016 of HK$0.02 (2015: nil) has been proposed by the directors and will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Friday, June 2, 2017.

The proposed final 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 owners of the Company is based on the following data:

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Earnings:				
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	560,579	396,592	84,373	63,050

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,231,652,944	5,326,078,624
Effect of dilutive potential ordinary shares:		
– Share options	16,380,940	–
– Unvested awarded shares	33,690,061	20,965,261
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,281,723,945	5,347,043,885

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 of the Company (see Note 33(b)).

The computation of diluted earnings per share for the year ended December 31, 2015 did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

13. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

(a) Property, plant and equipment

	Leasehold land and buildings RMB'000	Office and shopping mall buildings RMB'000	Factory buildings and warehouses RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST									
At January 1, 2015	58,523	84,037	348,520	35,969	923,600	166,872	20,382	–	1,637,903
Acquisition of business (Note 31) (restated)	–	–	–	–	998	1,799	119	–	2,916
Additions (restated)	–	10,407	–	208	242,231	46,157	3,560	–	302,563
Disposals	–	–	(3,378)	–	(88,541)	(37,010)	(1,251)	–	(130,180)
Exchange realignment (restated)	–	–	–	–	940	778	11	–	1,729
At December 31, 2015 (restated)	58,523	94,444	345,142	36,177	1,079,228	178,596	22,821	–	1,814,931
Additions	–	–	–	302	375,735	82,807	3,299	2,073	464,216
Disposals	–	–	(8,017)	(26)	(195,580)	(43,791)	(1,542)	–	(248,956)
Transfer to assets classified as held for sale (Note 26)	–	–	–	–	(51,332)	(13,851)	(865)	–	(66,048)
Exchange realignment	–	–	–	–	701	639	9	–	1,349
At December 31, 2016	58,523	94,444	337,125	36,453	1,208,752	204,400	23,722	2,073	1,965,492
DEPRECIATION AND IMPAIRMENT									
At January 1, 2015	12,258	12,306	132,086	34,425	724,776	123,041	12,135	–	1,051,027
Provided for the year (restated)	1,289	2,069	11,477	113	122,807	23,388	2,189	–	163,332
Eliminated on disposals	–	–	(2,361)	–	(73,020)	(31,683)	(717)	–	(107,781)
Exchange realignment (restated)	–	–	–	–	605	312	9	–	926
At December 31, 2015 (restated)	13,547	14,375	141,202	34,538	775,168	115,058	13,616	–	1,107,504
Provided for the year	1,196	2,231	9,097	116	164,103	27,211	3,326	–	207,280
Impairment loss recognised in profit or loss upon transfer to assets classified as held for sale (Note 26)	–	–	–	–	1,770	655	87	–	2,512
Transfer to assets classified as held for sale (Note 26)	–	–	–	–	(48,451)	(12,783)	(723)	–	(61,957)
Eliminated on disposals	–	–	(8,017)	(26)	(166,389)	(17,323)	(1,542)	–	(193,297)
Exchange realignment	–	–	–	–	472	239	7	–	718
At December 31, 2016	14,743	16,606	142,282	34,628	726,673	113,057	14,771	–	1,062,760
CARRYING VALUE									
At December 31, 2016	43,780	77,838	194,843	1,825	482,079	91,343	8,951	2,073	902,732
At December 31, 2015 (restated)	44,976	80,069	203,940	1,639	304,060	63,538	9,205	–	707,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(a) Property, plant and equipment (Continued)

(FOR INFORMATION PURPOSE ONLY)

	Leasehold land and buildings US$'000	Office and shopping mall buildings US$'000	Factory buildings and warehouses US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST									
At January 1, 2015	9,596	13,497	56,262	5,479	147,230	27,513	3,279	–	262,856
Acquisition of business (Note 31) (restated)	–	–	–	–	165	286	19	–	470
Additions (restated)	–	1,649	–	33	37,846	7,562	566	–	47,656
Disposals	–	–	(521)	–	(14,319)	(5,392)	(199)	–	(20,431)
Exchange realignment (restated)	(699)	(784)	(3,256)	(11)	(6,808)	(2,810)	(194)	–	(14,562)
At December 31, 2015 (restated)	8,897	14,362	52,485	5,501	164,114	27,159	3,471	–	275,989
Additions	–	–	–	45	56,552	12,463	497	312	69,869
Disposals	–	–	(1,207)	(4)	(29,437)	(6,591)	(232)	–	(37,471)
Transfer to assets classified as held for sale (Note 26)	–	–	–	–	(7,380)	(1,991)	(124)	–	(9,495)
Exchange realignment	(483)	(786)	(2,813)	(300)	(10,078)	(1,655)	(202)	(14)	(16,331)
At December 31, 2016	8,414	13,576	48,465	5,242	173,771	29,385	3,410	298	282,561
DEPRECIATION AND IMPAIRMENT									
At January 1, 2015	1,976	1,957	21,443	5,235	115,955	19,923	1,953	–	168,442
Provided for the year (restated)	205	329	1,825	18	19,529	3,719	348	–	25,973
Eliminated on disposals	–	–	(521)	–	(11,611)	(5,038)	(134)	–	(17,304)
Exchange realignment (restated)	(121)	(100)	(1,275)	(1)	(5,995)	(1,109)	(96)	–	(8,697)
At December 31, 2015 (restated)	2,060	2,186	21,472	5,252	117,878	17,495	2,071	–	168,414
Provided for the year	180	336	1,369	17	24,699	4,096	501	–	31,198
Impairment loss recognised in profit or loss upon transfer to assets classified as held for sale (Note 26)	–	–	–	–	266	99	13	–	378
Transfer to assets classified as held for sale (Note 26)	–	–	–	–	(6,965)	(1,838)	(104)	–	(8,907)
Eliminated on disposals	–	–	(1,207)	(4)	(25,043)	(2,607)	(232)	–	(29,093)
Exchange realignment	(121)	(135)	(1,179)	(287)	(6,368)	(992)	(125)	–	(9,207)
At December 31, 2016	2,119	2,387	20,455	4,978	104,467	16,253	2,124	–	152,783
CARRYING VALUE									
At December 31, 2016	6,295	11,189	28,010	264	69,304	13,132	1,286	298	129,778
At December 31, 2015 (restated)	6,837	12,176	31,013	249	46,236	9,664	1,400	–	107,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(a) Property, plant and equipment (Continued)

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

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

The shopping mall buildings are held mainly for the Group's Retail Business.

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

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

(b) Prepaid lease payments

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
The carrying amount of the Group's prepaid lease payments are analysed as follows:				
Non-current assets	143,621	140,327	20,647	21,339
Current assets (included in trade and other receivables)	4,194	4,044	603	615
	147,815	144,371	21,250	21,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

14. INTANGIBLE ASSETS

	Customer relationship RMB'000	Brand names RMB'000	Licensing agreements RMB'000	Non-compete agreements RMB'000	Total RMB'000
COST					
At January 1, 2015	53,404	467,340	99,584	444,843	1,065,171
Exchange realignment	–	–	99	–	99
At December 31, 2015	53,404	467,340	99,683	444,843	1,065,270
Exchange realignment	–	–	431	–	431
At December 31, 2016	53,404	467,340	100,114	444,843	1,065,701
AMORTISATION AND IMPAIRMENT					
At January 1, 2015	30,810	59,559	22,285	247,593	360,247
Provided for the year	6,179	–	10,060	31,373	47,612
Exchange realignment	–	–	10	–	10
At December 31, 2015	36,989	59,559	32,355	278,966	407,869
Provided for the year	6,179	–	10,079	26,791	43,049
Exchange realignment	–	–	105	–	105
At December 31, 2016	43,168	59,559	42,539	305,757	451,023
CARRYING VALUE					
At December 31, 2016	10,236	407,781	57,575	139,086	614,678
At December 31, 2015	16,415	407,781	67,328	165,877	657,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

14. INTANGIBLE ASSETS (Continued)

(FOR INFORMATION PURPOSE ONLY)

	Customer relationship US$'000	Brand names US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At January 1, 2015	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
Exchange realignment	(444)	(3,881)	(765)	(3,695)	(8,785)
At December 31, 2016	7,677	67,185	14,393	63,951	153,206
AMORTISATION AND IMPAIRMENT					
At January 1, 2015	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
Provided for the year	930	–	1,517	4,032	6,479
Exchange realignment	(349)	(494)	(322)	(2,498)	(3,663)
At December 31, 2016	6,206	8,562	6,115	43,956	64,839
CARRYING VALUE					
At December 31, 2016	1,471	58,623	8,278	19,995	88,367
At December 31, 2015	2,496	62,010	10,238	25,224	99,968

14. INTANGIBLE ASSETS (Continued)

All of the intangible assets 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
Brand names	The Relief from Royalty method under the Income Approach
Licensing agreements	The Excess Earnings method under the Income Approach or the Relief from Royalty method under the Income Approach
Non-compete agreements	The "With and Without" method under the Income Approach

The management of the Group considers customer relationship, licensing agreements and non-compete agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer relationship	8 years
Licensing agreements	10 years
Non-compete agreements	5 to 20 years

The brand names 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 assessment are set out in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

15. GOODWILL

	RMB'000	US$'000 (FOR INFORMATION PURPOSE ONLY)
COST		
At January 1, 2015	536,210	82,977
Arising on acquisition of business (Note 31) (restated)	9,523	1,546
Exchange realignment (restated)	15	–
At December 31, 2015 (restated)	545,748	84,523
Transfer to assets classified as held for sale (Note 26)	(14,047)	(2,101)
Exchange realignment	749	(5,877)
At December 31, 2016	532,450	76,545
ACCUMULATED IMPAIRMENT		
At January 1, 2015 and December 31, 2015	–	–
Impairment loss for the year (Note 26)	14,047	2,114
Transfer to assets classified as held for sale (Note 26)	(14,047)	(2,101)
Exchange realignment	–	(13)
At December 31, 2016	–	–
CARRYING VALUE		
At December 31, 2016	532,450	76,545
At December 31, 2015 (restated)	545,748	84,523

Particulars regarding impairment assessment on goodwill are detailed in Note 16.

16. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment assessment, brand names with indefinite useful lives of the Group as set out in Note 14 are allocated to the CGUs of Retail Business that are expected to benefit from the brand names to generate future economic benefits. The carrying amount of the brand names at the end of the reporting period allocated to these units are as follows:

	Brand names			
	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Retail Business:				
– Chains of stores mainly in Northern China, the PRC ("Unit A")	157,086	157,086	22,583	23,888
– Chains of stores mainly in Zhejiang Province, the PRC ("Unit B")	250,695	250,695	36,040	38,122
	407,781	407,781	58,623	62,010

For the purpose of impairment assessment, goodwill of the Group as set out in Note 15 is allocated to Retail Business as a group of CGUs.

The basis of recoverable amount of each of Units A, B and the group of CGUs in the Retail Business has been determined based on the higher of its value in use calculation and fair value less cost of disposal (which can be referenced to disposal proceeds from anticipated disposal of the entity forming the CGUs), and assessed by the management as at December 31, 2015 and 2016.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 13% (2015: 14%), determined by independent valuers using the Capital Assets Pricing Model, for each of the CGU of Units A, B and the group of CGUs in the Retail Business. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2015: 3%) for all of the above CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

16. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

None of (i) goodwill allocated to Retail Business as a group of CGUs, nor (ii) brand names allocated to Units A and B had suffered any impairment during the years ended December 31, 2015 or 2016, except for an impairment loss of RMB14,047,000 (approximately US$2,114,000) was recognised on goodwill that is allocated to the group of CGUs in the Retail Business and related to the disposal group classified as held for sale as set out in Note 26 for the year ended December 31, 2016, which is determined by reference to the expected disposal proceeds from the buyer from its anticipated disposal.

17. INTEREST IN AN ASSOCIATE

	2015 RMB'000	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Cost of unlisted investment in an associate	29,400	3,917
Share of post-acquisition results, net of dividends received	(9,689)	(1,571)
Share of post-acquisition reserves	–	605
Impairment losses	(9,300)	(1,500)
	10,411	1,451

As at December 31, 2015, the Group's associate was 浙江寶宏體育用品有限公司 Zhejiang Baohong Sports Goods Company Limited ("Zhejiang Baohong").

17. INTEREST IN AN ASSOCIATE (Continued)

Particulars of Zhejiang Baohong at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company 2016	2015	Proportion of voting rights held by the Group 2016	2015	Principal activities
Zhejiang Baohong	Sino-foreign enterprise	PRC	Ordinary	(note)	49%	(note)	49%	Retailing of sportswear

note: In August 2016, the Group disposed of the entire interest in Zhejiang Baohong to the previous joint venture partner at a consideration of RMB13,234,000 (approximately US$1,992,000) and recognised a gain on disposal of RMB10,048,000 (approximately US$1,512,000), calculated as the difference between the net disposal proceeds and the carrying amount of the associate.

Summarised financial information of Zhejiang Baohong, which is not individually material, is set out below. The summarised financial information below represents amount shown in Zhejiang Baohong's financial statements prepared in accordance with HKFRSs.

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
The Group's share of:				
Loss for the year	(7,225)	(2,222)	(1,087)	(353)
Other comprehensive income (expense)	–	–	116	(218)
Total comprehensive expense	(7,225)	(2,222)	(971)	(571)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

18. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
Cost of unlisted investments in joint ventures (note i)	100,927	116,927	14,462	16,594
Share of post-acquisition profits, net of dividends received	(27,190)	(27,920)	(5,800)	(6,368)
Share of post-acquisition reserves	–	–	2,284	3,309
Impairment losses	(21,946)	(21,946)	(3,500)	(3,500)
	51,791	67,061	7,446	10,035
Loans to joint ventures (note ii)	17,500	47,500	2,516	7,223

In November 2015, the Group disposed of the entire interest in a joint venture to the previous joint venture partner for proceeds of RMB600,000 (approximately US$95,000) and recognised a gain on disposal of RMB600,000 (approximately US$95,000), calculated as the difference between the net disposal proceeds and the carrying amount of the joint venture.

notes:

(i) Included in cost of investments in joint ventures as at January 1, 2015, December 31, 2015 and 2016 was goodwill of RMB13,932,000 (approximately US$2,119,000) arising from the acquisition of a joint venture in prior years.

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

notes: (Continued)

(ii) The loans to joint ventures are secured by the equity interests in the relevant joint ventures held by the other joint venture partners, interest bearing at the prevailing lending rate of People's Bank of China ("PBOC") and have no fixed terms of repayment. Before offering any new loans to joint ventures, the Group assesses the joint ventures' credit qualities and the intended usages of the loans by the joint ventures. The recoverability of the loans is reviewed throughout the tenure of the loans.

Included in the carrying amount of loans to joint ventures as at December 31, 2016 were impairment losses of RMB30,000,000 (approximately US$4,515,000) (2015: RMB53,600,000 (approximately US$8,523,000)) made during the year where there is objective evidence as observed by the directors that, as a result of (i) the Group's past experience of collecting payments, (ii) significant financial difficulty of the joint ventures and/or (iii) it becoming probable that the joint venture will enter winding up respectively, estimated future cash flows have been affected and the recoverability of cash flows have been reduced. Other than the above, no provision for impairment loss for other outstanding balance as at the end of the reporting period was considered necessary since there has been no past default history in respect of other joint ventures and the directors considers these counterparties are of good credit qualities based on their regular assessments. The loans are not expected to be repaid within one year and are classified as non-current.

The Group's material joint venture at the end of the reporting period is Sky Grace Investments Limited ("Sky Grace"). All of the Group's joint ventures are accounted for using equity method in these consolidated financial statements. Details of the Group's material joint venture at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation or establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company		Proportion of voting rights held by the Group		Principal activity
				2016	2015	2016	2015	
Sky Grace	Limited liability	Hong Kong	Ordinary	50%	50%	50%	50%	Investment holding

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

	2016			2015		
	Sky Grace RMB'000	Others RMB'000	Total RMB'000	Sky Grace RMB'000	Others RMB'000	Total RMB'000
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	226,053	389,837	615,890	230,931	809,720	1,040,651
Profit (loss) for the year	234	(29,642)	(29,408)	(4,473)	(7,188)	(11,661)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income (expense) for the year	234	(29,642)	(29,408)	(4,473)	(7,188)	(11,661)
Profit (loss) for the year, attributable to the Group	117	(4,808)	(4,691)	(2,237)	(3,920)	(6,157)
Other comprehensive income for the year, attributable to the Group	-	-	-	-	-	-
Total comprehensive income (expense) for the year, attributable to the Group	117	(4,808)	(4,691)	(2,237)	(3,920)	(6,157)
Dividends received from joint ventures during the year	-	-	-	-	-	-
The above financial information include the following:						
Depreciation and amortisation	(2,953)	(5,161)	(8,114)	(2,736)	(10,247)	(12,983)
Interest income	88	39	127	164	548	712
Interest expense	(261)	(3,878)	(4,139)	(517)	(6,127)	(6,644)
Income tax credit (expense)	-	55	55	-	(32)	(32)

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

(FOR INFORMATION PURPOSE ONLY)

	2016			2015		
	Sky Grace US$'000	Others US$'000	Total US$'000	Sky Grace US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	34,023	58,674	92,697	36,720	128,754	165,474
Profit (loss) for the year	35	(4,461)	(4,426)	(711)	(1,143)	(1,854)
Other comprehensive (expense) income for the year	(671)	791	120	(544)	(77)	(621)
Total comprehensive expense for the year	(636)	(3,670)	(4,306)	(1,255)	(1,220)	(2,475)
Profit (loss) for the year, attributable to the Group	18	(724)	(706)	(356)	(623)	(979)
Other comprehensive (expense) income for the year, attributable to the Group	(335)	60	(275)	(272)	(396)	(668)
Total comprehensive expense for the year, attributable to the Group	(317)	(664)	(981)	(628)	(1,019)	(1,647)
Dividends received from joint ventures during the year	-	-	-	-	-	-
The above financial information include the following:						
Depreciation and amortisation	(444)	(777)	(1,221)	(435)	(1,629)	(2,064)
Interest income	13	6	19	26	87	113
Interest expense	(39)	(584)	(623)	(82)	(974)	(1,056)
Income tax credit (expense)	-	8	8	-	(5)	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016			2015		
	Sky Grace RMB'000	Others RMB'000	Total RMB'000	Sky Grace RMB'000	Others RMB'000	Total RMB'000
Financial information of consolidated statement of financial position						
Non-current assets	3,950	7,560	11,510	3,701	8,993	12,694
Current assets	116,312	338,870	455,182	124,394	524,963	649,357
Current liabilities	(59,424)	(343,174)	(402,598)	(67,491)	(395,901)	(463,392)
Non-current liabilities	–	(40,000)	(40,000)	–	(123,999)	(123,999)
Net assets (liabilities) of the joint ventures	60,838	(36,744)	24,094	60,604	14,056	74,660
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	6,189	5,628	11,817	4,595	24,871	29,466
Current financial liabilities (excluding trade and other payables and provisions)	–	(125,235)	(125,235)	(11,844)	(73,672)	(85,516)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(40,000)	(40,000)	–	(123,999)	(123,999)
Reconciliation to the carrying amounts of interest in the joint ventures:						
Net assets (liabilities) attributable to the equity holders of the joint ventures	60,838	(36,744)	24,094	60,604	14,056	74,660
Proportion of the Group's ownership interests in the joint ventures	50%	50%	50%	50%	50%	50%
Net assets of interests in joint ventures attributable to the Group	30,419	29,386	59,805	30,302	44,773	75,075
Goodwill	13,932	–	13,932	13,932	–	13,932
Impairment losses of interests in joint ventures	(3,946)	(18,000)	(21,946)	(3,946)	(18,000)	(21,946)
Carrying amount of the Group's interests in the joint ventures	40,405	11,386	51,791	40,288	26,773	67,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

(FOR INFORMATION PURPOSE ONLY)

	2016			2015		
	Sky Grace US$'000	Others US$'000	Total US$'000	Sky Grace US$'000	Others US$'000	Total US$'000
Financial information of consolidated statement of financial position						
Non-current assets	568	1,087	1,655	563	1,367	1,930
Current assets	16,721	48,716	65,437	18,916	79,829	98,745
Current liabilities	(8,709)	(48,803)	(57,512)	(10,263)	(60,203)	(70,466)
Non-current liabilities	–	(5,750)	(5,750)	–	(18,856)	(18,856)
Net assets (liabilities) of the joint ventures	8,580	(4,750)	3,830	9,216	2,137	11,353
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	890	809	1,699	699	3,782	4,481
Current financial liabilities (excluding trade and other payables and provisions)	–	(18,003)	(18,003)	(1,801)	(11,203)	(13,004)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(5,750)	(5,750)	–	(18,856)	(18,856)
Reconciliation to the carrying amounts of interest in the joint ventures:						
Net assets (liabilities) attributable to the equity holders of the joint ventures	8,580	(4,750)	3,830	9,216	2,137	11,353
Proportion of the Group's ownership interests in the joint ventures	50%	50%	50%	50%	50%	50%
Net assets of interests in joint ventures attributable to the Group	4,290	4,537	8,827	4,608	6,808	11,416
Goodwill	2,119	–	2,119	2,119	–	2,119
Impairment losses of interests in joint ventures	(600)	(2,900)	(3,500)	(600)	(2,900)	(3,500)
Carrying amount of the Group's interests in the joint ventures	5,809	1,637	7,446	6,127	3,908	10,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
The unrecognised share of loss of joint ventures for the year	10,013	2,107	1,172	335
Cumulative unrecognised share of loss of joint ventures	47,758	37,745	6,912	5,740

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

19. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

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

Principal activities	Country/ place of incorporation	Principal country/ place of business	Number of subsidiaries 2016	Number of subsidiaries 2015 (restated)
Retailing of sportswear	PRC	PRC	50	38
	Hong Kong	Hong Kong	1	1
	Taiwan	Taiwan	–	1
Property leasing and management	PRC	PRC	6	6
Distribution of licenced products	PRC	PRC	1	1
	Taiwan	Taiwan	2	2
Manufacturing of sportswear	PRC	PRC	2	3
Marketing of sports apparel	Taiwan	Taiwan	1	1
Investment holding	PRC	PRC	2	3
	Hong Kong	Hong Kong	7	8
	BVI	Hong Kong	14	14
	BVI	Taiwan	1	1
			87	79

Particulars of the Company's principal subsidiaries as at December 31, 2016 are set out in Note 38.

19. INTERESTS IN SUBSIDIARIES (Continued)

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

The Company's non-wholly-owned subsidiaries that have material non-controlling interests at the end of the reporting period include Profit Concept (as defined in Note 38), which was reclassified to disposal group classified as held for sale as set out in Note 26, and Qingdao Pou Sheng (as defined in Note 38). The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Country of establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
								(FOR INFORMATION PURPOSE ONLY)			
Profit Concept	PRC	49%	49%	(5,891)	(22,540)	29,213	35,104	(887)	(3,584)	4,200	5,022
Qingdao Pou Sheng	PRC	28%	28%	21,638	17,556	26,838	31,769	3,257	2,792	3,858	4,823
Individually immaterial subsidiaries with non-controlling interests				(6,715)	(8,473)	(26,071)	(21,517)	(1,011)	(1,348)	(3,749)	(2,948)
Total				9,032	(13,457)	29,980	45,356	1,359	(2,140)	4,309	6,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

19. INTERESTS IN SUBSIDIARIES (Continued)

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

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

	2016		2015		2016		2015	
	Profit Concept RMB'000	Qingdao Pou Sheng RMB'000	Profit Concept RMB'000	Qingdao Pou Sheng RMB'000	Profit Concept US$'000	Qingdao Pou Sheng US$'000	Profit Concept US$'000	Qingdao Pou Sheng US$'000
					(FOR INFORMATION PURPOSE ONLY)			
Financial information of consolidated income statement and consolidated statement of comprehensive income								
Revenue	597,555	918,702	563,175	724,166	89,938	138,273	89,551	115,150
Expenses and income tax	(609,578)	(841,424)	(609,174)	(661,466)	(91,748)	(126,642)	(96,865)	(105,180)
(Loss) profit for the year	(12,023)	77,278	(45,999)	62,700	(1,810)	11,631	(7,314)	9,970
(Loss) profit for the year, attributable to								
- owners of the Company	(6,132)	55,640	(23,459)	45,144	(923)	8,374	(3,730)	7,178
- non-controlling interests	(5,891)	21,638	(22,540)	17,556	(887)	3,257	(3,584)	2,792
	(12,023)	77,278	(45,999)	62,700	(1,810)	11,631	(7,314)	9,970
Other comprehensive income (expense), attributable to								
- owners of the Company	-	-	-	-	67	(1,031)	(273)	(1,360)
- non-controlling interests	-	-	-	-	65	(402)	(262)	(529)
	-	-	-	-	132	(1,433)	(535)	(1,889)
Total comprehensive (expense) income, attributable to								
- owners of the Company	(6,132)	55,640	(23,459)	45,144	(856)	7,343	(4,003)	5,818
- non-controlling interests	(5,891)	21,638	(22,540)	17,556	(822)	2,855	(3,846)	2,263
	(12,023)	77,278	(45,999)	62,700	(1,678)	10,198	(7,849)	8,081
Dividends paid to non-controlling interests	-	26,569	-	32,178	-	3,820	-	4,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

19. INTERESTS IN SUBSIDIARIES (Continued)

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

	2016		2015		2016		2015	
	Profit Concept RMB'000	Qingdao Pou Sheng RMB'000	Profit Concept RMB'000	Qingdao Pou Sheng RMB'000	Profit Concept US$'000	Qingdao Pou Sheng US$'000	Profit Concept US$'000	Qingdao Pou Sheng US$'000
					(FOR INFORMATION PURPOSE ONLY)			
Financial information of consolidated statement of financial position								
Non-current assets	20,254	27,741	33,887	15,480	2,913	3,987	5,153	2,354
Current assets	279,760	385,266	242,921	254,791	40,219	55,386	36,940	38,745
Current liabilities	(240,396)	(317,159)	(205,167)	(156,812)	(34,560)	(45,595)	(31,843)	(23,876)
	59,618	95,848	71,641	113,459	8,572	13,778	10,250	17,223
Equity attributable to								
– owners of the Company	30,405	69,010	36,537	81,690	4,372	9,920	5,228	12,400
– non-controlling interests	29,213	26,838	35,104	31,769	4,200	3,858	5,022	4,823
	59,618	95,848	71,641	113,459	8,572	13,778	10,250	17,223
Financial information of consolidated statement of cash flows								
Net cash (outflow) inflow from operating activities	(54,234)	121,346	48,939	123,571	(8,179)	18,308	7,175	19,759
Net cash inflow (outflow) from investing activities	131	(115,381)	(7,035)	(123,209)	23	(17,019)	(1,067)	(19,047)
Net cash outflow from financing activities	–	(5,878)	–	(639)	–	(855)	–	(102)
Effect of foreign exchange rate changes	–	–	–	–	495	(392)	(478)	(656)
Net cash (outflow) inflow	(54,103)	87	41,904	(277)	(7,661)	42	5,630	(46)

20. LONG-TERM LOAN RECEIVABLE

As at January 1, 2015, the balance represented loan receivable due from a third party which carried fixed interest at 3% per annum and classified as current asset in the consolidated statement of financial position according to its maturity as at December 31, 2015. The collaterals for the secured loan were 39,634,662 shares of HK$0.01 each of the Company, which were issued for the acquisition of a business in prior years. The Group was not permitted to sell or repledge the collaterals in the absence of default by the borrower.

During the year ended December 31, 2016, the loan receivable was fully settled and the collaterals were released.

21. AVAILABLE-FOR-SALE INVESTMENTS

The amounts represent unlisted equity securities issued by private entities incorporated overseas and are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair value could not be measured reliably.

For the entity which experienced significant financial difficulties, the carrying amount was fully impaired in prior years.

22. DEFERRED TAXATION

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

	Tax losses RMB'000	Undistributed earnings of PRC and overseas entities RMB'000	Fair value adjustments of intangible assets on business combination RMB'000	Total RMB'000
At January 1, 2015	(5,151)	19,274	175,834	189,957
Charge (credit) to profit or loss (Note 8)	4,723	–	(11,861)	(7,138)
Exchange realignment	–	46	17	63
At December 31, 2015	(428)	19,320	163,990	182,882
Charge (credit) to profit or loss (Note 8)	428	–	(10,717)	(10,289)
Exchange realignment	–	1	55	56
At December 31, 2016	–	19,321	153,328	172,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

22. DEFERRED TAXATION (Continued)

(FOR INFORMATION PURPOSE ONLY)

	Tax losses US$'000	Undistributed earnings of PRC and overseas entities US$'000	Fair value adjustments of intangible assets on business combination US$'000	Total US$'000
At January 1, 2015	(1,003)	3,101	28,287	30,385
Charge (credit) to profit or loss (Note 8)	751	–	(1,886)	(1,135)
Exchange realignment	187	(163)	(1,464)	(1,440)
At December 31, 2015	(65)	2,938	24,937	27,810
Charge (credit) to profit or loss (Note 8)	64	–	(1,613)	(1,549)
Exchange realignment	1	(161)	(1,281)	(1,441)
At December 31, 2016	–	2,777	22,043	24,820

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Deferred tax assets	–	(428)	–	(65)
Deferred tax liabilities	172,649	183,310	24,820	27,875
	172,649	182,882	24,820	27,810

As at December 31, 2016, the Group had unused tax losses of approximately RMB797.4 million or US$114.6 million (2015: approximately RMB1,076.2 million, as restated, or US$163.7 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses of approximately RMB797.4 million or US$114.6 million due to the unpredictability of future profit streams. As at December 31, 2015, a deferred tax asset has been recognised in respect of such tax losses of approximately RMB1.7 million or US$0.3 million and no deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately RMB1,074.5 million, as restated, or US$163.4 million due to the unpredictability of future profit streams.

22. DEFERRED TAXATION (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to approximately RMB2,772 million or US$398.5 million (2015: approximately RMB2,282 million or US$347.0 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in these accumulated profits of PRC subsidiaries are profits arising from PRC associates and joint ventures that are equity accounted for in the Group's consolidated financial statements amounting to approximately RMB0.9 million or US$0.1 million (2015: approximately RMB2.0 million or US$0.3 million). The Group is able to control the timing of the reversal of such temporary differences as these investments are made through PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the relevant laws of Taiwan, withholding tax is also imposed on dividend declared in respect of profits earned by the Taiwan subsidiaries. The aggregate amount of temporary differences associated with undistributed earnings of those subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB4.0 million or US$0.6 million as at December 31, 2015.

23. INVENTORIES

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Raw materials	1,553	1,645	223	250
Work in progress	2,143	1,775	308	270
Finished goods	4,396,953	3,906,942	632,110	594,113
	4,400,649	3,910,362	632,641	594,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

24. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Trade receivables (note i)	1,292,686	1,161,869	185,838	176,681
Deposits, prepayments and other receivables	1,119,660	942,888	160,959	143,380
	2,412,346	2,104,757	346,797	320,061
Deposits, prepayments and other receivables represent:				
Rental deposits and prepaid rentals	166,995	161,357	24,007	24,537
Prepayments paid to suppliers	381,054	227,005	54,781	34,520
Value-added tax recoverable	207,947	242,083	29,895	36,813
Amounts due from related parties (note ii)	50,152	60,958	7,210	9,270
Other prepaid expenses	120,073	92,081	17,262	14,002
Prepaid lease payments – current (Note 13(b))	4,194	4,044	603	615
Long-term loan receivable – due within one year (Note 20)	–	50,000	–	7,603
Other deposits and receivables	189,245	105,360	27,201	16,020
	1,119,660	942,888	160,959	143,380

24. TRADE AND OTHER RECEIVABLES (Continued)

notes:

(i) Included in trade receivables are trade balances with joint ventures of RMB3,135,000 (approximately US$451,000) (2015: RMB4,590,000 (approximately US$698,000)). Details of the relevant transactions are set out in Note 35.

(ii) The amounts represent amounts due from an associate and certain joint ventures of RMB30,149,000 (approximately US$4,334,000) (2015: RMB40,668,000 (approximately US$6,184,000)), a non-controlling interest of a subsidiary of RMB20,000,000 (approximately US$2,875,000) (2015: RMB20,000,000 (approximately US$3,041,000)) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB3,000 (approximately US$1,000) (2015: RMB290,000, as restated, (approximately US$45,000)), and are unsecured and expected to be recovered within one year. Except for the amounts of (a) RMB24,435,000 (approximately US$3,513,000) (2015: RMB28,466,000 (approximately US$4,329,000)) due from a joint venture which carries variable interest rate ranging from 5% to 6.72% (2015: ranging from 5% to 6.72%) per annum and (b) RMB20,000,000 (approximately US$2,875,000) (2015: RMB20,000,000 (approximately US$3,041,000)) due from a non-controlling interest of a subsidiary which carries fixed interest rate of 6.09% (2015: 6.09%) per annum, the remaining balance is interest-free.

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

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
0–30 days	1,028,966	881,879	147,925	134,104
31–90 days	207,358	211,679	29,810	32,189
Over 90 days	56,362	68,311	8,103	10,388
	1,292,686	1,161,869	185,838	176,681

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB82,302,000 (approximately US$11,832,000) (2015: RMB119,312,000 (approximately US$18,143,000)) which were past due at the end of the reporting period and for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
31-90 days	48,928	74,934	7,034	11,395
Over 90 days	33,374	44,378	4,798	6,748
	82,302	119,312	11,832	18,143

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

Movements in the allowance for doubtful debt are as follows:

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Balance at beginning of the year	107,890	46,938	16,406	7,551
Impairment loss recognised on trade receivables (Note 7(a))	18,872	74,242	2,840	11,805
Amount written off as uncollectible	(21,018)	(13,290)	(4,044)	(2,950)
Balance at the end of the year	105,744	107,890	15,202	16,406

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

(a) Pledged bank deposits

As at December 31, 2015, the pledged bank deposits with maturity of less than one year were placed with a bank for certain banking facilities granted to a subsidiary of the Company and carried interest at fixed interest rate of 2% per annum. The pledged bank deposits had been released upon the settlement of the relevant banking facilities during the year ended December 31, 2016.

(b) Bank balances and cash

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

During the year ended December 31, 2016, the bank deposits carried variable interest rates ranging from 0.01% to 12.00% (2015: 0.01% to 5.00%) per annum.

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

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
USD	89,602	64,578	12,881	9,820
Hong Kong dollars	2,532	5,516	364	839
RMB	387	1,574	56	239
	92,521	71,668	13,301	10,898

(c) Bank overdrafts

During the year ended December 31, 2016, the bank overdrafts were unsecured and carried interest at market rates ranging from 4.13% to 4.57% (2015: 4.35% to 5.88%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Amount comprises:				
Interest in a joint venture (note i)	10,000	–	1,438	–
Assets related to the Disposal Group (note ii)	289,133	–	41,566	–
Total assets classified as held for sale	299,133	–	43,004	–
Liabilities associated with the Disposal Group (note ii)	230,309	–	33,109	–

notes:

(i) On January 25, 2016, the Group entered into a disposal framework agreement with the joint venture partners of a joint venture, pursuant to which the Group agreed to dispose of its investment in the relevant joint venture for a consideration of RMB10,000,000 (approximately US$1,438,000) (the "JV Disposal"). Therefore, the interest in the joint venture, which is expected to be sold within twelve months from the end of the reporting period, has been classified as an asset held for sale and is presented separately in the consolidated statement of financial position.

A deposit of RMB5,500,000 (approximately US$791,000) in relation to the JV Disposal has been received by the Group in the current year and the amount is included in trade and other payables in the consolidated statement of financial position. The net proceeds of the JV Disposal are less than the carrying amount of the relevant asset, and accordingly, impairment loss of RMB579,000 (approximately US$87,000) has been recognised.

At the date of this report, the transaction has not yet been completed.

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

notes: (Continued)

(ii) On December 15, 2016, the Group entered into a disposal agreement with Excel Effect Investments Limited, the non-controlling interest of Profit Concept (as defined in Note 38), pursuant to which the Group agreed to dispose of its entire interests in Profit Concept and its subsidiaries (collectively referred to as the "Disposal Group"), which are principally engaged in retailing of sportswear, for a consideration of RMB30,000,000 (approximately US$4,313,000). Therefore, the assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months from the end of the reporting period, have been classified as assets held for sale and liabilities associated with assets classified as held for sale respectively, and are presented separately in the consolidated statement of financial position.

The net proceeds of the anticipated disposal are less than the carrying amount of the relevant assets, and accordingly, impairment loss on goodwill of RMB14,047,000 (approximately US$2,114,000), rental deposits and prepayments of RMB9,928,000 (approximately US$1,495,000) and property, plant and equipment of RMB2,512,000 (approximately US$378,000) have been recognised, immediately before the initial classification of the assets classified as held for sale during the year.

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

	RMB'000	US$'000 (FOR INFORMATION PURPOSE ONLY)
Property, plant and equipment	4,091	588
Rental deposits and prepayments	16,164	2,323
Inventories	105,256	15,132
Trade and other receivables	149,705	21,522
Taxation recoverable	4,535	652
Bank balances and cash	9,382	1,349
Total assets classified as held for sale	289,133	41,566
Trade and other payables representing total liabilities associated with assets classified as held for sale	(230,309)	(33,109)

At the date of this report, the transaction has not yet been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

27. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Trade payables (note i)	286,463	637,464	41,182	96,936
Bills payables	203,637	162,428	29,275	24,700
Receipt in advance from customers	457,015	352,202	65,701	53,558
Amounts due to related and connected parties (note ii)	295,900	321,547	42,539	48,896
Accrued staff costs	265,719	229,065	38,201	34,832
Sales discount and rebate payables	16,538	27,350	2,378	4,159
Other tax payables	66,967	20,720	9,626	3,149
Deposit received for sale of assets classified as held for sale (Note 26)	5,500	–	791	–
Other accruals and payables	408,639	319,056	58,745	49,198
	2,006,378	2,069,832	288,438	315,428

notes:

(i) Included in the amount are trade balances with joint ventures of RMB204,000 (approximately US$29,000) (2015: RMB2,367,000 (approximately US$360,000)) and certain entities controlled by Yue Yuen of RMB10,702,000 (approximately US$1,538,000) (2015: RMB12,225,000 (approximately US$1,859,000)). Details of the relevant transactions are set out in Note 35.

(ii) The amounts represent amounts due to non-controlling interests of subsidiaries of RMB2,800,000 (approximately US$403,000) (2015: RMB4,773,000 (approximately US$726,000)) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB293,100,000 (approximately US$42,136,000) (2015: RMB316,774,000, as restated, (approximately US$48,170,000)), and are unsecured and repayable on demand. Except for the amount of RMB290,000,000 (approximately US$41,691,000) (2015: RMB290,000,000 (approximately US$44,099,000)) due to an entity controlled by Yue Yuen's substantial shareholders which carries fixed interest rate of 3.4% (2015: 4%) per annum, the remaining balance is interest-free.

27. TRADE AND OTHER PAYABLES (Continued)

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
0–30 days	445,442	786,102	64,037	119,539
31–90 days	6,148	8,412	884	1,279
Over 90 days	38,510	5,378	5,536	818
	490,100	799,892	70,457	121,636

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

28. BANK BORROWINGS

The unsecured bank borrowings, interest-bearing at variable rates, are repayable within one year.

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

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

	2016	2015 (restated)
Effective interest rate:		
Variable rate borrowings	1.45% – 11.90%	1.44% – 5.60%

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

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
USD	150,075	131,884	21,575	20,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2015, December 31, 2015 and 2016	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2015	5,378,908,615	53,789
Exercise of share options	400,000	4
At December 31, 2015	5,379,308,615	53,793
Exercise of share options	11,626,000	116
Repurchase of own shares (note)	(53,186,000)	(532)
At December 31, 2016	5,337,748,615	53,377

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
Shown in the consolidated financial statements	46,523	46,877	6,855	6,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

29. SHARE CAPITAL (Continued)

note:

During the year ended December 31, 2016, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of HK$0.01 each repurchased	Price per share Highest price paid HK$	Price per share Lowest price paid HK$	Aggregate consideration paid HK$'000
January 2016	53,186,000	1.50	1.37	76,313

The aggregate consideration paid of approximately HK$76,313,000 was equivalent to approximately RMB65,233,000 or US$9,953,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
NON CURRENT ASSETS				
Property, plant and equipment	1,864	74	268	11
Investments in subsidiaries, unlisted	1,302,860	1,238,951	187,300	188,402
	1,304,724	1,239,025	187,568	188,413
CURRENT ASSETS				
Other receivables	3,313	5,221	476	794
Amounts due from subsidiaries	4,478,131	3,780,769	679,913	574,926
Bank balances and cash	7,378	10,626	1,061	1,616
	4,488,822	3,796,616	681,450	577,336
TOTAL ASSETS	5,793,546	5,035,641	869,018	765,749
CURRENT LIABILITIES				
Other payables	10,809	9,051	1,554	1,376
Amounts due to subsidiaries	803,787	693,796	115,553	105,503
Bank borrowings	704,982	131,522	101,349	20,000
	1,519,578	834,369	218,456	126,879
NET ASSETS	4,273,968	4,201,272	650,562	638,870
CAPITAL AND RESERVES				
Share capital	46,523	46,877	6,855	6,910
Reserves (note)	4,227,445	4,154,395	643,707	631,960
	4,273,968	4,201,272	650,562	638,870

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

note:

Movement in the Company's reserves:

	Total RMB'000
At January 1, 2015	4,228,336
Loss and total comprehensive expense for the year	(7,915)
Purchase of shares under share award scheme	(69,107)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	2,596
Exercise of share options	485
At December 31, 2015	4,154,395
Profit and total comprehensive income for the year	269,322
Repurchase of own shares	(64,780)
Purchase of shares under share award scheme	(61,864)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	7,332
Exercise of share options	13,109
Dividends recognised as distribution (Note 11)	(90,069)
At December 31, 2016	4,227,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

note:

Movement in the Company's reserves (Continued):

(FOR INFORMATION PURPOSE ONLY)

	Total US$'000
At January 1, 2015	643,595
Loss and total comprehensive expense for the year	(1,259)
Purchase of shares under share award scheme	(10,863)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	413
Exercise of share options	74
At December 31, 2015	631,960
Profit and total comprehensive income for the year	40,536
Repurchase of own shares	(9,884)
Purchase of shares under share award scheme	(9,034)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	1,094
Exercise of share options	1,983
Dividends recognised as distribution (Note 11)	(12,948)
At December 31, 2016	643,707

31. ACQUISITION OF BUSINESS

Acquisition of business during the year ended December 31, 2015 (restated)

Upon the acquisition of PCG Bros Group by Winning Team from Key International Co., Ltd. and the application of merger accounting as detailed in Note 2, the acquisition of a business by PCG Bros Group on May 28, 2015 was deemed as an acquisition by the Group on that date.

On May 28, 2015, the Group acquired a business, which principally engaged in sports marketing and organisation of sports events in Taiwan, from two independent third parties for a cash consideration of NTD80,00,000 (equivalent to approximately RMB15,968,000 or 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 RMB9,523,000 (approximately US$1,546,000).

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

	RMB'000	US$'000 (FOR INFORMATION PURPOSE ONLY)
Consideration for the acquisition:		
Cash consideration	15,968	2,593
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:		
Property, plant and equipment (Note 13(a))	2,916	470
Trade and other receivables	13,251	2,136
Bank balances and cash	3,307	533
Trade and other payables	(11,521)	(1,849)
Bank borrowings	(1,508)	(243)
	6,445	1,047
Goodwill	9,523	1,546
Cash flows arising on acquisition:		
Cash consideration paid for acquisition	(15,968)	(2,593)
Less: bank balances and cash acquired	3,307	533
Net cash outflows	(12,661)	(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 that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

32. OPERATING LEASES

(a) The Group as lessee

The Group made the following lease payments during the year:

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Operating lease rentals and concessionaire fees in respect of:				
Minimum lease payments:				
– street level stores	242,973	178,309	36,570	28,353
– shopping mall stores	266,984	230,759	40,184	36,693
– other properties	69,087	65,759	10,398	10,458
	579,044	474,827	87,152	75,504
Contingent rentals:				
– shopping mall stores	1,556,306	1,373,213	234,239	218,355
	2,135,350	1,848,040	321,391	293,859
Representing:				
– shopping malls/retail outlets/ warehouses (included in selling and distribution expenses)	2,092,281	1,808,096	314,908	287,506
– offices (included in administrative and other expenses)	43,069	39,944	6,483	6,353
	2,135,350	1,848,040	321,391	293,859

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

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Within one year	529,800	358,011	76,164	54,441
In the second to fifth year inclusive	772,305	641,680	111,027	97,578
Over five years	159,128	54,411	22,876	8,274
	1,461,233	1,054,102	210,067	160,293

32. OPERATING LEASES (Continued)

(a) The Group as lessee (Continued)

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

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

(b) The Group as lessor

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

	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000
			(FOR INFORMATION PURPOSE ONLY)	
Within one year	46,817	36,195	6,730	5,504
In the second to fifth year inclusive	65,775	59,711	9,456	9,080
Over five years	10,413	12,823	1,497	1,950
	123,005	108,729	17,683	16,534

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year amounted to RMB104,424,000 (approximately US$15,717,000) (2015: RMB106,685,000 (approximately US$16,964,000)), included in which was contingent rental income arising from contingent terms of lease contracts of RMB68,230,000 (approximately US$10,269,000) (2015: RMB74,649,000 (approximately US$11,870,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a shareholders' resolution passed on May 14, 2008 and amended on March 7, 2012 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on May 13, 2018. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Group's shareholders, (i) the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company 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 the Company in issue at any point in time; and (iii) options in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors or any of their respective associates, in the twelve-month period up to and including the date of such grant.

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(a) Share Option Scheme (Continued)

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

The following tables disclose movements in the Company's share options under the Share Option Scheme during the two years ended December 31, 2016:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at January 1, 2015	Lapsed/ cancelled during the year	Number of options outstanding at December 31, 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year (note)	Number of options outstanding at December 31, 2016
Current and former employees/ consultants	21.01.2010	1.620	21.1.2011 - 20.1.2018	4,500,450	(60,000)	4,440,450	-	(1,079,000)	177,000	3,538,450
	21.01.2010	1.620	21.1.2012 - 20.1.2018	4,500,450	(60,000)	4,440,450		(1,045,000)	177,000	3,572,450
	21.01.2010	1.620	21.1.2013 - 20.1.2018	6,789,900	(105,000)	6,684,900	-	(874,000)	354,000	6,164,900
	21.01.2010	1.620	21.1.2014 - 20.1.2018	7,321,200	-	7,321,200	-	(942,000)	(808,000)	5,571,200
	20.01.2011	1.230	20.1.2012 - 19.1.2019	11,737,500	(150,000)	11,587,500	-	(2,075,000)	-	9,512,500
	20.01.2011	1.230	20.1.2013 - 19.1.2019	7,987,500	(25,000)	7,962,500	-	(1,750,000)	-	6,212,500
	20.01.2011	1.230	20.1.2014 - 19.1.2019	5,500,000	-	5,500,000	-	(1,236,000)	-	4,264,000
	20.01.2011	1.230	20.1.2015 - 19.1.2019	4,800,000	-	4,800,000	-	(1,125,000)	-	3,675,000
	07.03.2012	1.050	07.3.2013 - 06.3.2020	750,000	-	750,000	-	(375,000)	-	375,000
	07.03.2012	1.050	07.3.2014 - 06.3.2020	375,000	-	375,000	-	(375,000)	-	-
	07.03.2012	1.050	07.3.2015 - 06.3.2020	375,000	-	375,000	-	(375,000)	-	-
	07.03.2012	1.050	07.3.2016 - 06.3.2020	375,000	-	375,000	-	(375,000)	-	-
	14.11.2016	2.494	01.9.2017 - 01.9.2019	-	-	-	1,166,320	-	-	1,166,320
	14.11.2016	2.494	01.9.2018 - 01.9.2020	-	-	-	1,166,320	-	-	1,166,320
	14.11.2016	2.494	01.9.2019 - 01.9.2021	-	-	-	1,166,320	-	-	1,166,320
	14.11.2016	2.494	01.9.2020 - 01.9.2022	-	-	-	2,332,640	-	-	2,332,640
	14.11.2016	2.494	01.9.2021 - 01.9.2023	-	-	-	5,831,590	-	-	5,831,590
Total				55,012,000	(400,000)	54,612,000	11,663,190	(11,626,000)	(100,000)	54,549,190
Exercisable as at January 1, 2015, December 31, 2015 and December 31, 2016				49,462,000		54,237,000				42,886,000

note: Included the reverse of a total of 1,180,000 underlying shares comprised in the share options (which were previously mistakenly treated as lapsed) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(a) Share Option Scheme (Continued)

The fair value of the share options granted on November 14, 2016 (the measurement date), as at the date of grant, determined by APAC Asset Valuation using the Binomial Option Pricing Model, was HK$11,138,000 (equivalent to approximately RMB9,991,000 or US$1,436,000). The key inputs into the Binomial Option Pricing Model are as follows:

Exercise price	HK$2.494
Closing share price at the date of grant	HK$2.41
Annual risk free rate	0.99 – 1.18%
Expected volatility	50 – 55%
Expected life of share options	2.8 – 6.8 years
Expected dividend yield	2.00%

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before the grant of the share options on November 14, 2016 was HK$2.55 per share.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.31 (2015: HK$1.71).

During the year ended December 31, 2016, the Group recognised a net expense of RMB486,000 (approximately US$71,000) (2015: RMB102,000 (approximately US$16,000)) as equity-settled share-based payments in the consolidated income statement under the 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.

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a board resolution passed on May 9, 2014 and amended on November 11, 2016. The objective of the Share Award Scheme is to recognise the contributions by certain persons, including directors of the Company and employees of the Group (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, will remain in force for 10 years.

The 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 year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company.

The directors would notify the trustee of the 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 Group 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 the subsidiary employing the Selected Participant ceases to be a subsidiary, 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, 2016, 30,000,000 ordinary shares (2015: 80,000,000 ordinary shares) of the Company have been acquired at an aggregate cost of approximately HK$70,000,000 (equivalent to approximately RMB62,000,000 or US$9,034,000) (2015: approximately HK$84,206,000 (equivalent to approximately RMB69,107,000 or US$10,863,000)). A total of 130,000,000 ordinary shares (2015: 100,000,000 ordinary shares) of the Company were held by the trustee of the Share Award Scheme at December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The following table discloses movements in the Company's share awards under the Share Award Scheme during the two years ended December 31, 2016:

	Date of grant	Vesting date	Number of share awards outstanding at January 1, 2015	Granted during the year	Lapsed/ cancelled during the year	Number of share awards outstanding at December 31, 2015	Granted during the year	Lapsed/ cancelled during the year	Number of share awards outstanding at December 31, 2016
Director									
Kwan, Heh-Der	01.09.2014	01.09.2017	1,200,000	-	-	1,200,000	-	-	1,200,000
(resigned on January 6, 2017)	13.05.2016	31.08.2018	-	-	-	-	1,400,000	-	1,400,000
Employees	01.09.2014	01.09.2017	10,300,000	-	(2,000,000)	8,300,000	-	(1,200,000)	7,100,000
	21.03.2015	21.03.2018	-	8,900,000	(352,000)	8,548,000	-	(765,000)	7,783,000
	14.08.2015	14.08.2018	-	10,270,000	(580,000)	9,690,000	-	(1,360,000)	8,330,000
	24.03.2016	24.03.2019	-	-	-	-	5,130,000	(210,000)	4,920,000
	13.08.2016	13.08.2019	-	-	-	-	5,460,000	-	5,460,000
	12.11.2016	31.08.2019	-	-	-	-	600,000	-	600,000
	14.11.2016	01.09.2017	-	-	-	-	833,680	-	833,680
	14.11.2016	01.09.2018	-	-	-	-	833,680	-	833,680
	14.11.2016	01.09.2019	-	-	-	-	833,680	-	833,680
	14.11.2016	01.09.2020	-	-	-	-	1,667,360	-	1,667,360
	14.11.2016	01.09.2021	-	-	-	-	4,168,410	-	4,168,410
Total			11,500,000	19,170,000	(2,932,000)	27,738,000	20,926,810	(3,535,000)	45,129,810

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$29,269,000 (equivalent to approximately RMB25,000,000 or US$3,770,000) (2015: HK$11,098,000 (equivalent to approximately RMB9,417,000 or US$1,432,000)). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	November 14, 2016	November 12, 2016	August 13, 2016	May 13, 2016	March 24, 2016	August 14, 2015	March 21, 2015
Closing share price at the date of grant	HK$2.41	HK$2.55	HK$2.40	HK$2.07	HK$1.61	HK$1.14	HK$0.55
Annual risk free rate	0.50 - 1.07%	0.84%	0.48%	0.600%	0.845%	0.784%	0.731%
Expected volatility	51 - 57%	55%	55%	57%	54%	52%	50%
Vesting period	0.8 - 4.8 years	2.8 years	3 years	2.3 years	3 years	3 years	3 years
Expected dividend yield	2.0%	2.0%	2.0%	Nil	Nil	Nil	Nil

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share awards. The variables and assumptions used in computing the fair value of the share awards are based on the directors' best estimate. The value of a share award varies with different variables of certain subjective assumptions.

The closing prices of the Company's shares immediately before the grant of the share awards on March 24, 2016, May 13, 2016, August 13, 2016, November 12, 2016 and November 14, 2016 were HK$1.67, HK$2.00, HK$2.40, HK$2.55 and HK$2.55 (March 21, 2015: HK$0.55 and August 14, 2015: HK$1.12) per share respectively.

During the year ended December 31, 2016, the Group recognised a net expense of RMB6,846,000 (approximately US$1,023,000) (2015: RMB2,494,000 (approximately US$397,000)) as equity-settled share-based payments in the consolidated income statement under the Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed prior to their vesting dates after recognising share award expenses.

34. RETIREMENT BENEFIT PLANS

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

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

The total cost of RMB197,108,000 (approximately US$29,667,000) (2015: RMB153,639,000, as restated, (approximately US$24,429,000)) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

35. RELATED AND CONNECTED PARTY DISCLOSURES

(a) Transactions and trade balances

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

Relationship	Nature of transactions/balances	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Yue Yuen and its affiliates	Purchase of footwear products by the Group (note)	43,302	73,935	6,517	11,757
	Interest expense paid by the Group (note)	1,275	2,911	192	463
	Trade payables of the Group at the end of the reporting period	10,702	12,225	1,538	1,859
	Rental expenses for offices paid by the Group	1,565	16	236	3
Substantial shareholders of Yue Yuen and their affiliates	Interest expenses paid by the Group (note)	10,321	6,503	1,553	1,034
Joint ventures of the Group	Sales of sportswear products by the Group	11,777	21,838	1,773	3,472
	Interest income received by the Group	3,698	4,480	557	712
	Trade receivables of the Group at the end of the reporting period	3,135	4,590	451	698
	Trade payables of the Group at the end of the reporting period	204	2,367	29	360

note: Other than these transactions, none of the other transactions in the table above falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Listing Rules.

(b) Non-trade balances

Details of the Group's non-trade balances with related and connected parties are set out in the consolidated statement of financial position and in Notes 18, 24 and 27.

(c) Guarantee

As at December 31, 2015, bank borrowings of approximately RMB6,997,000, as restated, or US$1,064,000 were guaranteed by Yue Yuen.

35. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(d) Compensation of key management personnel

	2016 RMB'000	2015 RMB'000	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Short term benefits	18,625	18,596	2,803	2,957
Post employment benefits	15	31	2	5
Equity-settled share-based payments	1,814	1,000	273	159
	20,454	19,627	3,078	3,121

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

(e) Saved as disclosed in Note 2, on November 14, 2016, the Group acquired from Yue Yuen, the entire equity interests in PCG Group for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000).

36. CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,939,766	1,700,282	278,863	258,554
Available-for-sale investments measured at cost less impairment	2,156	1,999	310	304
Financial liabilities				
Amortised cost	2,485,125	1,821,304	357,264	276,958
FVTPL	–	74,301	–	11,299

(b) Financial risk management objectives

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

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 25), loans to joint ventures (Note 18), amounts due from joint ventures (Note 24), bank overdrafts (Note 25) and bank borrowings (Note 28). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to a fixed-rate loan receivable, amount due from a non-controlling interest of a subsidiary (Note 24), pledged bank deposits (Note 25) and amounts due to certain entities controlled by Yue Yuen and its substantial shareholders (Note 27).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR, LIBOR and prevailing rate quoted by the PBOC are the major sources of the Group's cash flow interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of the financial instruments set out above. The analysis is prepared assuming all of the above amounts outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point increase or decrease for bank balances in the PRC and 50 basis points for other financial assets and financial liabilities set out above are used and represent management's assessment of the reasonably possible change in interest rates for each of the two years ended December 31, 2016.

If interest rates on the above interest-bearing financial assets had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year would increase/decrease by RMB439,000 (approximately US$63,000) (2015: increase/decrease by RMB477,000, as restated, (approximately US$73,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates on the above interest-bearing financial liabilities had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by RMB5,159,000 (approximately US$742,000) (2015: decrease/increase by RMB1,758,000, as restated, (approximately US$267,000)).

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

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 25 and 28, respectively, which expose the Group to foreign exchange risk, whilst over 99% (2015: over 99%) of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's profit for the year would increase by RMB2,268,000 (approximately US$326,000) (2015: increase by RMB2,524,000, as restated, (approximately US$384,000)), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit.

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

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk

As at December 31, 2015 and 2016, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In addition to the credit risk on trade debts, the Group is also exposed to concentration of credit risk on its advances to certain joint ventures, which account for 2% (2015: 5%) of its loans and receivables. Because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which covered over 98% (2015: over 96%) of its total receivables as at December 31, 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk

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

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

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

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2016						
Amortised cost						
Non-interest bearing	-	774,641	6,148	38,510	819,299	819,299
Fixed interest rate instrument	3.40	-	-	299,860	299,860	290,000
Variable interest rate instruments	5.40	1,335,754	29,577	13,459	1,378,790	1,375,826
		2,110,395	35,725	351,829	2,497,949	2,485,125

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2015						
Amortised cost						
Non-interest bearing	-	1,048,601	8,412	5,379	1,062,392	1,062,392
Fixed interest rate instrument	4.00	-	-	301,600	301,600	290,000
Variable interest rate instruments	3.67	209,482	256,986	4,108	470,576	468,912
		1,258,083	265,398	311,087	1,834,568	1,821,304
FVTPL						
Consideration payable for acquisition of business		-	-	74,301	74,301	74,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

(FOR INFORMATION PURPOSE ONLY)

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at December 31, 2016						
Amortised cost						
Non-interest bearing	–	111,363	884	5,536	117,783	117,783
Fixed interest rate instrument	3.40	–	–	43,108	43,108	41,691
Variable interest rate instruments	5.40	192,029	4,252	1,935	198,216	197,790
		303,392	5,136	50,579	359,107	357,264

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at December 31, 2015						
Amortised cost						
Non-interest bearing	–	159,456	1,279	818	161,553	161,553
Fixed interest rate instrument	4.00	–	–	45,863	45,863	44,099
Variable interest rate instruments	3.67	31,855	39,079	625	71,559	71,306
		191,311	40,358	47,306	278,975	276,958
FVTPL						
Consideration payable for acquisition of business		–	–	11,299	11,299	11,299

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

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

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

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

	Fair value as at December 31,				
	2016 RMB'000	2015 RMB'000	2016 US$'000	2015 US$'000	Fair value hierarchy
			(FOR INFORMATION PURPOSE ONLY)		
Financial liability at FVTPL					
Consideration payable for acquisition of business	–	74,301	–	11,299	Level 3

For the years ended December 31, 2015 and 2016, consideration payable for acquisition of business represented the amount that the Group might have to compensate the vendor for the shortfall, if any, of the market value of the ordinary shares of the Company issued for the acquisition of a business in prior years below HK$4 each at the maturity of a pre-determined restricted period from November 21, 2016 to December 19, 2016, until which the shares issued by the Company were placed in an escrow account and the Company's consent was required for any withdrawal.

During the year ended December 31, 2016, the consideration payable for acquisition of business measured at fair value was derecognised upon maturity. Accordingly, the consideration payable for acquisition of business was accounted for as an extinguishment of the original financial liability that is measured at fair value at maturity; and a new financial liability at amortised cost was immediately recognised in the consolidated statement of financial position as at December 31, 2016, which was repaid and settled on January 20, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

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

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

As at December 31, 2015, the valuation technique adopted was Binomial Option Pricing Model whereas the key inputs to the valuation models included the share price at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model included the expected volatility with reference to the historical price volatility and the expected dividend yield of the Company. Both inputs were 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 was determined by APAC Asset Valuation, using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	2015
Share price at date of valuation	HK$1.86
Exercise price per share	HK$4.0
Risk free rate	0.14%
Expected volatility	63%
Expected life of the guaranteed compensation	0.89 year
Expected dividend yield	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

37. FINANCIAL INSTRUMENTS (Continued)

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

(ii) Reconciliation of Level 3 Measurements

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

	RMB'000	US$'000 (FOR INFORMATION PURPOSE ONLY)
At January 1, 2015	102,169	16,436
Fair value gain, recognised in profit or loss (Note 7(c))	(32,380)	(5,149)
Exchange realignment	4,512	12
At December 31, 2015	74,301	11,299
Fair value gain, recognised in profit or loss (Note 7(c))	(17,215)	(2,591)
Transfer out of Level 3 (note)	(60,439)	(8,689)
Exchange realignment	3,353	(19)
At December 31, 2016	–	–

note:

During the year ended December 31, 2016, the consideration payable for acquisition of business measured at fair value was derecognised on maturity date of December 19, 2016, as detailed in Note 37(c)(i).

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

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

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

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2016 and 2015:

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2016	2015	
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	US$1	100%	100%	Investment holding
A-Grade Holdings Limited	BVI	US$9,000	100%	100%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited# 寶盛道吉(北京)貿易有限公司 (note ii)	PRC	US$65,000,000	100%	100%	Retailing of sportswear
Taicang Shengdao Trading Company Limited# 太倉勝道商貿有限公司 (note ii)	PRC	US$5,000,000	100%	100%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	100%	Investment holding
Dalian Shengdao Sports Production Development Company Limited# 大連勝道運動產業發展有限公司 (formerly known as Dalian Dongzhijie Sports Production Development Company Limited# 大連東之杰運動產業發展有限公司) (note ii)	PRC	RMB200,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragonlight (China) Sporting Goods Co., Ltd.# 龍光(中國)體育用品有限公司 (note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Farsighted International Limited	BVI	US$100	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$19,152,135	100%	100%	Investment holding
Fujian Baomin Sporting Goods Co., Ltd. 福建寶閩體育用品有限公司 (note ii)	PRC	US$4,500,000	90%	90%	Retailing of sportswear
Guangzhou Baoyuen Trading Company Limited# 廣州寶元貿易有限公司 (note iii)	PRC	US$23,310,000	100%	100%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2016	2105	
Guangzhou Yangji Information Technology Company Limited# 廣州市揚基信息科技有限公司 (note ii)	PRC	HK$13,000,000	100%	100%	Retailing of sportswear
Guizhou Baosheng Sports Goods Company Limited# 貴州寶勝體育用品有限公司 (formerly known as Guiyang Baoxin Sports Goods Company Limited# 貴陽寶新體育用品有限公司) (note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Guizhou Shengdao Sports Goods Development Company Limited# 貴州勝道體育用品開發有限公司 (note ii)	PRC	RMB70,000,000	100%	100%	Property leasing and management
Harbin Baosheng Sports Goods Company Limited# 哈爾濱寶勝體育用品有限公司 (note ii)	PRC	RMB22,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited# 河北展新體育發展有限公司 (note iv)	PRC	RMB18,180,000	100%	100%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited# 合肥寶勛體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Hillside Investments Limited	HK	HK$200	100%	100%	Investment holding
Kunshan YYsports E-Commerce Co., Ltd. 昆山勝道信息技術有限公司 (note ii)	PRC	US$3,000,000	100%	100%	Retailing of sportswear
Kun Shan Xin Dong Sports Co. Ltd. 昆山信動體育用品有限公司 (note ii)	PRC	US$999,000	100%	100%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
Kunshan Pouchi Sports Co., Ltd. 昆山寶慈體育用品有限公司 (note ii)	PRC	US$13,500,000	100%	100%	Retailing of sportswear
Kunshan Taisong Trading Co., Ltd. 昆山泰崧精品有限公司 (note iii)	PRC	US$26,500,000	100%	100%	Distribution of licensed products
Nanning Pou Guan Sporting Goods Company Limited# 南寧寶冠體育用品有限公司 (note ii)	PRC	US$1,300,000	100%	100%	Retailing of sportswear
Nice Palace Investments Limited	HK	HK$200	100%	100%	Investment holding
Pau Yuen Trading Corporation# 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
Pau Zhi Trading Corporation# 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
PCG Bros (Holdings) Co., Limited	BVI	US$40,000	100%	100% (restated)	Investment holding
PCG BROS Sports Management Co., Ltd.# 寶悍運動平台股份有限公司	Taiwan	NTD180,000,000	100%	100% (restated)	Sports marketing and organisation of sports events
Pou Sheng (China) Investment Co., Ltd. 常勝投資有限公司 (note ii)	PRC	US$152,922,400	100%	100%	Investment holding
Pou Sheng International Sports Development Company Limited	HK	HK$100	100%	100%	Investment holding
Shengdao (Chengdu) Trading Co. Ltd.# 勝道(成都)商貿有限公司 (formerly known as Pou Yu (Chengdu) Trading Co., Ltd.# 寶渝(成都)商貿有限公司) (note ii)	PRC	US$22,400,000	100%	100%	Retailing of sportswear
Profit Concept Group Limited ("Profit Concept")	BVI	US$100	51%	51%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2016	2015	
Qingdao Pou Sheng International Sporting Goods Company Limited# ("Qingdao Pou Sheng") 青島寶勝國際體育用品有限公司 (formerly known as Qingdao Baoruina Sports Goods Company Limited# 青島寶瑞納體育用品有限公司) (note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Qujing Shengdao Sports Goods Co., Ltd.# 曲靖勝道體育用品有限公司 (note iv)	PRC	RMB35,000,000	60%	60%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	US$1	100%	100%	Investment holding
Selangor Gold Limited	BVI	US$1,000	100%	100%	Investment holding
Shanghai Baoyuen Sports Goods Company Limited# 上海寶原體育用品商貿有限公司 (note ii)	PRC	US$30,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited# 上海勝道體育用品有限公司 (note iv)	PRC	RMB5,100,000	100%	100%	Property leasing and management
Shengdao (Yangzhou) Sporting Goods Dev. Co., Ltd.# 勝道(揚州)體育用品開發有限公司 (note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Shengyang Baoyi Trading Company Limited# 瀋陽寶益貿易有限公司 (note ii)	PRC	RMB40,000,000	100%	100%	Retailing of sportswear
Taiwan Taisong Trading Co. Ltd.# 台灣泰崧精品企業股份有限公司	Taiwan	NTD30,000,000	100%	100%	Distribution of licensed product
Tianjin Baosheng Sports Goods Company Limited# 天津寶勝體育用品有限公司 (formerly known as Tianjin Baoxin Sports Goods Company Limited 天津寶信體育用品有限公司) (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
Treasure Chain International Limited	BVI	US$1	100%	100%	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	100%	Investment holding
Winning Team Holdings Limited	BVI	US$1	100%	100%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited# 無錫寶原體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Shanxi Baosheng Trading Company Ltd.# 陝西寶勝貿易有限公司 (formerly known as Xian Bao Qin Trading Company Ltd.# 西安寶秦貿易有限公司) (note ii)	PRC	US$66,000,000	100%	100%	Retailing of sportswear
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛(太倉)鞋業有限公司 (note ii)	PRC	US$17,100,000	100%	100%	Retailing of sportswear
Yue Ming International Limited	HK	HK$1	100%	100%	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司 (note ii)	PRC	US$14,200,000	100%	100%	Manufacturing of sportswear
Yunnan Orientsport Trading Co., Ltd.# 雲南奧龍世博經貿有限公司 (note ii)	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited# 雲南勝道體育用品有限公司 (note iv)	PRC	RMB87,500,000	60%	60%	Property leasing and management
Zhejiang Yichuan Sports Goods Chain Company Limited# 浙江易川體育用品連鎖有限公司 (note iv)	PRC	RMB164,000,000	100%	100%	Retailing of sportswear

The English names are for information purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

38. PRINCIPAL SUBSIDIARIES (Continued)

notes:

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

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

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

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

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

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

39. EVENT AFTER THE END OF REPORTING PERIOD

Incident concerning certain purported sales transactions

On January 8, 2017, the Company published an announcement in relation to the discovery of certain incorrect sales records in the month of December 2016, which could potentially lead to recognition of revenue for sales transactions that did not take place during the year ended December 31, 2016 (the "Incident"). The Incident was discovered by the internal audit department of the Company (the "Internal Audit Department") during the course of conducting regular internal audit procedures with respect to the sales and accounting records of the Company for the month ended December 2016 and certain sales transactions, amounting to approximately RMB132 million (equivalent to approximately US$19 million) in aggregate, had taken place in late December 2016, as purported sales without physical delivery of goods to certain bulk sales customers of the Company prior to the year ended December 31, 2016 ("Purported Sales"). The transactions with bulk sales customers of the Company had been taken up by the bulk sales department which is responsible to negotiate with the bulk sales customers for the clearance of out-of-fashion sportswear.

In light of the Incident, the Audit Committee directed the Internal Audit Department to set up an independent team, which comprised a team of six senior internal auditors from the Internal Audit Department (the "IA Team") to investigate the Incident and to conduct a special internal review and checking of the accounting records of the Group for the year ended December 31, 2016.

Other than the Purported Sales as mentioned above, no other inappropriate sales transactions were identified by the IA Team. The Board of Directors has reached the conclusion that the Incident was an isolated incident, which only occurred in December 2016 and that appropriate adjustments had been made in the consolidated financial statements of the Group for the year ended December 31, 2016.

Details of the Incident are disclosed in the "Corporate Governance Report" section of this annual report.

FINANCIAL SUMMARY

(FOR INFORMATION PURPOSE ONLY)

RESULTS

	For the fifteen months ended December 31,	For the year ended December 31,			
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000 (restated)	2016 RMB'000
Revenue	13,785,664	10,941,252	12,209,056	14,465,564	16,236,384
(Loss) profit for the period/year	(432,163)	(237,007)	39,997	383,135	569,611
Attributable to:					
Owners of the Company	(436,799)	(238,072)	28,656	396,592	560,579
Non-controlling interests	4,636	1,065	11,341	(13,457)	9,032
	(432,163)	(237,007)	39,997	383,135	569,611

ASSETS AND LIABILITIES

	As at December 31,				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000 (restated)	2016 RMB'000
Total assets	9,349,505	8,851,832	8,277,550	8,626,667	10,043,776
Total liabilities	(3,628,722)	(3,413,105)	(2,814,557)	(2,838,937)	(3,910,265)
	5,720,783	5,438,727	5,462,993	5,787,730	6,133,511
Equity attributable to:					
Owners of the Company	5,618,907	5,341,599	5,372,484	5,742,374	6,103,531
Non-controlling interests	101,876	97,128	90,509	45,356	29,980
	5,720,783	5,438,727	5,462,993	5,787,730	6,133,511

FINANCIAL SUMMARY

(FOR INFORMATION PURPOSE ONLY)

RESULTS

	For the fifteen months ended December 31,	For the year ended December 31,			
	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000 (restated)	2016 US$'000
Revenue	2,182,450	1,777,187	1,980,575	2,300,174	2,443,730
(Loss) profit for the period/year	(68,417)	(38,497)	6,488	60,910	85,732
Attributable to:					
Owners of the Company	(69,151)	(38,670)	4,649	63,050	84,373
Non-controlling interests	734	173	1,839	(2,140)	1,359
	(68,417)	(38,497)	6,488	60,910	85,732

ASSETS AND LIABILITIES

	As at December 31,				
	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000 (restated)	2016 US$'000
Total assets	1,500,410	1,459,807	1,328,462	1,313,058	1,443,899
Total liabilities	(582,338)	(562,875)	(453,192)	(432,383)	(562,142)
	918,072	896,932	875,270	880,675	881,757
Equity attributable to:					
Owners of the Company	901,723	880,914	860,706	873,778	877,448
Non-controlling interests	16,349	16,018	14,564	6,897	4,309
	918,072	896,932	875,270	880,675	881,757