NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th September, 2003

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 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, the following Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRSs is inclusive of Statements of Standard Accounting Practice ("SSAPs") and interpretations approved by the HKSA. The adoption of these HKFRSs has resulted in a change in the format of presentation of the cash flow statements but had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations, subsidiaries, associates and jointly controlled entities at the closing rate for the year. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

For the year ended 30th September, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

For the year ended 30th September, 2003

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 goodwill/less negative goodwill on acquisition in so far as it has not been written off/amortised/released to income in acquisition, 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 goodwill/less any negative goodwill on acquisition in so far as it has not been written off/amortised/released to income in acquisition, 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.

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' rights to receive payment has been established.

For the year ended 30th September, 2003

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 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.

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 accumulated profits.

For the year ended 30th September, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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)

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.

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.

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.

For the year ended 30th September, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

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.

Retirement benefits scheme

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

For the year ended 30th September, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

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 manufacturing 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, 2003

	United States of America US$'000	Europe US$'000	Asia US$'000	Others US$'000	Total US$'000
TURNOVER	**1,041,487**	**753,938**	**570,697**	**143,355**	**2,509,477**
RESULTS					
Segment results	**103,034**	**74,735**	**44,651**	**14,218**	**236,638**
Other operating income					**103,176**
Unallocated expenses					**(37,023)**
Profit from operations					**302,791**
Finance costs					**(15,496)**
Gain on disposal of a subsidiary					**879**
Gain on disposal of an associate					**2,757**
Share of results of associates					**4,596**
Share of results of jointly controlled entities					**16,316**
Profit before taxation					**311,843**
Income tax expense					**(1,904)**
Profit before minority interests					**309,939**
Minority interests					**(1,692)**
Net profit for the year					**308,247**

For the year ended 30th September, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

For the year ended 30th September, 2003

	United States of America US$'000	Europe US$'000	Asia US$'000	Others US$'000	Total US$'000
ASSETS					
Segment assets	710,770	511,581	625,116	97,111	1,944,578
Interests in associates					33,181
Interests in jointly controlled entities					87,221
Unallocated corporate assets					510,117
Consolidated total assets					2,575,097
LIABILITIES					
Segment liabilities	116,098	83,979	68,774	15,965	284,816
Unallocated corporate liabilities					677,261
Consolidated total liabilities					962,077
OTHER INFORMATION					
Capital additions	75,518	53,008	251,330	9,962	389,818
Depreciation and amortisation	41,830	30,253	25,092	5,751	102,926
Amortisation of goodwill	302	137	10,571	20	11,030

For the year ended 30th September, 2003

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
TURNOVER	1,001,039	527,010	267,394	143,172	1,938,615
RESULTS					
Segment results	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
Income tax expenses					(1,098)
Profit before minority interests					228,632
Minority interests					(60)
Net profit for the year					228,572
ASSETS					
Segment assets	732,926	385,858	195,776	104,826	1,419,386
Interests in associates					9,058
Interests 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

For the year ended 30th September, 2003

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
OTHER INFORMATION					
Capital additions	50,437	26,553	13,678	7,214	97,882
Depreciation and amortisation	42,370	22,306	11,318	6,060	82,054
Amortisation of goodwill	–	–	35	–	35

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**	
	2003 US$'000	2002 US$'000	**2003 US$'000**	2002 US$'000
PRC	**1,344,374**	899,092	**307,235**	57,289
Indonesia	**201,423**	202,614	**15,566**	18,304
Vietnam	**354,850**	300,243	**58,398**	21,890
Others	**43,931**	17,437	**8,619**	399
	1,944,578	1,419,386	**389,818**	97,882

For the year ended 30th September, 2003

5. PROFIT FROM OPERATIONS

	2003	2002
	US$'000	US$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	**427,520**	332,627
– retirement benefits scheme contributions	**4,800**	2,065
	432,320	334,692
Auditors' remuneration	**742**	576
Depreciation and amortisation	**102,926**	82,054
Amortisation of goodwill, included in other operating expenses	**11,030**	35
Loss on disposal of property, plant and equipment	**913**	4,216
Research and development expenditure	**84,193**	60,412
Unrealised loss on other investments	**911**	–
and after crediting:		
Interest income from bank deposits	**4,278**	4,438
Gain on disposal of investments in securities	**2,724**	–
Dividend income from investments in securities	**677**	51
Exchange gain	**9,093**	1,084
Gross rental income on investment properties, before deduction of outgoings of US$38,000 (2002: US$1,000)	**3,622**	2,470

6. FINANCE COSTS

	2003	2002
	US$'000	US$'000
Interest on:		
– bank borrowings wholly repayable within five years	**15,439**	12,922
– other borrowings wholly repayable within five years	**57**	204
	15,496	13,126

For the year ended 30th September, 2003

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2003	2002
	US$'000	US$'000
Directors' fees:		
Executive	**–**	–
Non-executive	**112**	112
Independent non-executive	**77**	64
Other emoluments of executive directors:		
Salaries and other benefits	**1,398**	1,370
Bonus	**6,214**	4,733
Retirement benefit schemes	**3**	3
Other emoluments of non-executive directors:		
Bonus	**128**	128
Total directors' emoluments	**7,932**	6,410

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$9,000 (2002: US$10,000).

The emoluments of the directors were within the following bands:

	2003	2002
	Number of directors	Number of directors
Up to HK$1,000,000	**2**	4
HK$1,500,001 to HK$2,000,000	**3**	2
HK$2,500,001 to HK$3,000,000	**1**	1
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	2
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**2**	2
HK$11,500,001 to HK$12,000,000	**1**	–
HK$12,000,001 to HK$12,500,000	**1**	–

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.

For the year ended 30th September, 2003

8. INCOME TAX EXPENSE

	2003	2002
	US$'000	US$'000
The charge comprises of:		
Hong Kong Profits Tax		
– current year	**102**	41
– under (over) provision in prior year	**23**	(1)
Overseas taxation	**719**	470
Share of taxation of associates	**19**	186
Share of taxation of jointly controlled entities	**1,041**	413
Deferred taxation *(Note 25)*	**–**	(11)
	1,904	1,098

Hong Kong Profits Tax is calculated at 17.5% (2002: 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.

9. DIVIDENDS

	2003	2002
	US$'000	US$'000
Interim dividend of HK$0.23 per share paid (2002: HK$0.20 per share)	**47,092**	36,525
Special dividend of HK$0.37 per share paid (2002: Nil)	**75,756**	–
2002 Final dividend of HK$0.375 per share paid (2001: HK$0.3 per share) *(Note)*	**74,972**	54,137
	197,820	90,662

Note: Of the final dividend paid for the year ended 30th September, 2002, US$30,129,000 was satisfied by way of cash payment and US$44,843,000 was satisfied by scrip shares of HK$0.25 each.

Dividend per share has been retrospectively adjusted to reflect the effect of subdivision of shares on the basis of one ordinary share of HK$0.50 each of the Company into two new ordinary shares of HK$0.25 each ("Share Subdivision").

For the year ended 30th September, 2003

9. DIVIDENDS (Continued)

The directors have resolved to recommend the payment of a final dividend of HK$0.46 per share for the year ended 30th September, 2003. The proposed dividend for 2003 is payable to those shareholders on the register of members on 24th February, 2004.

This proposed dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

10. EARNINGS PER SHARE

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

	2003	2002
Earnings:		
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	**US$308,247,000**	US$228,572,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,563,987,455**	1,414,298,892
Effect of dilutive potential ordinary shares in respect of share options	**21,637,715**	29,717,614
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,585,625,170**	1,444,016,506

The weighted average number of ordinary shares used for the purpose of calculating basic and diluted earnings per share for the year ended 30th September, 2002 has been retrospectively adjusted for the effect of the Share Subdivision.

For the year ended 30th September, 2003

11. INVESTMENT PROPERTIES

	THE GROUP
	US$'000
VALUATION	
At 1st October, 2002	60,694
Net transfer to property, plant and equipment *(Note 12)*	(22,680)
Revaluation decreases	(4,486)
At 30th September, 2003	**33,528**

The Group's investment properties are leased out under operating leases and were revalued at 30th September, 2003 by Knight Frank (Services) Limited ("Knight Frank"), an independent firm of professional property valuers, on an open market value basis. The revaluation decrease has been charged to the investment properties revaluation reserve.

	THE GROUP	
	2003	2002
	US$'000	US$'000
The carrying value of the Group's investment properties situated in the PRC are held under:		
– long-term land use rights	**2,090**	7,731
– medium-term land use rights	**31,438**	52,963
	33,528	60,694

For the year ended 30th September, 2003

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Hotel properties	Buildings under construction	Leasehold improve-ments	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, 2002	572,394	17,705	14,838	100,222	66,736	16,368	557,774	1,346,037
Acquired on acquisition of subsidiaries	15,631	–	299	11,673	7,662	2,399	66,324	103,988
Additions	7,989	–	44,542	11,444	10,752	2,211	93,027	169,965
Reclassification	21,713	–	(23,061)	1,159	–	–	189	–
Transfer from investment properties *(Note 11)*	22,680	–	–	–	–	–	–	22,680
Disposals	(6,223)	–	–	(6,357)	(3,374)	(722)	(11,311)	(27,987)
At 30th September, 2003	**634,184**	**17,705**	**36,618**	**118,141**	**81,776**	**20,256**	**706,003**	**1,614,683**
Comprising:								
At cost	598,671	17,705	36,618	118,141	81,776	20,256	706,003	1,579,170
At valuation – 1995	35,513	–	–	–	–	–	–	35,513
	634,184	17,705	36,618	118,141	81,776	20,256	706,003	1,614,683
DEPRECIATION AND AMORTISATION								
At 1st October, 2002	64,680	–	–	36,665	37,290	11,062	251,669	401,366
Acquired on acquisition of subsidiaries	2,930	–	–	6,582	4,464	1,466	21,840	37,282
Provided for the year	18,912	–	–	8,935	9,865	1,949	63,265	102,926
Eliminated on disposals	(720)	–	–	(3,850)	(2,055)	(536)	(6,856)	(14,017)
At 30th September, 2003	**85,802**	**–**	**–**	**48,332**	**49,564**	**13,941**	**329,918**	**527,557**
NET BOOK VALUE								
At 30th September, 2003	**548,382**	**17,705**	**36,618**	**69,809**	**32,212**	**6,315**	**376,085**	**1,087,126**
At 30th September, 2002	507,714	17,705	14,838	63,557	29,446	5,306	306,105	944,671

For the year ended 30th September, 2003

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings US$'000	Leasehold improvements US$'000	Total US$'000
THE COMPANY			
COST			
At 1st October, 2002 and 30th September, 2003	**242**	**20**	**262**
DEPRECIATION AND AMORTISATION			
At 1st October, 2002	38	13	51
Provided for the year	5	1	6
At 30th September, 2003	**43**	**14**	**57**
NET BOOK VALUE			
At 30th September, 2003	**199**	**6**	**205**
At 30th September, 2002	204	7	211

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.

At 30th September, 2003, if the 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$541,926,000 (2002: US$501,254,000).

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, 2003, the net book value of the land rights for which the Group had not been granted formal title amounted to approximately US$51.9 million (2002: approximately US$60.2 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.

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12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	THE GROUP		THE COMPANY	
	2003	2002	**2003**	2002
	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	**38,101**	90,186	**–**	–
– Indonesia	**69,410**	74,891	**–**	–
Properties held under medium-term leases or medium-term land use rights in				
– Hong Kong	**3,598**	3,694	**199**	204
– the PRC	**288,243**	198,220	**–**	–
– Indonesia	**4,405**	–	**–**	–
– Vietnam	**140,129**	137,286	**–**	–
Freehold properties in Mexico	**4,496**	3,437	**–**	–
Hotel properties held under long-term land use rights in the PRC	**17,705**	17,705	**–**	–
Buildings under construction situated in				
– the PRC	**24,404**	10,243	**–**	–
– Vietnam	**12,061**	3,680	**–**	–
– Indonesia	**153**	915	**–**	–
	602,705	540,257	**199**	204

For the year ended 30th September, 2003

13. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2003	2002
	US$'000	US$'000
Unlisted shares, at cost	**60,832**	60,832
Amounts due from subsidiaries	**1,357,544**	1,054,085
	1,418,376	1,114,917
Amounts due to subsidiaries	**160,274**	297,271

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 assets.

Details of the Company's principal subsidiaries at 30th September, 2003 are set out in note 39.

14. GOODWILL

	THE GROUP
	US$'000
COST	
At 1st October, 2002	706
Arising on acquisition of subsidiaries	219,809
Arising on acquisition of additional interest in a subsidiary	44
At 30th September, 2003	**220,559**
AMORTISATION	
At 1st October, 2002	35
Provided for the year	11,030
At 30th September, 2003	**11,065**
NET BOOK VALUE	
At 30th September, 2003	**209,494**
At 30th September, 2002	671

Goodwill is amortised over its estimated useful life, on a straight line basis, and the amortisation period for goodwill is 20 years.

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15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003	2002
	US$'000	US$'000
Share of net assets of associates	**27,431**	3,863
Amounts due from associates	**5,750**	5,195
	33,181	9,058

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, 2003 are set out in note 40.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003	2002
	US$'000	US$'000
Share of net assets of jointly controlled entities	**67,186**	21,670
Goodwill on acquisition *(Note)*	**1,919**	–
Amounts due from jointly controlled entities	**18,116**	28,887
	87,221	50,557

The amounts due from jointly controlled entities 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 jointly controlled entities at 30th September, 2003 are set out in note 41.

Note:

Movements during the year in goodwill on acquisition of jointly controlled entities are as follows:

	US$'000
COST	
Arising on acquisition and at 30th September, 2003	2,020
AMORTISATION	
Charge for the year and at 30th September, 2003	(101)
CARRYING AMOUNT	
At 30th September, 2003	1,919

The goodwill is amortised on a straight line basis over 20 years.

For the year ended 30th September, 2003

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	US$'000	US$'000
Non-current investments		
Investment securities		
Listed securities		
– Hong Kong	**–**	3,191
– overseas	**29,686**	23,034
Unlisted securities		
– overseas	**18,019**	17,802
	47,705	44,027
Current investments		
Other investments		
– overseas unlisted securities	**1,634**	2,110
Market value of listed securities	**48,926**	22,689

18. INVENTORIES

	THE GROUP	
	2003	2002
	US$'000	US$'000
Raw materials	**174,861**	97,038
Work in progress	**57,651**	50,829
Finished goods	**87,985**	60,397
	320,497	208,264

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

For the year ended 30th September, 2003

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$261,196,000 (2002: US$226,971,000) and an aged analysis is as follows:

	THE GROUP	
	2003	2002
	US$'000	US$'000
0 to 30 days	**184,256**	163,923
31 to 90 days	**69,997**	54,697
Over 90 days	**6,943**	8,351
	261,196	226,971

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$143,895,000 (2002: US$124,012,000) and an aged analysis is as follows:

	THE GROUP	
	2003	2002
	US$'000	US$'000
0 to 30 days	**114,384**	81,272
31 to 90 days	**25,052**	38,548
Over 90 days	**4,459**	4,192
	143,895	124,012

21. SHORT-TERM BANK AND OTHER BORROWINGS

	THE GROUP	
	2003	2002
	US$'000	US$'000
Current portion of long-term bank borrowings *(Note 22)*	**16,667**	–
Current portion of other long-term borrowings *(Note 23)*	**161**	1,510
Trust receipt and import loans	**49,421**	87,175
Short-term bank borrowings	**79,726**	66,315
Bank overdrafts	**70**	9
	146,045	155,009

For the year ended 30th September, 2003

22. LONG-TERM BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
The bank borrowings are repayable within the periods as follows:				
Within one year	**16,667**	–	**–**	–
After one but within two years	**61,873**	14,000	**52,290**	–
After two but within five years	**432,030**	252,000	**402,710**	252,000
	510,570	266,000	**455,000**	252,000
Less: Amount due within one year included under current liabilities *(Note 21)*	**(16,667)**	–	**–**	–
Amount due after one year	**493,903**	266,000	**455,000**	252,000

Included in the long-term bank borrowings is an amount of US$350 million (2002: US$252 million) drawn under a syndicated loan facility of US$350 million. 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	
	2003	2002
	US$'000	US$'000
The other borrowings are unsecured, carry interest at commercial rate and are payable as follows:		
Within one year	**161**	1,510
After one but within two years	**–**	161
	161	1,671
Less: Amount due within one year included under current liabilities *(Note 21)*	**(161)**	(1,510)
Amount due after one year	**–**	161

For the year ended 30th September, 2003

24. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

25. DEFERRED TAXATION

	THE GROUP	
	2003	2002
	US$'000	US$'000
Balance brought forward	**3,594**	3,605
Credit for the year *(Note 8)*	**–**	(11)
Balance carried forward	**3,594**	3,594

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 decrease 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 significant taxation.

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

For the year ended 30th September, 2003

26. SHARE CAPITAL

	Number of shares	Amounts
		HK$'000
Authorised:		
Ordinary shares of HK$0.50 each		
At 1st October, 2001 and 30th September, 2002	1,000,000,000	500,000
Ordinary shares of HK$0.25 each		
Subdivision of each share of HK$0.50 each into 2 shares of HK$0.25 each and ordinary shares of HK$0.25 each at 30th September, 2003	**2,000,000,000**	**500,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each		
At 1st October, 2001	703,680,953	351,840
Exercise of share options	8,500,000	4,250
At 30th September, 2002	712,180,953	356,090
Issue of shares in consideration for the acquisition of subsidiaries	60,000,000	30,000
Exercise of share options	7,466,666	3,734
Balance prior to subdivision of shares	779,647,619	389,824
Ordinary shares of HK$0.25 each		
Reduction of nominal value of shares of HK$0.50 each to HK$0.25 each	1,559,295,238	389,824
Issue of scrip dividend	25,453,748	6,363
Exercise of share options	19,000,000	4,750
At 30th September, 2003	**1,603,748,986**	**400,937**

	US$'000
Shown in the financial statements as at	
30th September, 2003	**51,758**
30th September, 2002	46,008

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26. SHARE CAPITAL (Continued)

The movements in the ordinary share capital for the year ended 30th September, 2003 were as follows:

- The Company entered into an agreement with PCC and its subsidiaries for the acquisition by the Company of the issued share capital of certain companies indirectly owned by PCC (the "Upstream Companies") and the related shareholders' loans. The consideration was satisfied by the issue of 60 million shares of HK$0.50 each in the Company to the PCC Group, which were valued at US$186.8 million pursuant to the acquisition agreement dated 16th September, 2002 (the "Consideration Shares"), and the payment of US$249.8 million in cash. The Consideration Shares were issued and stated in the financial statements of the Company at the fair value of HK$21.90 per share as quoted on the Stock Exchange on 5th November, 2002, being the completion date of the transaction.

  Details of this acquisition were set out in a circular issued by the Company to the shareholders dated 8th October, 2002.

- Pursuant to an ordinary resolution passed at the annual general meeting held on 24th February, 2003, each issued and unissued share of HK$0.50 each in the share capital of the Company was subdivided into two shares of HK$0.25 each ("Share Subdivision").

- During the year, 6,000,000 and 1,466,666 share options were exercised at a subscription price of HK$10.22 and HK$6.35 per share, respectively, resulting in the issue of 7,466,666 ordinary shares of HK$0.50 each in the Company. In addition, 19,000,000 share options were exercised at a subscription price of HK$5.11 per share, resulting in the issue of 19,000,000 ordinary shares of HK$0.25 each in the Company.

- During the year, 25,453,748 scrip shares of HK$0.25 each were issued and allotted at HK$13.74 per share as part of the payment of the final dividend for the year ended 30th September, 2002.

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

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27. SHARE OPTION SCHEME

In accordance with the terms of the Company's Executive Share Option Scheme ("Share Option Scheme") adopted on 9th June, 1992 and effective for a period of ten years from the date of adoption of the scheme, the Company granted to directors and employees of the Company and its subsidiaries share options to subscribe for its ordinary shares for each lot of share option granted for the primary purpose of providing incentives to directors and eligible employees. The subscription price, subject to adjustment, is based on the higher of the nominal value of the shares or 80% of the average of the closing price per share quoted on the Stock Exchange for the five trading days immediately preceding the date of grant of the options or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10 per cent. of the shares of Company in issue at the time of granting of the option. The number of shares in respect of which options may be granted to any individuals, which in aggregate, would not exceed 25 per cent. of the total number of shares for which options may be granted under the Share Option Scheme.

Options granted must be taken up within 21 days from the date of grant. No consideration is payable on the grant of an option. Options granted are exercisable not later than ten years after the date the options are granted.

The Share Option Scheme expired on 8th June, 2002 and no new share option scheme has been adopted by the Company.

At 30th September, 2003, 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 prior to the Shares Subdivision**	**Exercise price per share adjusted for the effect of the Share Subdivision**	**Outstanding at 1.10.2001**	**Exercised during the year**	**Outstanding at 30.9.2002**	**Exercised during the year**	**Outstanding at 30.9.2003**
	HK$	HK$ *(Note)*	*(Note)*		*(Note)*		
Category I: Directors							
28th April, 1993	6.35	3.175	2,933,332	–	2,933,332	(2,933,332)	–
12th December, 1996	10.22	5.110	27,000,000	–	27,000,000	(27,000,000)	–
			29,933,332	–	29,933,332	(29,933,332)	–
Category II: Employees							
12th December, 1996	10.22	5.110	37,000,000	(17,000,000)	20,000,000	(4,000,000)	16,000,000
			66,933,332	(17,000,000)	49,933,332	(33,933,332)	16,000,000

Note: The exercise price per share and the number of share options brought forward from last year have been adjusted to reflect the effect of the Share Subdivision during the year.

For the year ended 30th September, 2003

27. SHARE OPTION SCHEME (Continued)

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

No options were granted, cancelled or lapsed during the year.

28. RESERVES

	Share premium	Investment properties revaluation reserve	Goodwill reserve	Special reserve	Contributed surplus	Accumulated profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
THE COMPANY							
At 1st October, 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
Premium arising on issue of shares	229,071	–	–	–	–	–	229,071
Net profit for the year	–	–	–	–	–	209,746	209,746
Dividends *(Note 9)*	–	–	–	–	–	(197,820)	(197,820)
At 30th September, 2003	**588,523**	**–**	**–**	**–**	**38,126**	**138,445**	**765,094**

The goodwill reserve of the Group comprises approximately US$151,447,000 (2002: US$151,447,000) in respect of goodwill and approximately US$1,327,000 (2002: US$1,327,000) 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.

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.

For the year ended 30th September, 2003

28. RESERVES (Continued)

In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders as at 30th September, 2003 were US$176,571,000 (2002: US$164,645,000), which comprises the aggregate of contributed surplus and accumulated profits of the Company.

29. ACQUISITION OF SUBSIDIARIES

During the year, the Group's acquisition of subsidiaries were mainly represented by the followings:

(a) The Group acquired the interests in, and the related shareholders' loans to, the Upstream Companies for a consideration of US$436.6 million (after taking purchase price adjustment into account). The consideration was satisfied by the issue of the Consideration Shares and the payment of US$249.8 million in cash. The Consideration Shares were stated in the financial statements of the Company at the fair value of HK$21.90 per share, as quoted on the Stock Exchange on 5th November, 2002 being the completion date of the transaction.

(b) The Group acquired 73.043% interest in, and shareholders' loans to Pro Kingtex Industrial Company Limited ("Pro Kingtex") for a consideration of approximately US$3.8 million.

	2003	2002
	US$'000	US$'000
Net assets acquired:		
Goodwill	**225**	–
Interests in associates	**26,394**	–
Interests in jointly controlled entities	**19,666**	–
Property, plant and equipment	**66,706**	515
Investment securities	**992**	–
Inventories	**66,620**	3,893
Trade and other receivables	**66,516**	3,077
Other investments	**1,322**	–
Bank balances and cash	**42,271**	950
Trade and other payables	**(47,334)**	(5,605)
Taxation payables	**(580)**	(453)
Loans from minority shareholders of subsidiaries	**(2,945)**	–
Bank and other borrowings	**(16,409)**	–
Bank overdrafts	**–**	(152)
Minority interests	**(7,826)**	(486)
	215,618	1,739
Less: Interests previously acquired and classified as an associate	**(617)**	(249)
Interests previously acquired and classified as jointly controlled entities	**(897)**	–
Net assets	**214,104**	1,490
Goodwill arising on acquisition	**219,584**	501
	433,688	1,991

For the year ended 30th September, 2003

29. ACQUISITION OF SUBSIDIARIES (Continued)

	2003 US$'000	2002 US$'000
Satisfied by:		
Shares issued by the Company *(Note)*	**168,474**	–
Cash consideration	**262,599**	1,991
Related expenses paid on acquisition	**2,615**	–
	433,688	1,991
Net cash outflow arising on acquisition:		
Cash consideration paid	**(265,214)**	(1,991)
Bank balances and cash acquired	**42,271**	950
Bank overdrafts	**–**	(152)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(222,943)**	(1,193)

Note: The shares were issued and stated in the financial statements of the Company at the fair value of HK$21.90 per ordinary share of HK$0.50 each as quoted on the Stock Exchange on 5th November, 2002, being the completion date of the transaction.

The subsidiaries acquired during the year contributed approximately US$253,737,000 (2002: US$6,729,000) to the Group's turnover, and profit of approximately US$34,580,000 (2002: US$178,000) to the Group's profit from operations.

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30. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of 100% interest in, and shareholders' loan to, Inluck Investments Limited for a consideration of US$6.5 million.

	2003 US$'000	2002 US$'000
Net assets disposed		
Interest in a jointly controlled entity	**5,600**	–
Bank balances and cash	**21**	–
Net assets	**5,621**	–
Gain on disposal of a subsidiary	**879**	–
	6,500	–
Satisfied by:		
Cash	**6,500**	–
Net cash inflow arising on disposal:		
Cash consideration	**6,500**	–
Bank balances and cash disposed	**(21)**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**6,479**	–

The subsidiary disposed of during the year had no significant impact on the turnover and results of the Group.

31. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2003 US$'000	2002 US$'000
Bank balances and cash	**382,751**	312,466
Bank overdrafts	**(70)**	(9)
	382,681	312,457

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32. MAJOR NON-CASH TRANSACTION

During the year ended 30th September, 2003, the major non-cash transactions were as follows:–

(a) Part of the acquisition cost of approximately US$168,474,000, being the fair value of the Consideration Shares at the completion date, for the acquisition of the Upstream Companies was satisfied by the allotment and issue of shares.

(b) Decrease in interests previously acquired and classified as jointly controlled entities of approximately US$897,000, as part of the consideration for the acquisition of subsidiaries.

(c) Decrease in interests previously acquired and classified as an associate of approximately US$617,000, as part of the consideration for the acquisition of subsidiaries.

(d) US$44,843,000 of the final dividend for the year ended 30th September, 2002 was satisfied by scrip shares of HK$0.25 each, issued and allotted at HK$13.74 per share.

During the year ended 30th September, 2002, the Group had no major non-cash transactions.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2003	2002
	US$'000	US$'000
Minimum leases payments paid under operating leases during the year:		
Land and buildings	**11,120**	10,206
Plant and machinery	**1,876**	453
	12,996	10,659

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	
	2003	2002
	US$'000	US$'000
Within one year	**11,153**	8,366
In the second to fifth year inclusive	**28,143**	32,529
After five years	**5,605**	6,008
	44,901	46,903

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

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33. OPERATING LEASE COMMITMENTS (Continued)

Included in the above are commitments under non-cancellable operating leases of approximately US$31.9 million (2002: US$39.8 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

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	
	2003	2002
	US$'000	US$'000
Within one year	**1,056**	1,027
In the second to fifth year inclusive	**2,343**	489
After five years	**7,098**	–
	10,497	1,516

34. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	US$'000	US$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– amount committed for construction of buildings	**16,747**	14,245
– acquisition of property, plant and equipment	**3,153**	3,177
	19,900	17,422

The Company had no capital commitments at the balance sheet date.

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35. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Guarantees given to banks/suppliers in respect of credit facilities extended to				
– subsidiaries	**–**	–	**169,378**	153,498
– jointly controlled entities	**2,976**	426	**2,976**	426
	2,976	426	**172,354**	153,924

36. RETIREMENT BENEFITS SCHEME

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

The 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 specified 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.

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37. 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:

Name of company	Nature of transactions/balances	THE GROUP 2003 US$'000	2002 US$'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")	Purchase of raw materials and shoe-related products *(Note a)*	**3,718**	179,847
	Costs reimbursed to PCC under the Services Agreement *(Note b)*	**202,498**	178,394
	Expenses reimbursed to PCC under the Services Agreement *(Note b)*	**99,317**	79,931
	Service fees paid *(Note b)*	**8,469**	7,452
	Tanning facilities and processing services fee paid *(Note c)*	**11,127**	–
	Rental expenses under Rental Agreements *(Note d)*	**706**	–
	Sales of semi-finished shoe products *(Note a)*	**23,133**	23,359
	Management services income received *(Note e)*	**1,211**	485
	Acquisition of subsidiaries *(Note f)*	**440,340**	–
	Acquisition of an associate *(Note g)*	**–**	1
	Balance due from/to the PCC Group at 30th September		
	– trade receivables	**4,318**	8,846
	– trade payables	**25,350**	51,602

For the year ended 30th September, 2003

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

Name of company	Nature of transactions/balances	THE GROUP 2003 US$'000	2002 US$'000
(I) CONNECTED PARTIES (Continued)			
Companies controlled by a substantial shareholder of the Company:			
Golden Brands Developments Limited and its subsidiaries, associates and jointly controlled entities (collectively the "Golden Brands Group")	Management services income received *(Note e)*	**13,818**	8,338
	Rental received on dormitories *(Note e)*	**1,646**	867
	Balance due from the Golden Brands Group at 30th September – trade receivables	**2,313**	2,259
Felbridge International Limited ("Felbridge")	Proceeds from disposal of land and buildings *(Note h)*	**6,730**	–
Companies controlled by certain directors:			
Godalming	Rentals paid on land and buildings *(Note i)*	**7,451**	8,186
Rising Developments Limited ("Rising")	Purchase of fuel oil *(Note a)*	**62,014**	40,480
	Balance due to Rising at 30th September – trade payable	**2,843**	3,001
Companies controlled by the minority shareholders of subsidiaries:			
Mr. Huang Tsung Jen	Acquisition of interest in a subsidiary *(Note j)*	**36**	–
Jollyard Investments Limited ("Jollyard")	Acquisition of interest in a subsidiary *(Note j)*	**36**	–
Mr. Dick Ma	Acquisition of additional interest in a subsidiary *(Note k)*	**12**	–
Mr. Philip Chung	Acquisition of additional interest in a subsidiary *(Note k)*	**61**	–
Linear (Taiwan) Inc.	Acquisition of additional interest in a subsidiary *(Note k)*	**109**	–

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

Name of company	Nature of transactions/balances	THE GROUP 2003 US$'000	2002 US$'000
(II) RELATED PARTIES, OTHER THAN CONNECTED PARTIES			
Jointly controlled entities:			
Various jointly controlled entities other than Rising	Purchase of raw materials *(Note l)*	**67,861**	22,144
	Dividend income	**4,143**	2,530
	Sales of shoe-related products *(Note m)*	**2,174**	2,310
	Service fees paid *(Note n)*	**125**	378
	Service income *(Note n)*	**2,683**	1,242
	Rental income *(Note o)*	**–**	119
	Disposal of property, plant and equipment *(Note p)*	**–**	2,105
	Balance due from/to at 30th September		
	– trade receivables	**2,599**	5,777
	– trade payables	**10,734**	6,166
Associates:			
	Purchase of raw materials *(Note l)*	**32,042**	5,061
	Service income *(Note n)*	**2,271**	5,975
	Balance due from/to at 30th September		
	– trade receivables	**144**	394
	– trade payables	**5,344**	–

Notes:

(a) During the year, the Group sold semi-finished shoe products to PCC Group representing approximately 0.9% (2002: 1.2%) 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 2.6% (2002: 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.

(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.

For the year ended 30th September, 2003

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

Notes: (Continued)

(b) (Continued)

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 4.2% (2002: 4.5%) 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) Pursuant to a production agreement effective 1st January, 1997 ("Production Agreement") between Prime Asia Leather Corporation, Taiwan Branch ("Prime Asia TW"), a wholly owned subsidiary of the Company from 5th November, 2002, and Barits Development Corporation ("Barits"), a company which is beneficially owned by PCC as to 97.63%, Barits provides tanning facilities and processing services to Prime Asia TW for the processing of Prime Asia TW's raw leather into finished leather.

In consideration of the services provided by Barits under the Production Agreement, Prime Asia TW shall pay Barits a monthly production fee ("Production Fee") based on the followings:

(i) the cost for supplies and labour incurred by Barits;

(ii) the direct selling and general costs incurred by Barits;

(iii) the fixed costs on the rental for land, building, equipment and machinery. The fixed monthly rental on land and building is equivalent to the open market rental value at 30th September 2001 as certified by an independent firm of professional valuers. Rental charges for equipment and machinery are calculated by reference to the cost of the equipment and machinery plus a rate on the funding costs of the machinery purchased.

The aggregate of the Production Fees paid by Prime Asia TW represented approximately 0.8% (2002: Nil) of the net tangible assets of the Group as at 30th September, 2003 and did not exceed the limit approved by the shareholders of the Company on 29th October, 2002.

(d) Pursuant to the lease agreements entered by Pou Chien Chemical Company Limited ("Pou Chien Chemical"), a non-wholly owned subsidiary of the Company, with PCC and with Pou Yuen Technology Limited ("Pou Yuen"), a subsidiary of PCC, on 1st April, 2002 and 10th September, 2002 respectively ("Rental Agreements"), PCC and Pou Yuen would lease to Pou Chien Chemical certain land and buildings situated in Taiwan.

The rentals on properties were based on the agreed monthly rental under the Rental Agreements, equivalent to the open market rental value at the date of entering of the agreement as certified by an independent valuer in Taiwan.

(e) 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.

For the year ended 30th September, 2003

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

Notes: (Continued)

(e) (Continued)

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, 2003 as valued by Knight Frank, an independent firm of professional property valuers.

(f) On 16th September, 2002, the Company entered into an agreement with the PCC Group for the acquisition by the Company of the issued share capital of the Upstream Companies and the shareholders' loans of approximately US$62.4 million for a consideration of US$436.6 million (after taking purchase price adjustments into account). The consideration was satisfied by the issue of the Consideration Shares and the payment of US$249.8 million in cash. The transaction was completed on 5th November, 2002.

On 30th April, 2003, a wholly owned subsidiary of the Company, Great Pacific Investments Limited ("Great Pacific") entered into an agreement with Victorway Trading Limited, a wholly owned subsidiary of PCC for the acquisition of approximately 73.04% equity interest of Pro Kingtex Industrial Company Limited ("Pro Kingtex") and the shareholder's loan at a consideration of approximately US$3.8 million.

Great Pacific has also given indemnity under the agreement to PCC in relation to the guarantees with a maximum liability of US$11,350,000 to banks and/or financial institutions in respect of borrowings by Pro Kingtex and its subsidiaries. Such guarantees were released and replaced by the guarantees of the Company.

Details of this connected transaction were disclosed in a press announcement dated 30th April, 2003.

(g) On 1st February, 2002, Great Pacific 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.

(h) On 22nd July, 2003, a wholly owned subsidiary of the Company, Dongguan Bestway Housing Development Limited entered into an agreement with Felbridge, a company wholly owned by Mr. Tsai Chi Jui, a substantial shareholder of the Company, for the disposal of land use rights together with buildings and structure erected thereon ("Disposed Properties") located in the Dongguan City, Guangdong Province, PRC. The consideration for the disposal was US$6,730,000 which was equivalent to the value of the Disposed Properties as valued at 30th June, 2003 by Knight Frank Hong Kong Limited, an independent Hong Kong firm of professional property valuers, on an open market basis. Details of this connected transaction was disclosed in a press announcement dated 23rd July, 2003.

(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.

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 prevailing rent is equivalent to the open market rental value at 30th September, 2002 as certified by Knight Frank, an independent firm of professional valuers.

(j) On 22nd August, 2003, a wholly-owned subsidiary of the Company, Manfield Developments Limited, acquired a further 0.5% equity interest in Selangor Gold Limited ("Selangor Gold") and shareholder loan from each of Mr. Huang Tsung Jen and Jollyard for a total consideration of approximately US$72,000. Selangor Gold is formerly a 50% owned jointly controlled entity of the Group.

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

Notes: (Continued)

(j) (Continued)

Mr. Huang Tsung Jen and Jollyard, each holds 15% of the issued share capital of Dedicated Group Limited ("Dedicated Group"), a company that is ultimately owned as to 70% by the Company. Mr. Huang Tsung Jen is also a director of Dedicated Group.

Details of this connected transaction was disclosed in a press announcement dated 22nd August, 2003.

(k) On 1st October, 2002, Dedicated Group acquired a further 15% interest in 廣州寶晉體育用品有限公司, a formerly 70% owned subsidiary of Dedicated Group, for a total consideration of US$182,000 from Mr. Dick Ma, Mr. Philip Chung and Linear (Taiwan) Inc., the minority shareholders of 廣州寶晉體育用品有限公司, of equity interest of 1%, 5% and 9%, respectively.

(l) The purchases of raw materials were carried out at market prices.

(m) 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.

(n) Service fees paid and service income were based on terms agreed by both parties.

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

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

38. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30th September, 2003:

(a) On 13th November, 2003, the Company entered into a subscription agreement with Credit Suisse First Boston (Hong Kong) Limited ("CSFB") for the issue of the convertible bonds ("Convertible Bonds") with an aggregate principal amount of US$300 million or, on exercise of the over-allotment option in full, with an aggregate principal amount of US$350 million for the refinancing of the Group's bank borrowings and working capital for general business purposes.

The Convertible Bonds are convertible into ordinary shares of HK$0.25 each in the share capital of the Company at conversion price of HK$27.33 per share, subject to adjustments. The Convertible Bonds have been approved for listing on the Luxembourg Stock Exchange. The transaction was completed on 23rd December, 2003. Details of this transaction were disclosed in a press announcement dated 14th November, 2003.

On 12th January, 2004, notice was given to the Company by CSFB to exercise in part of the over allotment option in the aggregate principal amount of US$17 million (out of the over-allotment option of US$50 million).

(b) In December 2003, 16,000,000 share options were exercised at a price of HK$5.11 per share, resulting in the issue of 16,000,000 shares of HK$0.25 each in the Company.

(c) In December 2003, investment securities with a carrying value of approximately US$24,137,000 at 30th September, 2003, were disposed of for a consideration of approximately US$47,000,000.

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39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th September, 2003 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*
Bestful Properties Limited	British Virgin Islands	US$1	100%	Property holding in the PRC
Bortum Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
Champolian Investments Inc.	British Virgin Islands	US$10,000	100%	Investment holding
Chiya Vietnam Enterprise Limited	Vietnam	US$700,000	51%	Manufacture of foamed cotton
Dah-Chen Shoe Materials Ltd.	Vietnam	US$437,500	51%	Manufacture of shoe pads, reprinting, etc
Dedicated Group Limited	British Virgin Islands	US$100	70%	Investment holding
Escon Enterprises Limited	British Virgin Islands	US$1	100%	Leases machinery, equipment to Prime Asia, provision of sub-contracting services for manufacture of leather
Essington Developments Limited	British Virgin Islands	US$100	55%	Manufacture of shoe counters
Farquharson Holdings Corp.	British Virgin Islands	US$10,000	100%	Investment holding
Forearn Company Ltd.	British Virgin Islands	US$1	100%	Manufacture of shoe moulds
Friendsole Limited	Hong Kong	Ordinary – HK$1,000	100%	Provision of management services in Hong Kong
		Non-voting deferred – HK$1,000	100%	
Fu Tai Company Limited	British Virgin Islands	US$1	100%	Manufacture of shoe moulds and EVA midsole for shoes

For the year ended 30th September, 2003

39. 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*
Giacinto Investments Limited	British Virgin Islands	US$10,000	100%	Investment holding
Great Pacific Investments Ltd.	British Virgin Islands	US$1	100%	Investment holding
High Shine Investments Limited	British Virgin Islands	US$100	51%	Investment holding
Impressive Developments Limited	British Virgin Islands	US$1,000	82.50%	Investment holding
Key International Co., Ltd.	British Virgin Islands	US$1	100%	Investment holding
Multiform Enterprises Limited	British Virgin Islands	US$200	100%	Manufacture of moulding equipment
Murata Profits Limited	British Virgin Islands	US$1	100%	Investment holding
Optima Worldwide Corporation	British Virgin Islands	US$1,000	100%	Provision of administration services
Overboard Investments Limited	British Virgin Islands	US$1	100%	Manufacture of shoe pads
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
P.T. Sukespermata Indonusa	Indonesia	Rp3,500,000,000	90%	Manufacture of mould & cutting for shoes
P.T. Variadhana Citraselaras	Indonesia	Rp625,000,000	55%	Manufacture of injection moulds for shoe components

For the year ended 30th September, 2003

39. 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*
Patterns Developments Limited	British Virgin Islands	US$1	100%	Investment holding
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	100%	Manufacture and sale of footwear in Vietnam
Pou Chien Chemical (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Pou Chien Chemical Company Limited	Taiwan	NT168,100,000	99.94%	Manufacture of shoe materials (chemical products)
Pou Ming Paper Products Manufacturing Company Limited	British Virgin Islands	US$1	100%	Manufacture of paper carton boxes and investment holding
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
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

For the year ended 30th September, 2003

39. 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*
Prime Asia (S.E. Asia) Leather Corporation	British Virgin Islands	US$1,000	100%	Investment holding
Prime Asia China Leather Corporation	British Virgin Islands	US$1,000	100%	Leather trading
Prime Asia Leather Corporation	British Virgin Islands	US$50,000	100%	Investment holding
Pro Kingtex Industrial Company Limited	British Virgin Islands	US$13,792,810	91.68%	Manufacture of apparel
Selangor Gold Limited	British Virgin Islands	US$200	51%	Sales and marketing of footwear in the PRC
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
Top Units Developments Limited	British Virgin Islands	US$100	51%	Investment holding
Upturn Investments Limited	British Virgin Islands	US$1	100%	Manufacture paper inner boxes and carton boxes
Valuable Developments Limited	British Virgin Islands	US$100	51%	Investment holding
Wet Blue International Corporation	British Virgin Islands	US$50,000	100%	Wet blue trading
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

For the year ended 30th September, 2003

39. 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 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.

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40. PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 30th September, 2003 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company indirectly	Principal activities
All Saints Enterprises Limited	British Virgin Islands	37%	Investment holding
Asia Air Tech Industrial (Pte) Ltd.	Singapore	30%	Investment holding
Bigfoot Limited	British Virgin Islands	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Eastlion Enterprises Ltd.	British Virgin Islands	35%	Property holding in the PRC
Eastlion Industrial Ltd.	British Virgin Islands	35%	Manufacture of PU Plastic/ hardeners/processing agents/ lotion plaster/powder coatings
Just Lucky Investments Limited	British Virgin Islands	38.30%	Property holding in the PRC
Nan Pao Resins (China) Co., Ltd.	People's Republic of China	37%	Manufacture of glues/liquid coatings/powder coatings
Nan Pao Resins (Holdings) Limited	British Virgin Islands	35%	Investment holding
Nan Pao Resins (Vietnam) Enterprise Limited	Vietnam	37%	Manufacture of liquid coating/ glues
Natural Options Limited	British Virgin Islands	38.30%	Manufacture of foamed cotton
Original Designs Developments Limited	British Virgin Islands	47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	37%	Investment holding
Platinum Long John Company Limited	Taiwan	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding

For the year ended 30th September, 2003

40. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Rising Sun Associates Limited	British Virgin Islands	37%	Investment holding
Talent Pool Management Limited	British Virgin Islands	30%	Provision of school services
Teco (Dongguan) Air Conditioning Equipment Ltd.	People's Republic of China	30%	Manufacture of central cooling system, commercial air conditioner and accessories

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.

41. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities at 30th September, 2003 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
Blessland Enterprises Limited	British Virgin Islands	50%	Manufacture of shoe pads
Cap Design Studio Industrial Limited	British Virgin Islands	50%	Manufacture and sale of sport caps
Cohen Enterprises Inc.	British Virgin Islands	50%	Manufacture and sale of leather products for shoes
Hua Jian Industrial Holding Co., Limited	British Virgin Islands	50%	Manufacture and sale of ladies' shoes
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

For the year ended 30th September, 2003

41. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

Name of jointly controlled entity	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Topmost Industries Limited	British Virgin Islands	50%	Manufacture of counters for shoes
Twinways Investments Limited	British Virgin Islands	50%	Manufacture of injection moulds for shoe components
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.