Notes to the Financial Statements

For the year ended 30th September, 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group's books and records are maintained in United States Dollars ("USD"), the currency in which the majority of the Group's transactions are denominated.

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 40.

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 14 (Revised) "Leases" issued by the Hong Kong Society of Accountants.

Adoption of this revised SSAP had no significant effect on the results for the current or prior periods. Disclosures presented have been modified to meet the requirements of this SSAP. Certain comparative have been restated in order to achieve consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th September, each year.

The results of subsidiaries, associates and jointly controlled entities which are acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate or a jointly controlled entity, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or a jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries or associates or jointly controlled entities, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate or a jointly controlled entity.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost as reduced by any decline in value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associate that is other than temporary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any decline in value of the jointly controlled entity that is other than temporary. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment properties revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of investment properties, any balance in the investment properties revaluation reserve attributable to those properties is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Hotel property

Hotel property is stated at cost and no depreciation is provided on hotel property which is held on leases of more than 20 years. It is the Group's policy to maintain these assets in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated lives of the hotel property and the high residual values, any depreciation would be insignificant. The related repair and maintenance expenditure is dealt with in the income statement in the year in which they are incurred. The costs of significant improvements are capitalised.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 *Property, Plant and Equipment* issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The cost of leasehold land is amortised over the period of the lease using the straight line method.

The cost or valuation of land use rights is amortised over the period of the right using the straight line method.

The cost or valuation of buildings is depreciated over 20 years or 50 years, where appropriate, using the straight line method.

The cost of leasehold improvements is depreciated at 10% per annum using the reducing balance method or, if the remaining period of the relevant lease is shorter than 10 years, on a straight line basis over the remaining period of the lease.

Buildings under construction are stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to the buildings under construction. They are not depreciated or amortised until completion of construction. Costs of completed buildings under construction are transferred to the appropriate categories of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, at the following rates per annum:

Furniture, fixtures and equipment	20%-30% (reducing balance method)
Motor vehicles	20%-30% (reducing balance method)
Plant and machinery	5%-10% (straight line method)

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 capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the leases.

Research and development expenditure

Expenditure on research and development is charged to the income statement in the period in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation subject to a maximum of five years.

Retirement benefits scheme contributions

Contributions payable by the Group to its defined contribution retirement benefits scheme are charged to the income statement.

4. PROFIT FROM OPERATIONS

	2001	2000
	US$'000	*US$'000*
Profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	**288,070**	255,682
– retirement benefits scheme contributions	**1,646**	2,246
	289,716	257,928
Auditors' remuneration		
– current year	**577**	548
– under(over)provision in prior year	**26**	(34)
Depreciation and amortisation	**75,000**	63,537
Loss on disposal of property, plant and equipment	**–**	4,040
Loss on partial disposal of interest in an associate	**45**	–
Operating lease rentals in respect of		
– land and buildings	**10,422**	10,177
– equipment	**47**	254
Research and development expenditure	**55,227**	53,049
and after crediting:		
Interest income from bank deposits	**5,866**	8,755
Gain on disposal of property, plant and equipment	**92**	–
Gross rental income on investment properties, before deduction of outgoings of US$21,000 (2000: US$77,000)	**1,516**	1,377

5. FINANCE COSTS

	2001	2000
	US$'000	*US$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**24,226**	16,187
– other borrowings wholly repayable within five years	**365**	575
	24,591	16,762

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2001	2000
	US$'000	*US$'000*
Directors' fees:		
Executive	**–**	–
Non-executive	**112**	112
Independent non-executive	**51**	51
Other emoluments of executive directors:		
Salaries and other benefits	**1,381**	1,371
Bonus	**4,380**	4,381
Other emoluments of non-executive directors:		
Bonus	**128**	128
Total directors' emoluments	**6,052**	6,043

The directors' emoluments disclosed above include the rateable value of a property which is owned by the Group and occupied by an executive director of the Company. The rateable value of the residential accommodation provided to the director is US$12,000 (2000: US$12,000).

The emoluments of the directors were within the following bands:

	2001	2000
	Number of directors	Number of directors
Up to HK$1,000,000	**6**	5
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,500,001 to HK$3,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$7,500,001 to HK$8,000,000	**1**	1
HK$9,500,001 to HK$10,000,000	**2**	2

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

All the five highest paid employees of the Group in both years were executive directors of the Company. Details of their emoluments are included above.

7. INCOME TAX EXPENSE

	2001	2000
	US$'000	*US$'000*
The charge comprises of:		
Hong Kong Profits Tax		
– current year	**40**	78
– under(over)provision in prior year	**1**	(3)
Overseas taxation		
– current year	**425**	2,071
– overprovision in prior year	**–**	(383)
Share of taxation of an associate	**231**	299
Share of taxation of a jointly controlled entity	**59**	–
Deferred taxation *(note 26)*	**–**	(19)
	756	2,043

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

A substantial portion of the Group's profits neither arose in, nor was derived from, Hong Kong and therefore was not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The Group had no significant unprovided deferred taxation for the year.

8. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year, a profit of US$91,143,000 (2000: US$82,726,000) has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2001	2000
	US$'000	*US$'000*
Interim dividend of 40 Hong Kong cents per share (2000: 40 Hong Kong cents per share)	**36,263**	36,578
Proposed final dividend of 60 Hong Kong cents per share (2000: 55 Hong Kong cents per share)	**54,137**	49,693
Additional final dividend for 2000 due to exercise of share options	**–**	544
Overprovision for prior year dividend due to shares repurchased and cancelled	**(99)**	–
	90,301	86,815

The amount of the final dividend proposed for the year ended 30th September, 2001 has been calculated by reference to 703,680,953 ordinary shares in issue as at the date of this report.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2001	2000
Earnings:		
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	**US$212,803,000**	US$210,184,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**705,733,290**	707,471,040
Effect of dilutive potential ordinary shares in respect of share options	**12,254,906**	26,073,004
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**717,988,196**	733,544,044

11. INVESTMENT PROPERTIES

	THE GROUP
	US$'000
VALUATION	
At 1st October, 2000	50,455
Transferred from property, plant and equipment *(note 12)*	6,972
Surplus arising on revaluation	677
At 30th September, 2001	58,104

The Group's investment properties which are rented out under operating leases were revalued at 30th September, 2001 by Knight Frank, an independent firm of professional property valuers, on an open market value basis. The surplus arising on revaluation has been credited to the investment properties revaluation reserve.

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
The carrying value of the Group's investment properties comprises:		
Properties held under long-term leases or long-term land use rights in the PRC	**7,821**	8,181
Properties held under medium-term leases or medium-term land use rights in		
– Hong Kong	**256**	256
– the PRC	**50,027**	42,018
	58,104	50,455

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Hotel properties	Buildings under construction	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
THE GROUP								
COST OR VALUATION								
At 1st October, 2000	430,723	–	64,450	100,712	48,861	14,321	467,642	1,126,709
Additions	16,053	5,334	79,582	11,603	13,694	1,871	53,797	181,934
Reclassification	89,837	10,580	(87,108)	(16,182)	(4,364)	240	6,997	–
Transferred to investment properties *(note 11)*	(919)	–	(6,100)	–	–	–	–	(7,019)
Disposals	(24,197)	–	(35)	(37)	(1,486)	(605)	(8,232)	(34,592)
At 30th September, 2001	**511,497**	**15,914**	**50,789**	**96,096**	**56,705**	**15,827**	**520,204**	**1,267,032**
Comprising:								
At cost	475,984	15,914	50,789	96,096	56,705	15,827	520,204	1,231,519
At valuation – 1995	35,513	–	–	–	–	–	–	35,513
	511,497	15,914	50,789	96,096	56,705	15,827	520,204	1,267,032
DEPRECIATION AND AMORTISATION								
At 1st October, 2000	37,892	–	–	24,823	23,623	8,525	163,013	257,876
Provided for the year	13,434	–	–	6,554	6,454	1,853	46,705	75,000
Transfer to investment properties *(note 11)*	(47)	–	–	–	–	–	–	(47)
Eliminated on disposals	(255)	–	–	(9)	(1,124)	(393)	(4,114)	(5,895)
At 30th September, 2001	**51,024**	**-**	**-**	**31,368**	**28,953**	**9,985**	**205,604**	**326,934**
NET BOOK VALUE								
At 30th September, 2001	**460,473**	**15,914**	**50,789**	**64,728**	**27,752**	**5,842**	**314,600**	**940,098**
At 30th September, 2000	392,831	–	64,450	75,889	25,238	5,796	304,629	868,833

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings	Leasehold improvements	Total
	US$'000	*US$'000*	*US$'000*
THE COMPANY			
COST			
At 1st October, 2000 and 30th September, 2001	242	20	262
DEPRECIATION AND AMORTISATION			
At 1st October, 2000	29	11	40
Provided for the year	5	1	6
At 30th September, 2001	**34**	**12**	**46**
NET BOOK VALUE			
At 30th September, 2001	**208**	**8**	**216**
At 30th September, 2000	213	9	222

The land and buildings stated at 1995 valuation were valued at 30th September, 1995 by Knight Frank, an independent firm of professional property valuers, on an open market value basis before being transferred from investment properties. No further valuation will be carried out on these land and buildings.

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical costs less accumulated depreciation at approximately US$454,010,000 (2000: US$386,366,000).

The Group has acquired rights to the use of land (the "land rights") in the mainland People's Republic of China (the "PRC"), Indonesia and Mexico and has erected buildings thereon. While the Group has paid substantially the full consideration of the purchase consideration, the relevant government authorities have not granted formal title to certain of these land rights to the Group. As at 30th September, 2001, the net book value of the land rights for which the Group had not been granted formal title amounted to approximately US$43.6 million (2000: approximately US$43.3 million). In the opinion of the directors, the absence of formal title to these land rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these land rights will be granted to the Group in due course.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
The net book value of the property interests comprises:				
Properties held under long-term leases or long-term land use rights in				
– the PRC	**101,562**	106,177	**–**	–
– Indonesia	**68,281**	58,125	**–**	–
Properties held under medium-term leases or medium-term land use rights in				
– Hong Kong	**3,532**	3,623	**208**	213
– the PRC	**165,300**	133,739	**–**	–
– Vietnam	**118,331**	91,167	**–**	–
Freehold properties in Mexico	**3,467**	–	**–**	–
Hotel properties held under long-term land use rights in the PRC	**15,914**	–	**–**	–
Buildings under construction situated in				
– the PRC	**20,854**	40,924	**–**	–
– Vietnam	**26,593**	19,935	**–**	–
– Indonesia	**3,342**	3,591	**–**	–
	527,176	457,281	**208**	213

13. DEPOSITS FOR ACQUISITION OF PROPERTIES

The deposits were paid by the Group in connection with the acquisition of properties in Mexico. The deposits were transferred to the property, plant and equipment during the year.

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	US$'000	*US$'000*
Unlisted shares, at cost	**60,832**	60,832
Amounts due from subsidiaries	**888,470**	678,613
	949,302	739,445

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current assets.

Details of the Company's principal subsidiaries at 30th September, 2001 are set out in note 40.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Share of net assets of associates which are		
– listed in Hong Kong	**20,368**	20,651
– unlisted	**4,993**	2,629
	25,361	23,280
Market value of listed shares at 30th September,	**6,618**	19,322

Details of the Group's principal associates at 30th September, 2001 are set out in note 41.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Share of net assets of jointly controlled entities	**8,761**	5,912

Details of the Group's principal jointly controlled entities at 30th September, 2001 are set out in note 42.

17. LONG-TERM RECEIVABLE

The receivable was due from a minority shareholder of a subsidiary (the "MI Shareholder"). It was secured by the MI Shareholder's equity interests in the subsidiary, carries interest which is equivalent to the rate of dividend distributed by the subsidiary and had no fixed repayment terms. The Group had an option to acquire, at any time, the MI Shareholder's equity interests for a consideration equivalent to the outstanding receivable upon exercise of the option. During the year, the Group had exercised the option and acquired a further 5.56% equity interest in the subsidiary.

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Non-current investments		
Investment securities		
– overseas listed securities	**23,034**	–
– overseas unlisted securities	**17,802**	17,802
	40,836	17,802
Market value of listed securities	**18,948**	–
Current investments		
Other investments		
– overseas unlisted securities	**2,110**	2,000

19. INVENTORIES

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Raw materials	**95,229**	84,122
Work in progress	**56,354**	59,518
Finished goods	**46,224**	41,047
	197,807	184,687

All inventories were carried at cost at 30th September, 2001. At 30th September, 2000, included in inventories were finished goods of approximately US$1.1 million which were carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US$161,252,000 (2000: US$161,458,000) and an aged analysis is as follows:

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
0 to 30 days	**109,880**	113,556
31 to 90 days	**39,859**	35,223
Over 90 days	**11,513**	12,679
	161,252	161,458

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$96,286,000 (2000: US$101,861,000) and an aged analysis is as follows:

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
0 to 30 days	**67,347**	76,473
31 to 90 days	**17,012**	18,085
Over 90 days	**11,927**	7,303
	96,286	101,861

22. SHORT-TERM BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current portion of long-term bank loans *(note 23)*	**150,000**	60,000	**150,000**	60,000
Current portion of other long-term loans *(note 24)*	**1,976**	1,976	**–**	–
Trust receipt and import loans	**77,442**	55,596	**–**	–
Short-term bank loans	**94,300**	52,559	**–**	–
Bank overdrafts	**215**	88	**–**	–
	323,933	170,219	**150,000**	60,000

23. LONG-TERM BANK LOANS

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
The bank loans are repayable within the periods as follows:				
Within one year	**150,000**	60,000	**150,000**	60,000
Between one to two years	**–**	120,000	**–**	120,000
Between two to five years	**16,154**	–	**–**	–
	166,154	180,000	**150,000**	180,000
Less: Amount due within one year included under current liabilities *(note 22)*	**(150,000)**	(60,000)	**(150,000)**	(60,000)
Amount due after one year	**16,154**	120,000	**–**	120,000

Included above is an amount of US$150 million (2000: US$180 million) in respect of a syndicated loan which is due for repayment in full in June 2002.

Under such syndicated loan agreement and a separate swap arrangement, the loan is effectively a US dollar loan, with commercial interest rates linked to the US dollar. Pursuant to the relevant loan agreement, certain substantial shareholders of the Company, the Tsai family together with Pou Chen Corporation ("PCC"), are obliged to maintain an aggregate shareholding of not less than 51% of the issued share capital of the Company.

Subsequent to the balance sheet date, a syndicated loan of US$350 million has been obtained to refinance the Group's existing borrowings and to fund its future expansion.

24. OTHER LONG-TERM LOANS

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
The other loans are unsecured, carry interest at commercial rate and are payable as follows:		
Within one year	**1,976**	1,976
Between one to two years	**1,676**	1,976
Between two to five years	**–**	1,676
	3,652	5,628
Less: Amount due within one year included under current liabilities *(note 22)*	**(1,976)**	(1,976)
Amount due after one year	**1,676**	3,652

25. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The loans from minority shareholders of subsidiaries are unsecured, interest-free and have no fixed repayment terms. The minority shareholders agreed not to demand repayment within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

26. DEFERRED TAXATION

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Balance brought forward	**3,605**	3,624
Credit for the year *(note 7)*	**–**	(19)
Balance carried forward	**3,605**	3,605

The deferred tax liability represents the tax effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

In the opinion of the directors, the surplus arising on revaluation of the Group's property interests does not constitute a timing difference for tax purposes as any profits realised on future disposal of the investment properties would not give rise to a significant taxation.

The Group and the Company had no significant unprovided deferred taxation at the balance sheet date.

27. SHARE CAPITAL

	Number of shares	Amounts expressed in thousands
Authorised:		
Ordinary shares of HK$0.50 each		
– balance at 1st October, 2000 and 30th September, 2001	**1,000,000,000**	**HK$500,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each		
– balance at 1st October, 1999	670,382,953	HK$335,191
– issue of new shares	35,287,000	HK$17,644
– exercise of share options	15,400,000	HK$7,700
– shares repurchased and cancelled	(13,736,000)	HK$(6,868)
– balance at 30th September, 2000	707,333,953	HK$353,667
– exercise of shares options	7,700,000	HK$3,850
– shares repurchased and cancelled	(11,353,000)	HK$(5,677)
– balance at 30th September, 2001	**703,680,953**	**HK$351,840**
Shown in the financial statements as at		
30th September, 2001		**US$45,463**
30th September, 2000		US$45,697

During the year, the following changes in the share capital of the Company took place:

(a) During the year, 7,700,000 share options were exercised at a subscription price of HK$6.35 per share, resulting in the issue of 7,700,000 ordinary shares of HK$0.50 each in the Company.

(b) During the year, the Company repurchased certain of its own shares on the Stock Exchange pursuant to a general mandate granted to the directors of the Company at the Company's annual general meetings.

27. SHARE CAPITAL (Continued)

Details of repurchased shares are summarised as follows:

Month	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		HK$	*HK$*	*HK$'000*
October, 2000	966,000	15.40	14.35	14,168
December, 2000	1,755,000	15.05	14.05	26,046
January, 2001	1,415,000	14.05	13.70	19,606
February, 2001	1,722,000	15.70	13.65	25,657
March, 2001	737,000	15.10	13.70	10,705
April, 2001	558,000	14.50	14.00	7,940
May, 2001	782,000	14.70	14.40	11,351
July, 2001	948,000	15.35	14.80	14,353
August, 2001	1,234,000	15.10	14.70	18,267
September, 2001	1,236,000	15.10	14.25	18,040
	11,353,000			166,133

The repurchased shares were subsequently cancelled upon repurchase 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.

28. SHARE OPTIONS

Under the Company's share option scheme, the directors may, at their discretion, grant options at nil consideration to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. The price per share payable on the exercise of an option will be the higher of the nominal value of the shares or 80% of the average of the closing price per share as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant of the option or such price as from time to time adjusted pursuant to the scheme.

A summary of the options granted under the Company's share option scheme is as follows:

Date of grant	Exercise price per share	Number of share options: Outstanding at 1.10.2000	Exercised during the year	Outstanding at 30.9.2001
	HK$			
28th April, 1993	6.35	9,166,666	7,700,000	1,466,666
12th December, 1996	10.22	32,000,000	–	32,000,000

The outstanding share options can be exercised at any time within ten years since the date of grant.

29. RESERVES

	Share premium US$'000	Investment properties revaluation reserve US$'000	Goodwill reserve US$'000	Special reserve US$'000	Contributed surplus US$'000	Accumulated profits US$'000	Total US$'000
THE GROUP							
At 1st October, 1999	298,178	10,824	(129,315)	(16,688)	–	568,728	731,727
Surplus arising on revaluation of investment properties	–	3,695	–	–	–	–	3,695
Goodwill arising on acquisition of subsidiaries	–	–	(21,263)	–	–	–	(21,263)
Share of post-acquisition reserve movements of associates	–	231	(6)	–	–	–	225
Share of reserve movement of a jointly controlled entity	–	–	(108)	–	–	–	(108)
Premium arising on issue of shares	97,908	–	–	–	–	–	97,908
Expenses incurred in connection with the issue of shares	(3,405)	–	–	–	–	–	(3,405)
Shares repurchased and cancelled	(28,941)	–	–	–	–	–	(28,941)
Net profit for the year	–	–	–	–	–	210,184	210,184
Dividends *(note 9)*	–	–	–	–	–	(86,815)	(86,815)
At 30th September, 2000	363,740	14,750	(150,692)	(16,688)	–	692,097	903,207
Surplus arising on revaluation of investment properties	–	677	–	–	–	–	677
Premium arising on issue of shares	5,775	–	–	–	–	–	5,775
Shares repurchased and cancelled	(20,656)	–	–	–	–	–	(20,656)
Share of post-acquisition reserve movement of associates	–	23	37	–	–	–	60
Released on partial disposal of interest in an associate	–	–	(4)	–	–	–	(4)
Share of reserve movement of a jointly controlled entity	–	–	5	–	–	–	5
Capital reserve arising on increasing the Group's interest in a subsidiary	–	–	1,327	–	–	–	1,327
Net profit for the year	–	–	–	–	–	212,803	212,803
Dividends *(note 9)*	–	–	–	–	–	(90,301)	(90,301)
At 30th September, 2001	**348,859**	**15,450**	**(149,327)**	**(16,688)**	**-**	**814,599**	**1,012,893**
Attributable to:							
– the Company and subsidiaries	348,859	15,196	(149,251)	(16,688)	–	799,323	997,439
– associates	–	254	27	–	–	4,794	5,075
– jointly controlled entities	–	–	(103)	–	–	10,482	10,379
	348,859	15,450	(149,327)	(16,688)	–	814,599	1,012,893

29. RESERVES (Continued)

	Share premium US$'000	Investment properties revaluation reserve US$'000	Goodwill reserve US$'000	Special reserve US$'000	Contributed surplus US$'000	Accumulated profits US$'000	Total US$'000
THE COMPANY							
At 1st October, 1999	298,178	–	–	–	38,126	66,191	402,495
Premium arising on issue of shares	97,908	–	–	–	–	–	97,908
Expenses incurred in connection with the issue of shares	(3,405)	–	–	–	–	–	(3,405)
Shares repurchased and cancelled	(28,941)	–	–	–	–	–	(28,941)
Net profit for the year *(note 8)*	–	–	–	–	–	82,726	82,726
Dividends *(note 9)*	–	–	–	–	–	(86,815)	(86,815)
At 30th September, 2000	363,740	–	–	–	38,126	62,102	463,968
Premium arising on issue of shares	5,775	–	–	–	–	–	5,775
Shares repurchased and cancelled	(20,656)	–	–	–	–	–	(20,656)
Net profit for the year *(note 8)*	–	–	–	–	–	91,143	91,143
Dividends *(note 9)*	–	–	–	–	–	(90,301)	(90,301)
At 30th September, 2001	348,859	–	–	–	38,126	62,944	449,929

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

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

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a 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.

In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders as at 30th September, 2001 were US$101,070,000 (2000: US$100,228,000), which comprises the aggregate of contributed surplus and accumulated profits of the Company.

30. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 **US$'000**	2000 *US$'000*
Profit before taxation	**213,022**	212,362
Interest income	**(5,866)**	(8,755)
Interest on bank and other borrowings	**24,591**	16,762
Provision for doubtful debts	**8,489**	–
Dividend income from other investments	**(350)**	–
Share of results of associates	**454**	(4,782)
Share of results of jointly controlled entities	**(3,317)**	(2,467)
Depreciation and amortisation	**75,000**	63,537
(Gain) loss on disposal of property, plant and equipment	**(92)**	4,040
Loss on partial disposal of interest in an associate	**45**	–
Increase in inventories	**(13,120)**	(18,969)
Increase in trade and other receivables	**(17,872)**	(73,760)
(Decrease) increase in trade and other payables	**(20,032)**	16,006
Net cash inflow from operating activities	**260,952**	203,974

31. PURCHASE OF SUBSIDIARIES

	2001	2000
	US$'000	*US$'000*
Net assets acquired:		
Property, plant and equipment	–	46
Trade and other receivables	–	163
Bank balances and cash	–	76
Trade and other payables	–	(483)
Net liabilities	–	(198)
Goodwill arising on acquisition	–	21,263
	–	21,065
Satisfied by:		
Cash consideration paid	–	21,065
Analysis of net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Total cash consideration paid	–	(21,065)
Bank balances and cash acquired	–	76
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries	–	(20,989)

The subsidiaries which were acquired during last year did not have any significant impact on the Group's cash flows, turnover and operating results for the year ended 30th September, 2000.

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Minority interests US$'000	Share capital and share premium US$'000	Trust receipt and import loans US$'000	Bank loans US$'000	Other long-term loans US$'000
At 1st October, 1999	4,684	341,496	51,437	214,009	7,774
Issue of new shares	–	88,606	–	–	–
Issue of shares on exercise of options	–	12,563	–	–	–
Shares repurchased and cancelled	–	(29,823)	–	–	–
Expenses incurred in connection with the issue of shares	–	(3,405)	–	–	–
Borrowings raised	–	–	78,529	30,159	2
Repayment of borrowings	–	–	(74,370)	(11,609)	(2,148)
Loans from minority shareholders	2,297	–	–	–	–
Share of profits by minority interests	135	–	–	–	–
At 30th September, 2000	7,116	409,437	55,596	232,559	5,628
Issue of shares on exercise of options	–	6,269	–	–	–
Shares repurchased and cancelled	–	(21,384)	–	–	–
Borrowings raised	–	–	96,306	104,895	–
Repayment of borrowings	–	–	(74,460)	(77,000)	(1,976)
Acquisition of additional interest in a subsidiary	(2,850)	–	–	–	–
Loans from minority shareholders	601	–	–	–	–
Share of losses by minority interests	(537)	–	–	–	–
At 30th September, 2001	**4,330**	**394,322**	**77,442**	**260,454**	**3,652**

33. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 ***US$'000***	2000 *US$'000*
Bank balances and cash	**131,630**	117,405
Bank overdrafts	**(215)**	(88)
	131,415	117,317

34. MAJOR NON-CASH TRANSACTION

During the year, the Group had acquired a further 5.56% equity interest in a subsidiary for a consideration of approximately US$1,523,000 which was satisfied by setting off the long-term receivable due from the MI Shareholder of the subsidiary as set out in note 17.

35. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Within one year	**9,644**	9,693
In the second to fifth year inclusive	**1,047**	10,229
After five years	**2,800**	2,886
	13,491	22,808

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and staff quarters. Significant leases are negotiated for a lease term of one to two years.

Included in the above are commitments of approximately US$9.0 million (2000: US$17.9 million) payable under non-cancellable operating leases to related companies, Godalming Industries Limited and its subsidiaries, in which certain directors of the Company, Messrs. Tsai Chi Neng and Choi Kwok Keung have beneficial interests.

The Company had no operating lease commitments at the balance sheet date.

Property rental income earned during the year was US$1.5 million (2000: US$1.4 million). The properties are expected to generate rental yields of 3% on an ongoing basis.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2001	2000
	US$'000	*US$'000*
Within one year	**1,056**	980
In the second to fifth year inclusive	**615**	908
	1,671	1,888

36. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of				
– amount committed for construction of buildings	**8,479**	22,102	**–**	–
– acquisition of property, plant and equipment	**6,238**	3,740	**–**	–
	14,717	25,842	**–**	–

37. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Export bills discounted with recourse	**10,794**	308	**–**	–
Guarantees given to banks/suppliers in respect of credit facilities extended to				
– subsidiaries	**–**	–	**172,056**	108,243
– jointly controlled entities	**339**	581	**339**	581
	339	581	**172,395**	108,824

38. RETIREMENT BENEFITS SCHEME

Prior to 1st December, 2000, the Company and its subsidiaries operating in Hong Kong did not operate retirement schemes covering their local permanent employees.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

38. RETIREMENT BENEFITS SCHEME (Continued)

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees in the overseas subsidiaries are members of the respective state-managed retirement benefits scheme operated by the local governments. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

39. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The transactions with these companies during the year, and balances with them at the balance sheet date, are as follows:

		THE GROUP	
Name of company	**Nature of transactions/balances**	**2001**	2000
		US$'000	*US$'000*
(I) CONNECTED PARTIES			
Substantial shareholders of the Company:			
PCC and its subsidiaries, associates and jointly controlled entities (collectively the "PCC Group")	Sales of semi-finished shoe products *(note a)*	**23,262**	34,967
	Purchase of raw materials and shoe-related products *(note a)*	**153,434**	154,530
	Costs reimbursed to PCC under the Services Agreement *(note b)*	**174,295**	223,320
	Expenses reimbursed to PCC under the Services Agreement *(note b)*	**80,896**	86,438
	Service fees paid *(note b)*	**7,349**	7,923
	Proceeds from disposal of land and building	**–**	811
	Acquisition of shares in PCC *(note c)*	**23,034**	–
	Acquisition of a jointly controlled entity *(note d)*	**224**	–
	Balance due from/to the PCC Group at 30th September,		
	– trade receivables	**864**	1,367
	– trade payables	**33,397**	38,639

39. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

		THE GROUP	
Name of company	**Nature of transactions/balances**	**2001**	2000
		US$'000	*US$'000*
(I) CONNECTED PARTIES (continued)			
Golden Brands Developments Limited and its subsidiaries, associates and jointly controlled entities (collectively the "Golden Brands Group")	Proceeds from disposal of land and buildings *(note e)*	**25,760**	–
	Rentals received on land and buildings *(note f)*	**262**	–
	Management services income received *(note g)*	**161**	–
Companies controlled by certain directors:			
Godalming Industries Limited ("Godalming") and its subsidiaries	Rentals paid on land and buildings *(note h)*	**8,678**	8,605
Rising Developments Limited ("Rising")	Purchase of fuel oil *(note a)*	**38,791**	38,044
	Dividend income	**-**	885
	Balance due to Rising at 30th September, – trade payable	**2,754**	2,230
Company controlled by the minority shareholder of a subsidiary:			
Substantial Industries Limited	Acquisition of additional interest in a subsidiary *(note i)*	**1**	–

39. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Name of company	Nature of transactions/balances	THE GROUP 2001 US$'000	THE GROUP 2000 US$'000
(II) RELATED PARTIES, OTHER THAN CONNECTED PARTIES			
Jointly controlled entities:			
Various jointly controlled entities other than Rising	Purchase of rubber soles *(note j)*	**20,917**	23,067
	Dividend income	**670**	321
	Sales of shoe-related products *(note k)*	**2,839**	2,832
	Service fees paid *(note l)*	**937**	520
	Balance due from/to at 30th September,		
	– trade receivables	**13,824**	6,620
	– trade payables	**994**	2,459
Associates:	Purchase of raw materials *(note j)*	**3,340**	365
	Sales of shoe-related products *(note k)*	**-**	1,022
	Dividend income	**-**	603
	Balance due from/to at 30th September,		
	– trade receivables	**4,695**	1,796
	– dividend receivable	**-**	302

Notes:

(a) During the year, the Group sold semi-finished shoe products to PCC Group representing approximately 1.3% (2000: 2.1%) of the turnover of the Group for the year. In addition, the Group purchased raw materials and shoe-related products from PCC and companies controlled by PCC. These purchases of raw materials and shoe-related products together with the purchase of fuel oil from Rising, which is a 23% owned jointly controlled entity of PCC and a 50% owned jointly controlled entity of Godalming (see note (h) for details of Godalming's shareholders), represented approximately 10.8% (2000: 11.4%) of the turnover of the Group for the year. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on 11th September, 1996 and 27th March, 1997 respectively. PCC is a company listed on the Taiwan Stock Exchange Corporation and owned indirectly through Plantegenet Group Limited as to 14.49% by members of Tsai's family, including certain directors of the Company, Messrs. Tsai Chi Neng and David N.F. Tsai and directly as to 9.36% by relatives of Mr. Tsai Chi Neng.

The above transactions were carried out at market prices or, where no market prices were available, at cost plus a percentage profit mark-up.

39. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Notes: (continued)

(b) Pursuant to an ordinary resolution passed in the special general meeting of the Company held on 27th March, 1997, a service agreement dated 22nd February, 1997 entered into between the Company and PCC (the "Services Agreement") was approved by the shareholders of the Company. Pursuant to the Services Agreement, the Company has engaged PCC to provide product design and development, know-how, technical and marketing services and to source raw materials and recruit staff in relation to the production and sale of the Group's products. The services to be provided by PCC may be provided by or through members of the PCC Group. But PCC will remain fully liable for the provision of these services.

In consideration of the services provided by the PCC Group under the Services Agreement, the Company shall reimburse the costs and expenses incurred by PCC and shall also pay to PCC the following fees:

(i) in respect of the products developed by the PCC Group and sold by the Group, 0.5% of the net invoiced amount of such products;

(ii) in respect of materials, machinery and other goods purchased by, shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, 1% of the merchandise cost invoiced to the PCC Group; and

(iii) in respect of materials, machinery and other goods sourced by PCC Group on behalf of the Group in Taiwan or overseas whereby purchases are directly handled by the Group, 0.5% of the cost of merchandise invoiced to the Group.

The aggregate of the service fees paid by the Group and the expenses reimbursed to PCC represented approximately 5.0% (2000: 5.6%) of the turnover of the Group for the year and did not exceed the limit approved by the shareholders of the Company on 27th March, 1997.

(c) During the year, the Group acquired a total of 29,000,000 shares in PCC for an aggregate consideration of approximately US$23.0 million on the open market on the stock exchange in Taiwan.

(d) On 1st August, 2001, a wholly-owned subsidiary of the Company, Great Pacific Investments Limited, acquired from the PCC Group a 50% equity interest in Coprospects Holdings Limited ("Coprospects") for a consideration of approximately US$224,000 which was based on the net asset value of Coprospects as at 31st July, 2001.

(e) On 27th April, 2001, a wholly-owned subsidiary of the Company, Highmark Services Limited ("Highmark"), entered into an agreement with High Class Properties Limited ("High Class"), a wholly owned subsidiary of Golden Brands Developments Limited which is 85% owned by Eminent Leader Investments Limited, of which the sole shareholder, Mr. Tsai Chi Jui, is a substantial shareholder of the Company, for the disposal of land use right in relation to three plots of land together with three factory buildings and two dormitory buildings erected thereon at Yue Yuen Industrial Estate, He Lu Industrial Area, Huang Jiang Town, Dongguan, the PRC ("Yue Yuen Industrial Estate"). The consideration for the disposal was US$25.76 million which was equivalent to the value of these disposed land use right and buildings erected thereon as valued at 31st March, 2001 by Knight Frank, an independent firm of professional property valuers, on an open market value basis.

39. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Notes: (continued)

(f) The rentals on properties received from High Class were based on a lease agreement entered into between Highmark and High Class on 27th April, 2001 for a term of one year commencing from 1st April, 2001. The prevailing rent is equivalent to the open market rental value at 31st March, 2001 as valued by Knight Frank, an independent firm of professional property valuers.

(g) On 13th December, 2001, Highmark, the Golden Brands Group and the PCC Group entered into two service agreements, details of which are set out in note 44. Prior to entering these service agreements, and from 1st July, 2001 to 30th September, 2001, Highmark provided water supply and common services to the Golden Brands Group on a trial basis in return for an aggregate fee of US$161,000 which was calculated based on the actual cost of services incurred plus a percentage profit mark-up.

(h) Godalming is owned by Power Point Developments Limited, a company in which a director of the Company, Mr. Choi Kwok Keung, and a discretionary trust, the objects of which include another director of the Company, Mr. Tsai Chi Neng and his relatives, have beneficial interests. The rentals on properties paid to Godalming was based on a tenancy agreement entered into between the Group and subsidiaries of Godalming for a term of 10 years from 1st October, 1992 which may be extended at the option of the Group for a further period of five years. The rent will be revised every two years during the initial term. On exercise of the option to renew for a further term of five years, the rent will also be revised after the first two years of the renewed term. The revised rents are to be at the market rates prevailing at the relevant time as determined by an independent valuer. The prevailing rent is equivalent to the open market rental value at 30th September, 2000 as certified by A.G. Wilkinson & Associates, an independent firm of professional valuers.

(i) On 3rd October, 2000, a wholly-owned subsidiary of the Company, Great Pacific Investments Limited, acquired a further 10% equity interest in Prodigy Industries Limited, a formerly 65% owned subsidiary of the Company for a consideration of US$100, from Substantial Industries Limited, a company in which the minority shareholder of Prodigy Industries Limited has beneficial interests.

(j) The purchases of rubber soles and raw materials were carried out at market prices.

(k) The sales of shoe-related products were carried out at market prices or, where no market prices were available, at cost plus a percentage profit mark-up.

(l) Service fees paid were based on terms agreed by both parties.

40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th September, 2001 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued/ contributed capital	Proportion of nominal value of issued/ contributed capital held by the Company indirectly	Principal activities*
Friendsole Limited	Hong Kong	Ordinary – HK$1,000	100%	Provision of management services in Hong Kong
		Non-voting deferred – HK$1,000	100%	
Great Pacific Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Impressive Developments Ltd.	British Virgin Islands	US$1,000	82.5%	Investment holding
P.T. Nikomas Gemilang	Indonesia	Rp56,680,000,000	99.38%	Manufacture and sale of footwear in Indonesia
P.T. Pou Chen Indonesia	Indonesia	Rp49,872,000,000	90%	Manufacture and sale of footwear in Indonesia
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	100%	Manufacture and sale of footwear in Vietnam
Pou Yuen Fu Ta Limited	British Virgin Islands	US$1	100%	Manufacture of footwear in the PRC
Pou Yuen Industrial (Holdings) Limited	Hong Kong	Ordinary – HK$12,000,000	100%	Investment holding and property holding in Hong Kong and the PRC
		6% cumulative preference – HK$433,600,000	100%	
Pou Yuen International Limited	British Virgin Islands	US$1	100%	Manufacture of footwear in the PRC
Pou Yuen Marketing Company Limited	British Virgin Islands	US$1	100%	Sale and marketing of footwear in the PRC

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Nominal value of issued/ contributed capital	Proportion of nominal value of issued/ contributed capital held by the Company indirectly	Principal activities*
Pou Yuen Trading Inc.	British Virgin Islands	US$1	100%	Sale and marketing of footwear in the PRC
Pou Yuen Vietnam Enterprise Ltd.	Vietnam	US$36,062,100	100%	Manufacture and sale of footwear in Vietnam
Solar Link International Inc.	USA	US$1,000,000	100%	Manufacture and sale of footwear in the USA
Technic Holdings Corporation	British Virgin Islands	US$1	100%	Manufacture and sale of footwear in the PRC
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000 Non-voting deferred – HK$47,000,000	100% 100%	Investment holding and property holding in the PRC
Yue Yuen International Limited	British Virgin Islands	US$1	100%	Manufacture of footwear in the PRC
Yue Yuen Marketing Company Limited	British Virgin Islands	US$1	100%	Sale and marketing of footwear in the PRC
Yue Yuen Purchasing & Supply Co. Ltd.	British Virgin Islands	US$1	100%	Raw materials sourcing in the PRC

* The principal activities are carried out in the country/place stated.

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

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

None of the subsidiaries had issued any debt securities at the end of the year.

41. PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 30th September, 2001 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Asia Air Tech Industrial (Pte) Ltd.	Singapore	30%	Investment holding
Pine Wood Industries Limited	British Virgin Islands	37%	Investment holding
Proview International Holdings Limited ("Proview")*	Bermuda	24.58%	Manufacture and sale of computer monitors
San Fang International Enterprises Limited	British Virgin Islands	40%	Manufacture and sale of synthetic leather
Teco (Dongguan) Air Conditioning Equipment Ltd.	People's Republic of China	30%	Manufacture of central cooling system, commercial air conditioner and accessories
Talent Pool Management Limited	British Virgin Islands	30%	Provision of school services

* Proview is incorporated in Bermuda with its shares listed on the Stock Exchange.

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

42. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities at 30th September, 2001 are as follows:

Name of jointly controlled entity	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Cap Design Studio Industrial Limited	British Virgin Islands	50%	Manufacture and sale of sport caps
Ka Yuen Rubber Factory Limited	British Virgin Islands	50%	Manufacture and sale of rubber soles in the PRC
Rising Developments Limited	British Virgin Islands	23%	Sale of petrochemical products in the PRC
Selangor Gold Limited	British Virgin Islands	50%	Sale and marketing of footwear in the PRC

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

43. SEGMENTAL INFORMATION

	Turnover	
	2001	2000
	US$'000	*US$'000*
Geographical segments		
United States of America	**981,325**	901,369
Europe	**465,517**	452,286
Asia	**222,808**	221,771
Canada	**38,978**	53,081
South America	**35,438**	25,458
Other areas	**35,590**	37,163
	1,779,656	1,691,128

The Group has only one principal activity, namely manufacture and sale of footwear and shoe-related products. Accordingly, no segmental analysis by activity is presented.

The contribution to profit from operations by individual geographical market is not presented as the contribution to profit from operations from each geographical market as a proportion of turnover from that market is in line with the overall ratio of profit to turnover achieved by the Group.

44. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30th September, 2001:

(a) Subsequent to the balance sheet date, Highmark, a wholly-owned subsidiary of the Company, entered into two service agreements with Golden Brands Developments Limited ("Golden Brands") and PCC respectively. Pursuant to the service agreements, Highmark provides management services to Golden Brands and PCC and their subsidiaries respectively.

In addition, Highmark entered into a lease agreement with Golden Brands whereby it agreed to lease to Golden Brands such dormitories within the Yue Yuen Industrial Estate, as Golden Brands may from time to time require.

Golden Brands is ultimately owned as to 85% by Mr. Tsai Chi Jui, a substantial shareholder of the Company and PCC is a substantial shareholder of the Company, the agreements constituted connected transactions in accordance with the Listing Rules. Details of these connected transactions were disclosed in a press announcement dated 21st December, 2001.

(b) In October 2001, the Group obtained a syndicated loan of US$350 million to refinance its existing bank borrowings and to fund its future expansion.