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, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these new and revised SSAPs has led to a change in the format of presentation of the statement of changes in equity and changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current and prior years. Comparative disclosures for the prior year have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has disclosed segment turnover and results as defined by SSAP 26 "Segment Reporting". The Group has determined that geographical segment be presented as the primary reporting format. Segment disclosures for the year ended 30th September, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisition prior to 1st October, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st October, 2001 continues to be held in reserves and will be credited to income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1st October, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life.

Negative goodwill arising on acquisitions on or after 1st October, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstance from which the balance resulted.

Goodwill (negative goodwill) arising on the acquisition of an associate or jointly controlled entity is included within (deducted from) the carrying amount of the associate or jointly controlled entity. Goodwill (negative goodwill) arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment. The effect of this change has been to increase the Group's net assets at 1st October, 2000 and 2001 by US$49,693,000 and US$54,137,000 respectively.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1st October, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st October, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st October, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions on or after 1st October, 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill (Continued)

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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, plus the premium paid/less any discount on acquisition in so far as it has not been written off/amortised/released to income, less any identified impairment loss.

Joint ventures

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 jointly controlled entities, plus the premium paid/less any discount on acquisition in so far as it has not been written off/amortised/released to income, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Turnover

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 have been established.

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 revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of investment properties, any balance on 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, other than hotel property, are stated at cost or valuation less depreciation, amortisation and accumulated impairment losses.

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.

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.

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.

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)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which are the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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.

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 is calculated using the weighted average method.

Investments in securities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities (Continued)

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 year.

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 initially recorded at the rates of exchange prevailing 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. Profits and losses arising on exchange are included 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 activities is recognised as an expense in the year in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment analysis is presented as less than 10% of the Group's turnover and contribution to results are contributed by activities other than the manufacture and marketing of footwear products.

Geographical segments

An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by geographical segments, irrespective of the origin of the goods, is presented below:–

For the year ended 30th September, 2002

	United States of America	Europe	Asia	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER	1,001,039	527,010	267,394	143,172	1,938,615
RESULTS					
Segment result	98,380	51,793	26,279	14,071	190,523
Other operating income					64,749
Unallocated expenses					(12,538)
Profit from operations					242,734
Finance costs					(13,126)
Loss on disposal of an associate					(3,956)
Share of results of associates					(1,658)
Share of results of jointly controlled entities					5,736
Profit before taxation					229,730

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

For the year ended 30th September, 2002

	United States of America US$'000	Europe US$'000	Asia US$'000	Others US$'000	Total US$'000
ASSETS					
Segment assets	732,926	385,858	195,776	104,826	1,419,386
Interests in associates					9,058
Interest in jointly controlled entities					50,557
Unallocated corporate assets					457,018
Consolidated total assets					1,936,019
LIABILITIES					
Segment liabilities	114,775	60,425	30,658	16,415	222,273
Unallocated corporate liabilities					450,465
Consolidated total liabilities					672,738

	United States of America US$'000	Europe US$'000	Asia US$'000	Others US$'000	Total US$'000
OTHER INFORMATION					
Capital additions	50,437	26,553	13,473	7,214	97,677
Depreciation and amortisation	42,370	22,306	11,318	6,060	82,054

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

For the year ended 30th September, 2001

	United States of America *US$'000*	Europe *US$'000*	Asia *US$'000*	Others *US$'000*	Total *US$'000*
TURNOVER	981,325	465,517	222,814	110,000	1,779,656
RESULTS					
Segment result	94,292	44,730	21,409	10,569	171,000
Other operating income					68,910
Unallocated expenses					(5,160)
Profit from operations					234,750
Finance costs					(24,591)
Share of results of associates					(454)
Share of results of jointly controlled entities					3,317
Profit before taxation					213,022

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

For the year ended 30th September, 2001

	United States of America *US$'000*	Europe *US$'000*	Asia *US$'000*	Others *US$'000*	Total *US$'000*
ASSETS					
Segment assets	745,398	353,599	169,245	83,554	1,351,796
Interests in associates					25,361
Interest in jointly controlled entities					8,761
Unallocated corporate assets					269,236
Consolidated total assets					1,655,154
LIABILITIES					
Segment liabilities	95,283	45,200	21,634	10,681	172,798
Unallocated corporate liabilities					368,431
Consolidated total liabilities					541,229

	United States of America *US$'000*	Europe *US$'000*	Asia *US$'000*	Others *US$'000*	Total *US$'000*
OTHER INFORMATION					
Capital additions	100,321	47,590	22,778	11,245	181,934
Depreciation and amortisation	41,356	19,618	9,390	4,636	75,000

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
People's Republic of China (the "PRC")	**899,092**	884,325	**57,084**	116,774
Indonesia	**202,614**	200,179	**18,304**	26,199
Vietnam	**300,243**	259,632	**21,890**	35,133
Others	**17,437**	7,660	**399**	3,828
	1,419,386	1,351,796	**97,677**	181,934

5. PROFIT FROM OPERATIONS

	2002	2001
	US$'000	*US$'000*
Profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	**332,627**	288,070
– retirement benefits scheme contributions	**2,065**	1,646
	334,692	289,716
Auditors' remuneration	**576**	603
Depreciation and amortisation	**82,054**	75,000
Amortisation of goodwill, included in other operating expenses	**35**	–
Loss on disposal of property, plant and equipment	**4,216**	–
Loss on partial disposal of interest in an associate	–	45
Research and development expenditure	**60,412**	55,227
and after crediting:		
Interest income from bank deposits	**4,438**	5,866
Dividend income from investments in securities	**51**	350
Gain on disposal of property, plant and equipment	–	92
Gross rental income on investment properties, before deduction of outgoings of US$1,000 (2001: US$21,000)	**2,470**	1,516

6. FINANCE COSTS

	2002 US$'000	2001 US$'000
Interest on:		
– bank borrowings wholly repayable within five years	**12,922**	24,226
– other borrowings wholly repayable within five years	**204**	365
	13,126	24,591

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2002 US$'000	2001 US$'000
Directors' fees:		
Executive	**–**	–
Non-executive	**112**	112
Independent non-executive	**64**	51
Other emoluments of executive directors:		
Salaries and other benefits	**1,370**	1,381
Bonus	**4,733**	4,380
Other emoluments of non-executive directors:		
Bonus	**128**	128
Total directors' emoluments	**6,407**	6,052

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 approximately US$10,000 (2001: US$12,000).

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Up to HK$1,000,000	**4**	6
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,500,001 to HK$3,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**0**	1
HK$6,500,001 to HK$7,000,000	**1**	1
HK$7,500,001 to HK$8,000,000	**2**	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.

8. INCOME TAX EXPENSE

	2002 ***US$'000***	2001 *US$'000*
The charge comprises of:		
Hong Kong Profits Tax		
– current year	**41**	40
– (over)underprovision in prior year	**(1)**	1
Overseas taxation	**470**	425
Share of taxation of an associate	**186**	231
Share of taxation of jointly controlled entities	**413**	59
Deferred taxation *(note 25)*	**(11)**	–
	1,098	756

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

8. INCOME TAX EXPENSE (Continued)

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.

9. DIVIDENDS

	2002	2001
	US$'000	*US$'000*
		(As restated)
Interim dividend of HK$0.40 per share paid (2001: HK$0.40 per share)	**36,525**	36,263
2001 Final dividend of HK$0.60 per share paid (2000: HK$0.55 per share)	**54,137**	49,594
	90,662	85,857

The directors have resolved to recommend the payment of a final dividend of HK$0.75 per share for the financial year ended 30th September, 2002. The amount of the final dividend will be satisfied by way of cash payment, with an option for those entitled thereto to elect to be issued and allotted subdivided shares (the "Scrip Shares") of HK$0.25 each as set out in note 39(d) in lieu of cash payment or a combination of cash payment and Scrip Shares, and is subject to the passing of an ordinary resolution by shareholders in the Annual General Meeting.

For the purpose of calculating the number of the Scrip Shares to be allotted, the value of Scrip Shares will be HK$13.74 per share which was fixed by reference to the average of the closing price of the existing shares of HK$0.50 each for the last five consecutive trading days prior to 17th January, 2003.

10. EARNINGS PER SHARE

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

	2002	2001
Earnings:		
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	**US$228,572,000**	US$212,803,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**707,149,446**	705,733,290
Effect of dilutive potential ordinary shares in respect of share options	**14,858,807**	12,254,906
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**722,008,253**	717,988,196

11. INVESTMENT PROPERTIES

	THE GROUP *US$'000*
VALUATION	
At 1st October, 2001	58,104
Net transfer from property, plant and equipment *(note 12)*	1,536
Revaluation increases	1,054
At 30th September, 2002	**60,694**

The Group's investment properties which are rented out under operating leases were revalued at 30th September, 2002 by Knight Frank (Services) Limited (formerly known as Knight Frank), an independent firm of professional property valuers, on an open market value basis. The revaluation increase has been credited to the investment properties revaluation reserve.

11. INVESTMENT PROPERTIES (Continued)

	THE GROUP	
	2002	2001
	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	**7,731**	7,821
Properties held under medium-term leases or medium-term land use rights in		
– Hong Kong	**–**	256
– the PRC	**52,963**	50,027
	60,694	58,104

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *US$'000*	Hotel properties *US$'000*	Buildings under construction *US$'000*	Leasehold improvements *US$'000*	Furniture, fixtures and equipment *US$'000*	Motor vehicles *US$'000*	Plant and machinery *US$'000*	Total *US$'000*
THE GROUP								
COST OR VALUATION								
At 1st October, 2001	511,497	15,914	50,789	96,096	56,705	15,827	520,204	1,267,032
Acquisition of subsidiaries	–	–	–	76	644	43	–	763
Additions	14,892	1,791	19,877	7,756	10,169	1,447	41,745	97,677
Reclassification	35,046	–	(41,856)	233	571	–	6,006	–
Transferred from (to) investment properties *(note 11)*	12,436	–	(13,972)	–	–	–	–	(1,536)
Disposals	(1,477)	–	–	(3,939)	(1,353)	(949)	(10,181)	(17,899)
At 30th September, 2002	**572,394**	**17,705**	**14,838**	**100,222**	**66,736**	**16,368**	**557,774**	**1,346,037**
Comprising:								
At cost	536,881	17,705	14,838	100,222	66,736	16,368	557,774	1,310,524
At valuation – 1995	35,513	–	–	–	–	–	–	35,513
	572,394	17,705	14,838	100,222	66,736	16,368	557,774	1,346,037
DEPRECIATION AND AMORTISATION								
At 1st October, 2001	51,024	–	–	31,368	28,953	9,985	205,604	326,934
Acquisition of subsidiaries	–	–	–	44	199	5	–	248
Provided for the year	13,731	–	–	7,051	8,920	1,791	50,561	82,054
Eliminated on disposals	(75)	–	–	(1,798)	(782)	(719)	(4,496)	(7,870)
At 30th September, 2002	**64,680**	**–**	**–**	**36,665**	**37,290**	**11,062**	**251,669**	**401,366**
NET BOOK VALUE								
At 30th September, 2002	**507,714**	**17,705**	**14,838**	**63,557**	**29,446**	**5,306**	**306,105**	**944,671**
At 30th September, 2001	460,473	15,914	50,789	64,728	27,752	5,842	314,600	940,098

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings *US$'000*	Leasehold improvements *US$'000*	Total *US$'000*
THE COMPANY			
COST			
At 1st October, 2001 and 30th September, 2002	242	20	262
DEPRECIATION AND AMORTISATION			
At 1st October, 2001	34	12	46
Provided for the year	4	1	5
At 30th September, 2002	**38**	**13**	**51**
NET BOOK VALUE			
At 30th September, 2002	**204**	**7**	**211**
At 30th September, 2001	208	8	216

The land and buildings stated at 1995 valuation were valued at 30th September, 1995 by Knight Frank (Services) Limited (formerly known as 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$501,254,000 (2001: US$454,010,000).

The Group has acquired rights to the use of land (the "land rights") in the PRC and Indonesia 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, 2002, the net book value of the land rights for which the Group had not been granted formal title amounted to approximately US$60.2 million (2001: approximately US$43.6 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	
	2002	2001	**2002**	2001
	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	**90,186**	101,562	**–**	–
– Indonesia	**74,891**	68,281	**–**	–
Properties held under medium-term leases or medium-term land use rights in				
– Hong Kong	**3,694**	3,532	**204**	208
– the PRC	**198,220**	165,300	**–**	–
– Vietnam	**137,286**	118,331	**–**	–
Freehold properties in Mexico	**3,437**	3,467	**–**	–
Hotel properties held under long-term land use rights in the PRC	**17,705**	15,914	**–**	–
Buildings under construction situated in				
– the PRC	**10,243**	20,854	**–**	–
– Vietnam	**3,680**	26,593	**–**	–
– Indonesia	**915**	3,342	**–**	–
	540,257	527,176	**204**	208

13. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2002	2001
	US$'000	*US$'000*
Unlisted shares, at cost	**60,832**	60,832
Amounts due from subsidiaries	**1,054,085**	888,470
	1,114,917	949,302
Amounts due to subsidiaries	**297,271**	254,173

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

Details of the Company's principal subsidiaries at 30th September, 2002 are set out in note 40.

14. GOODWILL

	THE GROUP
	US$'000
COST	
Arising on acquisition of subsidiaries	501
Arising on acquisition of additional interest in a subsidiary	205
At 30th September, 2002	**706**
AMORTISATION	
Provided for the year and at 30th September, 2002	(35)
NET BOOK VALUE	
At 30th September, 2002	**671**
At 30th September, 2001	–

Goodwill is amortised on a straight line basis and the amortisation period for goodwill is 20 years.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Share of net assets of associates which are		
– listed in Hong Kong	**–**	20,368
– unlisted	**3,863**	4,993
	3,863	25,361
Amounts due from associates	**5,195**	–
	9,058	25,361
Market value of listed shares at 30th September	**–**	6,618

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. 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 Group's principal associates at 30th September, 2002 are set out in note 41.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Share of net assets of jointly controlled entities	**21,670**	8,761
Amounts due from jointly controlled entities	**28,887**	–
	50,557	8,761

The amounts are unsecured, interest-free and have no fixed repayment terms. 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 Group's principal jointly controlled entities at 30th September, 2002 are set out in note 42.

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Non-current investments		
Investment securities		
Listed securities		
– Hong Kong	**3,191**	–
– overseas	**23,034**	23,034
Unlisted securities		
– overseas	**17,802**	17,802
	44,027	40,836
Current investments		
Other investments		
– overseas unlisted securities	**2,110**	2,110
Market value of listed securities	**22,689**	18,948

18. INVENTORIES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Raw materials	**97,038**	95,229
Work in progress	**50,829**	56,354
Finished goods	**60,397**	46,224
	208,264	197,807

All inventories were carried at cost at the balance sheet date.

19. 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$226,971,000 (2001: US$161,252,000) and an aged analysis is as follows:

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
0 to 30 days	**163,923**	109,880
31 to 90 days	**54,697**	39,859
Over 90 days	**8,351**	11,513
	226,971	161,252

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$124,012,000 (2001: US$96,286,000) and an aged analysis is as follows:

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
0 to 30 days	**81,272**	67,347
31 to 90 days	**38,548**	17,012
Over 90 days	**4,192**	11,927
	124,012	96,286

21. SHORT-TERM BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current portion of long-term bank borrowings *(note 22)*	–	150,000	–	150,000
Current portion of other long-term borrowings *(note 23)*	**1,510**	1,976	–	–
Trust receipt and import loans	**87,175**	77,442	–	–
Short-term bank borrowings	**66,315**	94,300	–	–
Bank overdrafts	**9**	215	–	–
	155,009	323,933	–	150,000

22. LONG-TERM BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
The bank borrowings are repayable within the periods as follows:				
Within one year	–	150,000	–	150,000
After one but within two years	**14,000**	–	–	–
After two but within five years	**252,000**	16,154	**252,000**	–
	266,000	166,154	**252,000**	150,000
Less: Amount due within one year included under current liabilities *(note 21)*	–	(150,000)	–	(150,000)
Amount due after one year	**266,000**	16,154	**252,000**	–

Included in the long-term bank borrowings is an amount of US$252 million drawn under a syndicated loan facility of US$350 million raised during the year. Amount drawn under the facility is due for repayment in full in four instalments from April 2005 to October 2006.

22. LONG-TERM BANK BORROWINGS (Continued)

Under such syndicated loan agreement, 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 and Pou Yuen Industrial (Holdings) Limited, a wholly owned subsidiary of the Company, shall remain a subsidiary of the Company.

23. OTHER LONG-TERM BORROWINGS

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
The other borrowings are unsecured, carry interest at commercial rate and are payable as follows:		
Within one year	**1,510**	1,976
After one but within two years	**161**	1,676
	1,671	3,652
Less: Amount due within one year included under current liabilities *(note 21)*	**(1,510)**	(1,976)
Amount due after one year	**161**	1,676

24. 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.

25. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Balance brought forward	**3,605**	3,605
Credit for the year *(note 8)*	**(11)**	–
Balance carried forward	**3,594**	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 revaluation increase 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.

26. SHARE CAPITAL

	Number of shares	Amounts
		HK$'000
Authorised:		
Ordinary shares of HK$0.50 each		
– balance at 1st October, 2001 and 30th September, 2002	**1,000,000,000**	**500,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each		
– balance at 1st October, 2000	707,333,953	353,667
– exercise of share options	7,700,000	3,850
– shares repurchased and cancelled	(11,353,000)	(5,677)
– balance at 30th September, 2001	703,680,953	351,840
– exercise of shares options	8,500,000	4,250
– balance at 30th September, 2002	**712,180,953**	**356,090**

	US$'000
Shown in the financial statements as at	
30th September, 2002	**46,008**
30th September, 2001	45,463

During the year, 8,500,000 share options were exercised at a subscription price of HK$10.22 per share, resulting in the issue of 8,500,000 ordinary shares of HK$0.50 each in the Company.

All the shares issued during the year rank pari passu in all respects with the then existing ordinary shares.

27. SHARE OPTIONS SCHEME

At 30th September, 2002, the following options to subscribe for shares outstanding under the Company's share option scheme are as follows:

		Number of share options		
Date of grant	Exercise price per share HK$	Outstanding at 1.10.2001	Exercised during the year	Outstanding at 30.9.2002
28th April, 1993	6.35	1,466,666	–	1,466,666
12th December, 1996	10.22	32,000,000	(8,500,000)	23,500,000
		33,466,666	(8,500,000)	24,966,666

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

28. 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, 2000							
– as originally stated	363,740	14,750	(150,692)	(16,688)	–	692,097	903,207
– prior year adjustment *(note 2)*	–	–	–	–	–	49,693	49,693
– as restated	363,740	14,750	(150,692)	(16,688)	–	741,790	952,900
Revaluation increase on 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 movements 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
Negative goodwill 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)*	–	–	–	–	–	(85,857)	(85,857)
At 30th September, 2001	348,859	15,450	(149,327)	(16,688)	–	868,736	1,067,030
Revaluation increase on investment properties	–	1,054	–	–	–	–	1,054
Premium arising on issue of shares	10,593	–	–	–	–	–	10,593
Share of post-acquisition reserve movement of a jointly controlled entity	–	–	(4)	–	–	–	(4)
Released on disposal of interest in an associate	–	(254)	(789)	–	–	–	(1,043)
Net profit for the year	–	–	–	–	–	228,572	228,572
Dividends *(note 9)*	–	–	–	–	–	(90,662)	(90,662)
At 30th September, 2002	**359,452**	**16,250**	**(150,120)**	**(16,688)**	**–**	**1,006,646**	**1,215,540**
Attributable to:							
– the Company and subsidiaries	359,452	16,250	(150,218)	(16,688)	–	998,271	1,207,067
– associates	–	–	–	–	–	(2,819)	(2,819)
– jointly controlled entities	–	–	98	–	–	11,194	11,292
	359,452	16,250	(150,120)	(16,688)	–	1,006,646	1,215,540

28. 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, 2000							
– as originally reported	363,740	–	–	–	38,126	62,102	463,968
– prior year adjustment *(note 2)*	–	–	–	–	–	49,693	49,693
– as restated	363,740	–	–	–	38,126	111,795	513,661
Premium arising on issue of shares	5,775	–	–	–	–	–	5,775
Shares repurchased and cancelled	(20,656)	–	–	–	–	–	(20,656)
Net profit for the year	–	–	–	–	–	91,143	91,143
Dividends *(note 9)*	–	–	–	–	–	(85,857)	(85,857)
At 30th September, 2001	348,859	–	–	–	38,126	117,081	504,066
Premium arising on issue of shares	10,593	–	–	–	–	–	10,593
Net profit for the year	–	–	–	–	–	100,100	100,100
Dividends *(note 9)*	–	–	–	–	–	(90,662)	(90,662)
At 30th September, 2002	**359,452**	**–**	**–**	**–**	**38,126**	**126,519**	**524,097**

The goodwill reserve of the Group comprises approximately US$151,447,000 (2001: US$151,442,000) in respect of goodwill and approximately US$1,327,000 (2001: US$2,115,000) in respect of negative goodwill.

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

28. RESERVES (Continued)

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, 2002 were US$164,645,000 (2001: US$155,207,000), which comprises the aggregate of contributed surplus and accumulated profits of the Company.

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

	2002	2001
	US$'000	*US$'000*
Profit before taxation	**229,730**	213,022
Interest income	**(4,438)**	(5,866)
Interest on bank and other borrowings	**13,126**	24,591
Provision for doubtful debts	**–**	8,489
Dividend income from investments in securities	**(51)**	(350)
Share of results of associates	**1,658**	454
Share of results of jointly controlled entities	**(5,736)**	(3,317)
Depreciation and amortisation	**82,054**	75,000
Amortisation of goodwill	**35**	–
Loss (gain) on disposal of property, plant and equipment	**4,216**	(92)
Loss on disposal/partial disposal of interest in an associate	**3,956**	45
Increase in inventories	**(6,564)**	(13,120)
Increase in trade and other receivables	**(53,622)**	(17,872)
Increase (decrease) in trade and other payables	**43,250**	(20,032)
Net cash inflow from operating activities	**307,614**	260,952

30. PURCHASE OF SUBSIDIARIES

	2002 US$'000	2001 US$'000
Net assets acquired:		
Property, plant and equipment	515	–
Inventories	3,893	–
Trade and other receivables	3,077	–
Bank balances and cash	950	–
Trade and other payables	(5,605)	–
Loan from minority shareholders	(453)	–
Bank overdrafts	(152)	–
Minority interests	(486)	–
	1,739	–
Less: Interests previously acquired and classified as an associate	(249)	–
Net assets	1,490	–
Goodwill arising on acquisition	501	–
	1,991	–
Satisfied by:		
Cash	1,991	–
Analysis of the net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(1,991)	–
Bank balances and cash acquired	950	–
Bank overdrafts	(152)	–
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(1,193)	–

30. PURCHASE OF SUBSIDIARIES (Continued)

The subsidiaries acquired during the year contributed US$1,893,000 to the Group's net operating cash flows, and paid US$153,000 for investing activities.

The subsidiaries acquired during the year contributed approximately US$6,729,000 to the Group's turnover, and profit of approximately US$178,000 to the Group's profit from operations.

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Minority interests	Loan from minority shareholder	Share capital and share premium	Trust receipt and import loans	Bank loans	Other long-term loans
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st October, 2000	4,819	2,297	409,437	55,596	232,559	5,628
Issue of shares on exercise of options	–	–	6,269	–	–	–
Share 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	1,432	2,898	394,322	77,442	260,454	3,652
Issue of shares on exercise of options	–	–	11,138	–	–	–
Borrowings raised	–	–	–	236,007	268,861	–
Repayment of borrowings	–	–	–	(226,274)	(197,000)	(1,981)
Loans from minority shareholders	–	2,698	–	–	–	–
Acquisition of interests in subsidiaries	486	453	–	–	–	–
Acquisition of additional interest in a subsidiary	(266)	–	–	–	–	–
Goodwill arising on acquisition of additional interest in a subsidiary	205	–	–	–	–	–
Share of profits by minority interests	60	–	–	–	–	–
Dividend paid to minority shareholders	(184)	–	–	–	–	–
At 30th September, 2002	**1,733**	**6,049**	**405,460**	**87,175**	**332,315**	**1,671**

32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002	2001
	US$'000	*US$'000*
Bank balances and cash	**312,466**	131,630
Bank overdrafts	**(9)**	(215)
	312,457	131,415

33. MAJOR NON-CASH TRANSACTION

During the year ended 30th September, 2001, the Group 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 minority shareholder of the subsidiary.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Minimum leases payments paid under operating leases during the year:		
Land and buildings	**10,206**	10,422
Plant and machinery	**453**	47
	10,659	10,469

34. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessee (Continued)

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	
	2002	2001
	US$'000	*US$'000*
Within one year	**8,366**	9,644
In the second to fifth year inclusive	**32,529**	1,047
After five years	**6,008**	2,800
	46,903	13,491

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and staff quarters.

Included in the above are commitments under non-cancellable operating leases of approximately US$39.8 million (2001: US$9.0 million) which expire in 2007 payable to related companies, Godalming Industries Limited and its subsidiaries ("Godalming"), 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.

The Group as lessor

The properties are expected to generate rental yields of 3% on an ongoing basis. All of the properties held have committed tenants for the next one to five years.

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

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Within one year	**1,027**	1,056
In the second to fifth year inclusive	**489**	615
	1,516	1,671

35. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of		
– amount committed for construction of buildings	**14,245**	8,479
– acquisition of property, plant and equipment	**3,177**	6,238
	17,422	14,717

In addition, pursuant to an agreement entered into on 16th September, 2002 between the Company, PCC and its subsidiaries in acquiring interests in companies indirectly owned by PCC for a consideration of US$427 million. The acquisition was completed in November 2002. The consideration was satisfied as to US$186.8 million by the issue of 60 million shares of the Company at HK$24.29 per share and as to the remaining US$240.2 million by cash. Details of this acquisition are set out in a circular issued by the Company to shareholders dated 8th October, 2002 (see note 39(b)).

36. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
Export bills discounted with recourse	**–**	10,794	**–**	–
Guarantees given to banks/ suppliers in respect of credit facilities extended to				
– subsidiaries	**–**	–	**153,498**	172,056
– jointly controlled entities	**426**	339	**426**	339
	426	339	**153,924**	172,395

37. RETIREMENT BENEFITS SCHEME

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

The 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 PRC and Indonesia 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.

38. 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**	**2002**	2001
		US$'000	*US$'000*
(I) CONNECTED PARTIES			
Substantial shareholders of the Company:			
PCC and its subsidiaries, associates and jointly controlled entities other than members of the Group (collectively the "PCC Group")	Sales of semi-finished shoe products *(note a)*	**23,359**	23,262
	Purchase of raw materials and shoe-related products *(note a)*	**179,847**	153,434
	Costs reimbursed to PCC under the Services Agreement *(note b)*	**178,394**	174,295
	Expenses reimbursed to PCC under the Services Agreement *(note b)*	**79,931**	80,896
	Service fees paid *(note b)*	**7,452**	7,349
	Management services income received *(note c)*	**485**	–
	Acquisition of shares in PCC *(note d)*	**–**	23,034
	Acquisition of an associate *(note e)*	**1**	–
	Acquisition of a jointly controlled entity *(note f)*	**–**	224
	Balance due from/to the PCC Group at 30th September		
	– trade receivables	**8,846**	864
	– trade payables	**51,602**	33,397
Golden Brands Developments Limited and its subsidiaries, associates and jointly controlled entities (collectively the "Golden Brands Group")	Management services income received *(note c)*	**8,338**	161
	Rental received on dormitories *(note c)*	**867**	–
	Proceeds from disposal of land and buildings *(note g)*	**–**	25,760
	Rentals received on land and buildings *(note h)*	**–**	262
	Balance due from the Golden Brands Group at 30th September		
	– trade receivables	**2,259**	–

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

Name of company	Nature of transactions/balances	THE GROUP 2002 US$'000	2001 US$'000
(I) CONNECTED PARTIES (Continued)			
Companies controlled by certain directors:			
Godalming Industries Limited ("Godalming") and its subsidiaries	Rentals paid on land and buildings *(note i)*	**8,186**	8,678
Rising Developments Limited ("Rising")	Purchase of fuel oil *(note a)*	**40,480**	38,791
	Balance due to Rising at 30th September – trade payable	**3,001**	2,754
Company controlled by the minority shareholder of a subsidiary:			
Substantial Industries Limited	Acquisition of additional interest in a subsidiary *(note j)*	**–**	1

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

Name of company	Nature of transactions/balances	THE GROUP 2002 US$'000	THE GROUP 2001 US$'000
(II) RELATED PARTIES, OTHER THAN CONNECTED PARTIES			
Jointly controlled entities:			
Various jointly controlled entities other than Rising	Purchase of rubber soles *(note k)*	**22,144**	20,917
	Dividend income	**2,530**	670
	Sales of shoe-related products *(note l)*	**2,310**	2,839
	Service fees paid *(note m)*	**378**	937
	Service income *(note m)*	**1,242**	–
	Rental income *(note n)*	**119**	–
	Disposal of property, plant and equipment *(note o)*	**2,105**	–
	Balance due from/to at 30th September		
	– trade receivables	**5,777**	13,824
	– trade payables	**6,166**	994
Associates:	Purchase of raw materials *(note k)*	**5,061**	3,340
	Service income *(note m)*	**5,975**	–
	Balance due from/to at 30th September		
	– trade receivables	**394**	4,695

Notes:

(a) During the year, the Group sold semi-finished shoe products to PCC Group representing approximately 1.2% (2001: 1.3%) 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 (i) for details of Godalming's shareholders), represented approximately 11.4% (2001: 10.8%) 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.

38. 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 4.5% (2001: 5.0%) 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.

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

Notes: (Continued)

(c) On 13th December, 2001, Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into two services agreements with PCC and Golden Brands Developments Limited ("Golden Brands") for the provision of management services to Golden Brands and PCC and their subsidiaries.

In addition, on 13th December, 2001 Highmark entered into a lease agreement with Golden Brands in leasing to Golden Brands dormitories within the Yue Yuen Industrial Estate, He Lu Industrial Area, Huang Jiang Town, Dongguan, the PRC ("Yue Yuen Industrial Estate").

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.

In consideration of the services and facilities provided by Highmark under the services and rental agreements, Highmark charged PCC and Golden Brands the following fees:

(i) in respect of the common services provided by Highmark, approximately 10% markup on the aggregate cost incurred by Highmark.

(ii) in respect of the supply of electricity by Highmark, approximately 10% markup on the cost incurred by Highmark.

(iii) in respect of the supply of water by Highmark, approximately 15% markup on the cost incurred by Highmark.

(iv) in respect of rental, the prevailing rent is equivalent to the open market rental value at 30th September, 2001 as valued by Knight Frank (Services) Limited (formerly known as Knight Frank), an independent firm of professional property valuers.

Prior to entering these services 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.

(d) During the year ended 30th September, 2001, 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.

(e) On 1st February, 2002, a wholly-owned subsidiary of the Company, Great Pacific Investments Limited, acquired from the PCC Group, 49% equity interest in Orisol Asia Limited ("Orisol") for a consideration of US$49 which was based on the net asset value of Orisol as at 31st January, 2002 and the shareholder's loan of US$381,000.

(f) 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.

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

Notes: (Continued)

(g) On 27th April, 2001, Highmark entered into an agreement with High Class Properties Limited ("High Class"), a wholly owned subsidiary of Golden Brands 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. 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 (Services) Limited, an independent firm of professional property valuers, on an open market value basis.

(h) Prior to entering the lease agreement with Golden Brands as detailed in note 38(c), Highmark had entered into a lease agreement with High Class, on 27th April, 2001 for a term of one year commencing from 1st April, 2001. Such lease agreement expired on 26th April, 2002 and was replaced by the lease agreement with Golden Brands. The prevailing rent was equivalent to the open market rental value at 30th September, 2001 as valued by Knight Frank (Services) Limited, an independent firm of professional property valuers.

(i) 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 were 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 was revised every two years during the initial term. 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.

On 30th August, 2002, the Group exercised the option to renew the tenancy agreement for a further term of five years. On exercise of the option to renew for a further term of five years, the rent was revised. The revised rents are to be at the market rates prevailing at the relevant time as determined by an independent valuer.

(j) 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, the minority shareholder of Prodigy Industries Limited.

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

(l) 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.

(m) Service fees paid/income were based on terms agreed by both parties.

(n) The rental income were based on terms agreed by both parties.

(o) Property, plant and equipment was disposed at its net book value at 30th June, 2002.

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

In addition, on 16th September, 2002, the Company entered into an agreement with PCC and its subsidiaries, for the acquisition by the Company interests in companies indirectly owned by PCC (the "Target Group") for a consideration of US$427 million, subject to adjustments. The Target Group is principally engaged in the manufacture of raw materials, production tools and shoe components for shoe manufacturing.

Details of the transaction relating to the Company's acquisition of the Target Group is set out in a circular issued by the Company to shareholders dated 8th October, 2002. The acquisition was approved by the shareholders in a Special General Meeting of the Company held on 29th October, 2002.

39. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30th September, 2002:

(a) In October 2002, the Group drew down the remaining US$98 million of its US$350 million syndicated loan facility and obtained an additional syndicated loan of US$105 million.

(b) The acquisition of the Target Group from PCC as detailed in note 38 was approved by the shareholders in a special general meeting of the Company held on 29th October, 2002 and it became unconditional on 5th November, 2002. Upon completion of the agreement, PCC has increased its shareholdings in the Company to 48.6%.

(c) In December 2002, 1,466,666 share options were exercised at a subscription price of HK$6.35 per share, resulting in the issue of 1,466,666 ordinary shares of HK$0.50 each in the Company.

(d) On 17th January, 2003, the Company proposed to shareholders the followings:

- Subdivide each of the existing issued and unissued share of HK$0.50 each in the share capital of the Company into two shares of HK$0.25 each ("Subdivided Shares").

- Immediately following the share subdivision, the board lot size for trading of shares in the Company will change from 1,000 shares of HK$0.50 each to 500 Subdivided Shares.

39. POST BALANCE SHEET EVENTS (Continued)

– Upon completion of the subdivision of shares, the authorised share capital of the Company will be HK$500,000,000, comprising 2,000,000,000 Subdivided Shares and 1,547,295,238 Subdivided Shares be in issue and fully paid assuming that no further existing shares of HK$0.50 each are issued or repurchased prior to the completion of subdivision of shares. The Subdivided Shares will rank pari passu in all respects with the existing shares in issue prior to the share subdivision (but their nominal value will be different).

The subdivision of shares are subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting of the Company, consent of the Bermuda Monetary Authority and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares. Details of the proposed subdivision will be set out in announcement and a circular with full details to be issued by the Company as soon as practicable.

40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th September, 2002 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*
Dedicated Group Limited	British Virgin Islands	US$100	70%	Investment holding
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 Limited	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

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*
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 6% cumulative preference – HK$433,600,000	100% 100%	Investment holding and property holding in Hong Kong and the PRC
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
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

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*
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, 2002 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
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

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, 2002 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
Well Success Investments Limited	British Virgin Islands	50%	Investment holding

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.