1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Pou Chen Corporation ("PCC"), a company which is incorporated in Taiwan, with its shares listed on the Taiwan Stock Exchange Corporation. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section to the annual report.

The consolidated financial statements are presented in United States dollar, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 50, 51 and 52, respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates and jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have a significant effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the prior year, the Group has applied HKFRS 3 "*Business Combinations*" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. On 1st October, 2005, the Group has applied the transitional provisions of HKFRS 3 in relation to goodwill and negative goodwill arising from business combinations for which the agreement date is before 1st January, 2005 previously recognised and brought forward as at 1st January, 2005 and the principal effects are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st October, 2001 was held in reserves, and goodwill arising on acquisitions after 1st October, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in goodwill reserve of approximately US$151,447,000 has been transferred to the Group's retained profits on 1st October, 2005. With respect to goodwill on acquisition of subsidiaries, associates and jointly controlled entities previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1st October, 2005 onwards and eliminated the accumulated amortisation of approximately US$33,188,000, US$3,573,000 and US$653,000, respectively, to the corresponding cost of goodwill upon the application on 1st October, 2005 and goodwill will be tested for impairment at least annually or whenever there is an indication of impairment. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill on acquisition of subsidiaries, associates and jointly controlled entities has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business Combinations *(Continued)*

Goodwill (Continued)

In the current year, the Group has also applied HKAS 21 "*The Effects of Changes in Foreign Exchange Rates*" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1st October, 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st October, 2001 was held in goodwill reserve. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st October, 2005 (of which negative goodwill of approximately US$1,327,000 was previously recorded in reserves) with a corresponding increase to retained profits. In addition, discount of approximately US$1,022,000 arising from acquisition during the year was recognised directly in consolidated income statement (see note 3 for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "*Financial Instruments: Disclosure and Presentation*" and HKAS 39 "*Financial Instruments: Recognition and Measurement*". HKAS 32 requires retrospective application. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds

The principal impact of HKAS 32 on the Group is in relation to requiring an issuer of a compound financial instrument to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Previously, convertible bonds were classified as liabilities on the consolidated balance sheet. HKAS 39 requires derivatives embedded in a non-derivative host contract to be accounted for separately when the economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. The Group has applied HKAS 32 on the convertible bonds issued by the Company retrospectively and HKAS 39 on the embedded derivatives on the convertible bonds prospectively (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th September, 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "*Accounting for Investments in Securities*" ("SSAP 24") issued by the HKICPA. Under SSAP 24, investments in equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. Investment securities are carried at cost less impairment losses (if any) while other investments are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st October, 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. Loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method.

On 1st October, 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39. An adjustment of approximately US$7,549,000 to the previous carrying amounts of equity securities at 1st October, 2005 has been made to the Group's investments revaluation reserve (see note 3 for the financial impact).

Financial assets and financial liabilities other than investments in equity securities

From 1st October, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than investments in equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of this new HKFRS has had no material effect on how the results for the current and prior accounting periods are prepared and presented.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Derivatives

From 1st October, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. The Group has, from 1st October, 2005 onwards, deemed such derivatives as held for trading and an adjustment of approximately US$5,964,000 has been made to the Group's retained profits as at 1st October, 2005 representing the change in fair value of the derivatives at 1st October, 2005. The adoption of this standard has also resulted in an increase in profit for the year by approximately US$32,478,000 (see note 3 for the financial impact).

Hotel Properties

HKAS 40 "*Investment Property*" clarifies the accounting policy for owner-operated hotel properties. In previous years, the Group's self-operated hotel properties were carried at cost and were not subject to depreciation. HKAS 40 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "*Property, Plant and Equipment*", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HKAS 40, the new accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "*Leases*". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease terms on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "*Investment Property*". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st October, 2005 onwards. The amount held in the investment properties revaluation reserve at 1st October, 2005 of approximately US$6,214,000 has been transferred to the Group's retained profits (see note 3 for the financial impact).

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) – INT 21 "*Income Taxes – Recovery of Revalued Non-Depreciable Assets*" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) – INT 21, this change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

Share-based Payments

In the current year, the Group has applied HKFRS 2 "*Share-based Payment*" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The adoption of the standard has had no effect on the Group's result and financial position for both years.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior year are as follows:

	2006 **US$'000**	2005 US$'000
Non-amortisation of goodwill	**14,418**	–
Increase in effective interest expense on liability component of convertible bonds	**(12,159)**	(10,766)
Gain on fair value changes on derivative financial instruments	**32,478**	–
Loss on modification of convertible bonds	**(25,399)**	–
Gain on redemption of convertible bonds	**2,289**	–
Amortisation of arrangement fees written back	**–**	634
Release of discount on redemption of convertible bonds written back	**–**	(786)
Impairment loss on available-for-sale investments	**(6,000)**	–
Increase in fair value of investment properties	**1,931**	–
Increase in deferred taxation relating to investment properties	**(637)**	–
Depreciation of self-operated hotel properties	**(1,213)**	(1,280)
Discount on acquisition of additional interests in subsidiaries	**1,022**	–
Increase (decrease) in profit for the year	**6,730**	(12,198)

Analysis of increase (decrease) in profit for the year by line items presented according to their nature.

	2006 **US$'000**	2005 US$'000
Increase in other income	**1,022**	–
Increase in fair value of investment properties	**1,931**	–
Increase in net gain on derivatives and modification/redemption of convertible bonds	**9,368**	–
Decrease (increase) in other expenses	**3,863**	(1,280)
Increase in finance costs	**(12,159)**	(10,918)
Increase (decrease) in share of results of associates	**1,418**	(332)
Increase (decrease) in share of results of jointly controlled entities	**953**	(775)
Decrease in income tax expense	**334**	1,107
Increase (decrease) in profit for the year	**6,730**	(12,198)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs on 30th September, 2005 and 1st October, 2005 are summarised below:

	As at 30th September, 2005 (originally stated)	Retrospective adjustments					As at 30th September, 2005 (restated)	Prospective adjustments			As at 1st October, 2005
		HKAS 1	HKAS 16	HKAS 17	HKAS 32	HK(SIC)-INT 21		HKFRS 3	HKAS 39	HKAS 40	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance sheet items											
Property, plant and equipment	1,173,620	–	(5,550)	(101,467)	–	–	1,066,603	–	–	–	1,066,603
Prepaid lease payments	–	–	–	101,467	–	–	101,467	–	–	–	101,467
Derivative financial instruments	–	–	–	–	–	–	–	–	(32,892)	–	(32,892)
Available-for-sale investments	–	–	–	–	–	–	–	–	31,297	–	31,297
Investment securities	38,381	–	–	–	–	–	38,381	–	(38,381)	–	–
Other investments	465	–	–	–	–	–	465	–	(465)	–	–
Convertible bonds	(313,551)	–	–	–	11,394	–	(302,157)	–	26,928	–	(275,229)
Deferred taxation	(3,817)	–	–	–	–	(3,061)	(6,878)	–	–	–	(6,878)
Other assets and liabilities	1,047,156	–	–	–	–	–	1,047,156	–	–	–	1,047,156
Total effects on assets and liabilities	1,942,254	–	(5,550)	–	11,394	(3,061)	1,945,037	–	(13,513)	–	1,931,524
Share capital and other reserves	634,143	–	–	–	–	–	634,143	–	–	–	634,143
Investment properties revaluation reserve	9,275	–	–	–	–	(3,061)	6,214	–	–	(6,214)	–
Investments revaluation reserve	–	–	–	–	–	–	–	–	(7,549)	–	(7,549)
Goodwill reserve	(150,120)	–	–	–	–	–	(150,120)	150,120	–	–	–
Convertible bonds reserve	–	–	–	–	30,560	–	30,560	–	–	–	30,560
Retained profits	1,430,969	–	(5,550)	–	(19,166)	–	1,406,253	(150,120)	(5,964)	6,214	1,256,383
Minority interests	–	17,987	–	–	–	–	17,987	–	–	–	17,987
Total effects on equity	1,924,267	17,987	(5,550)	–	11,394	(3,061)	1,945,037	–	(13,513)	–	1,931,524
Minority interests	17,987	(17,987)	–	–	–	–	–	–	–	–	–
	1,942,254	–	(5,550)	–	11,394	(3,061)	1,945,037	–	(13,513)	–	1,931,524

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity on 1st October, 2004 are summarised below:

	As originally stated US$'000	Adjustments US$'000	As restated US$'000
Share capital and other reserves	484,023	–	484,023
Investment properties revaluation reserve	11,398	(3,761)	7,637
Convertible bonds reserve	–	30,560	30,560
Retained profits	1,272,604	(12,502)	1,260,102
Minority interests	–	14,545	14,545
Total effects on equity	1,768,025	28,842	1,796,867

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will not have material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "*Financial Reporting in Hyperinflationary Economies*"[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) – INT 10	Interim financial reporting and impariment[7]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.
7 Effective for annual periods beginning on or after 1st November, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in the line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st October, 2001, the Group has discontinued amortisation from 1st October, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions prior to 1st January, 2005 (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Additional interests in subsidiaries are measured at the carrying amounts of identified assets and liabilities of the subsidiary and any excess of the consideration over the book value of net assets acquired are accounted for as goodwill.

Investments in Associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisition of associates prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisition of associates on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint Ventures

Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Goodwill arising on acquisition of jointly controlled entities prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisition of jointly controlled entities on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

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 lease.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment Properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, Plant and Equipment

Property, plant and equipment, other than buildings under constructions, are stated at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "*Property, Plant and Equipment*" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, 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 corresponding revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, other than buildings under construction, over their estimated useful lives and after taking into account of their estimated residual value, using either the straight-line method or reducing balance method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An impairment loss is 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial Instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are mainly classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of the relevant category of financial assets to the Group are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates and jointly controlled entities, deposits placed with a financial institution and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss and loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial Liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible bonds issued by the Company that contains financial liability, equity component and embedded derivative are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible bonds. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in convertible bonds reserve.

In subsequent years, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings and loans from minority shareholders of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded Derivatives

Derivatives embedded in financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Research and Development Expenditure

Expenditure on research and development activities is recognised as an expense in the year in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing Costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement Benefit Scheme

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical Judgement in Applying the Entity's Accounting Policies

In the process of applying the entity's accounting policies, which are described in note 4, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below.)

Prepaid lease payments

Despite the Group has paid substantially the full purchase consideration as detailed in note 17, certain of the Group's rights to the use of the land were not granted formal titles from the relevant government authorities. In the opinion of the directors, the absence of formal title to these lands rights does not impair the value of the relevant properties to the Group.

Impairment loss on available for sale investments

As descried in note 4, it is the Group's policy to recognised an impairment loss in profit or loss when there is objective evidence that the asset is impaired. Upon considering the prolonged decline in the fair value on the available-for-sale investments, the Group has recognised an impairment loss of US$6,000,000 for the year ended 30th September, 2006.

Taxation

As stated in note 12, the Hong Kong Inland Revenue Department ("IRD") have issued protective assessment in aggregate of approximately US$80 million relating to certain assessment years. The directors of the Company believe that no tax is payable under these protective assessments and consequently, provision has not been made in the consolidated financial statements.

Key Sources of Estimation Uncertainty

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

Estimated carrying amounts of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 30th September, 2006, the carrying amount of goodwill is approximately US$188,535,000. Details of the recoverable amount calculation are disclosed in note 20.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include amounts due from associates and jointly controlled entities, available-for-sale investments, trade and other receivables, trade and other payables, deposits placed with a financial institution, bank balances and cash, bank borrowings and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

As at 30th September, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount disclosed as contingent liabilities in note 46.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30th September, 2006 is the carrying amounts of the financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At the balance sheet date, the five largest receivable balances accounted for approximately 29% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 8% of the Group's total trade receivables.

At the balance sheet date, the two largest receivable balances from jointly controlled entities accounted for 68% of the balances. The management reviews the operations of those investments to ensure there were no irrecoverable debts. In this regards, management considers that the Group's credit risk on amounts due from jointly controlled entities are reduced.

The Group's concentration of credit risk by geographical locations of customers are mainly the United States of America, Europe and Asia which accounted for 37%, 24% and 31%, respectively, of the trade receivables at 30th September, 2006.

The credit risk on liquid funds is limited because the counterparties' are financial institutions with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Market Risk

(i) *Foreign exchange risk*

Substantial transactions entered into by the Group are denominated in United States dollar and the foreign exchange risk adhered is limited. Foreign exchange risk arising from sales and purchases transacted in currencies other than United States dollar is managed by the Group's treasury team with the use of foreign exchange forward contracts or derivatives, provided that the cost involved is not expensive in comparison to the underlying exposure.

(ii) *Cash flow interest rate risk*

Interest rate risk arises from the potential changes in interest rates that may have adverse effects in the Group's result for the current reporting period and in future years.

The interest rate exposure for the Group is restricted to the variable rate bank borrowings (see notes 33 and 35 for details of these borrowings). The Group's bank borrowings are mostly subject to floating rate and the Group adopted interest-rate swap for minimising the interest rate risk.

(iii) *Price risk*

The Group's available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management intended to manage this exposure by implementing a policy to maintain a portfolio of investments with different risk profiles.

7. TURNOVER AND SEGMENTAL INFORMATION

Turnover mainly represents revenue arising on sales of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

Geographical Segments

The Group reports its primary segment information on geographical location of its customers, irrespective of the origin of the goods, and an analysis of the Group's turnover and results and segmental assets and liabilities by geographical segments, is presented below:

For the year ended 30th September, 2006

	United States of America US$'000	Europe US$'000	Asia US$'000	Unallocated US$'000	Total US$'000
TURNOVER	1,391,242	904,458	1,097,014	264,665	3,657,379
RESULTS					
Segment results	161,180	104,769	101,216	30,592	397,757
Other income					133,850
Unallocated expenses					(193,262)
Increase in fair value of investment properties					1,931
Net gain on derivatives and modification/redemption of convertible bonds					9,368
Finance costs					(41,855)
Share of results of associates					24,758
Share of results of jointly controlled entities					43,057
Profit before taxation					375,604
Income tax expense					(9,257)
Profit for the year					366,347

7. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

Geographical Segments *(Continued)*

At 30th September, 2006

	United States of America US$'000	Europe US$'000	Asia US$'000	Unallocated US$'000	Total US$'000
ASSETS					
Segment assets	**291,274**	**189,410**	**311,397**	**55,633**	**847,714**
Investments in associates					**246,717**
Amounts due from associate					**6,999**
Investments in jointly controlled entities					**225,009**
Amounts due from jointly controlled entities					**37,273**
Unallocated corporate assets					**2,015,080**
Consolidated total assets					**3,378,792**
LIABILITIES					
Segment liabilities	**92,780**	**60,319**	**75,886**	**17,658**	**246,643**
Unallocated corporate liabilities					**995,580**
Consolidated total liabilities					**1,242,223**

For the year ended 30th September, 2005

	United States of America US$'000	Europe US$'000	Asia US$'000	Unallocated US$'000	Total US$'000 (restated)
TURNOVER	1,255,227	834,627	862,438	202,543	3,154,835
RESULTS					
Segment results	152,331	101,177	80,097	24,560	358,165
Other income					110,943
Unallocated expenses					(168,812)
Gain on disposal of a jointly controlled entity					750
Finance costs					(27,566)
Share of results of associates					11,898
Share of results of jointly controlled entities					22,238
Profit before taxation					307,616
Income tax expense					(4,284)
Profit for the year					303,332

7. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

Geographical Segments *(Continued)*

At 30th September, 2005

	United States of America US$'000	Europe US$'000	Asia US$'000	Unallocated US$'000	Total US$'000 (restated)
ASSETS					
Segment assets	277,227	184,754	277,138	44,792	783,911
Investments in associates					172,110
Amounts due from associates					5,304
Investments in jointly controlled entities					117,177
Amounts due from jointly controlled entities					34,779
Unallocated corporate assets					2,013,777
Consolidated total assets					3,127,058
LIABILITIES					
Segment liabilities	86,433	57,484	60,254	13,945	218,116
Unallocated corporate liabilities					963,905
Consolidated total liabilities					1,182,021

7. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

Geographical Segments *(Continued)*

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

	The carrying amounts of segment assets		Capital additions	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
People's Republic of China (the "PRC")	**551,081**	513,503	**145,400**	112,439
Vietnam	**175,987**	163,888	**67,964**	84,188
Indonesia	**77,129**	58,547	**82,929**	23,876
Others *(note)*	**43,517**	47,973	**16,167**	3,200
	847,714	783,911	**312,460**	223,703

Note: Others included Taiwan, United States of America and Mexico.

Business Segment

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

8. NET GAIN ON DERIVATIVES AND MODIFICATION/REDEMPTION OF CONVERTIBLE BONDS

	2006	2005
	US$'000	US$'000
Gain on fair value changes on derivative financial instruments	**32,478**	–
Loss on modification of convertible bonds	**(25,399)**	–
Gain on redemption of convertible bonds	**2,289**	–
	9,368	–

9. FINANCE COSTS

	2006	2005
	US$'000	US$'000
		(restated)
Interest on bank borrowings:		
– wholly repayable within five years	**29,471**	16,800
– not wholly repayable within five years	**225**	–
Effective interest expenses on convertible bonds	**12,159**	10,766
	41,855	27,566

10. PROFIT BEFORE TAXATION

	2006 US$'000	2005 US$'000 (restated)
Profit before taxation has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	618,509	529,900
– retirement benefit scheme contributions	10,004	7,780
	628,513	537,680
Amortisation of prepaid lease payments	1,741	1,679
Amortisation of goodwill, included in other expenses	–	11,065
Auditors' remuneration	1,400	1,241
Depreciation of property, plant and equipment	129,791	120,073
Impairment loss on amounts due from associates	3,110	–
Impairment loss on amounts due from jointly controlled entities	3,500	–
Impairment loss on available-for-sale investments	6,000	–
Loss on deemed disposal of a subsidiary	1,353	–
Loss on disposal of investment properties	746	–
Loss on disposal of property, plant and equipment	7,558	4,114
Research and development expenditure	98,913	94,071
Share of taxation of associates (included in share of results of associates)	1,540	332
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	–	775
and after crediting:		
Interest income	10,572	6,891
Discount on acquisition of additional interests in subsidiaries	1,022	–
Dividend income from listed available-for-sale investments	1,742	–
Dividend income from listed investments in securities	–	529
Net exchange gain	13,176	17,942
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$33,000 (2005: US$30,000)	5,269	5,107
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	569	–

Note: For the years ended 30th September, 2005 and 2006, cost of inventories recognised as an expense approximates cost of sales as shown in the consolidated income statement.

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 15 (2005: 14) directors were as follows:

	Tsai Chi Neng US$'000	David N.F. Tsai US$'000	Edward Y. Ku US$'000	Kuo Tai Yu US$'000	Lu Chin Chu US$'000	Kung Sung Yen US$'000	Chan Lu Min US$'000	Li I Nan, Steve US$'000	Tsai Pei Chun, Patty US$'000	Choi Kwok Keung US$'000	Shih Hung US$'000	John J.D. Sy US$'000	So Kwan Lok US$'000	Poon Yiu Kin, Samuel US$'000	Liu Len Yu US$'000	2006 US$'000
Directors' fees:																
Executive	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-executive	-	-	-	-	-	-	-	-	-	-	-	45	-	-	-	45
Independent non-executive	-	-	-	-	-	-	-	-	-	-	13	-	29	42	15	99
Other emoluments of executive directors:																
Salaries and other benefits	274	342	308	93	100	153	18	175	101	-	-	-	-	-	-	1,564
Bonus	1,260	1,149	77	1,125	1,027	1,124	206	55	32	-	-	-	-	-	-	6,055
Retirement benefit schemes	-	-	2	-	-	-	-	1	-	-	-	-	-	-	-	3
Other emoluments of non-executive directors:																
Salaries and other benefits	-	-	-	-	-	-	-	-	-	37	-	-	-	-	-	37
Bonus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total directors' emoluments	1,534	1,491	387	1,218	1,127	1,277	224	231	133	37	13	45	29	42	15	7,803

	Tsai Chi Neng US$'000	David N.F. Tsai US$'000	Edward Y. Ku US$'000	Kuo Tai Yu US$'000	Lu Chin Chu US$'000	Kung Sung Yen US$'000	Chan Lu Min US$'000	Li I Nan, Steve US$'000	Tsai Pei Chun, Patty US$'000	Choi Kwok Keung US$'000	Shih Hung US$'000	John J.D. Sy US$'000	So Kwan Lok US$'000	Poon Yiu Kin, Samuel US$'000	2005 US$'000
Directors' fees:															
Executive	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-executive	-	-	-	-	-	-	-	-	-	-	-	46	-	-	46
Independent non-executive	-	-	-	-	-	-	-	-	-	-	25	-	26	26	77
Other emoluments of executive directors:															
Salaries and other benefits	273	342	299	89	88	151	19	172	89	-	-	-	-	-	1,522
Bonus	1,172	1,061	63	1,046	955	1,044	185	43	40	-	-	-	-	-	5,609
Retirement benefit schemes	-	-	2	-	-	-	-	2	-	-	-	-	-	-	4
Other emoluments of non-executive directors:															
Salaries and other benefits	-	-	-	-	-	-	-	-	-	121	-	-	-	-	121
Bonus	-	-	-	-	-	-	-	-	-	116	-	-	-	-	116
Total directors' emoluments	1,445	1,403	364	1,135	1,043	1,195	204	217	129	237	25	46	26	26	7,495

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

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 Li I Nan, Steve, was approximately US$9,600 (2005: US$9,000).

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.

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

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

12. INCOME TAX EXPENSE

	2006	2005
	US$'000	US$'000
		(restated)
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax at 17.5% (2005: 17.5%)		
– current year	**604**	86
– under(over)provision in prior years	**22**	(6)
Overseas taxation		
– current year	**7,981**	4,275
– underprovision in prior years	**5**	–
Deferred taxation *(note 37)*	**645**	(71)
	9,257	4,284

The Group's profit is subject to taxation from the place of its operations where its profit is generated. Taxation is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. The tax holidays and concessions will expire between 2007 and 2011.

12. INCOME TAX EXPENSE *(Continued)*

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

	2006 US$'000	2005 US$'000 (restated)
Profit before taxation	**375,604**	307,616
Tax at domestic rates applicable to profits of taxable entities in the countries concerned	**88,401**	74,585
Tax effect of expenses not deductible for tax purpose	**10,884**	7,317
Tax effect of income not taxable for tax purpose	**(88,752)**	(76,110)
Tax effect of tax losses not recognised	**2,054**	1,604
Utilisation of tax losses previously not recognised	**–**	(114)
Effect of tax holiday granted to subsidiaries	**(3,357)**	(2,992)
Under (over) provision in prior years	**27**	(6)
Tax charge for the year	**9,257**	4,284

Note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

From March 2004 to March 2006, the IRD issued protective profits tax assessments, in aggregate, of approximately HK$623,507,000 (equivalent to approximately US$80,164,000) relating to the years of assessment 1997/98, 1998/99 and 1999/2000, that is, for the financial years ended 30th September, 1997, 1998 and 1999, against certain wholly-owned subsidiaries of the Company. The Group lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing tax reserve certificates (the "TRC") of HK$181,526,000 (equivalent to approximately US$23,311,000) for those three years of assessment. These TRC have been purchased by the subsidiaries of the Group.

The directors of the Company believe that no profits tax is payable by the Group in respect of the concerned subsidiaries and no provision for Hong Kong profits tax in respect of the protective assessments is necessary. In the opinion of the directors, those subsidiaries did not carry on any business and derived no profit in or from Hong Kong. The subsidiaries which carry on business in Hong Kong only provided limited administrative services and have already paid Hong Kong Profits Tax. Together with the advice from the Company's legal adviser, the directors of the Company believe that no profits tax is in fact payable by the Group for these years of assessment and no provision for Hong Kong Profits Tax in respect of the protective assessments is considered necessary.

Whilst the Company has been advised that it has a strong case that the tax claimed is not in fact payable, bearing in mind the uncertainty, costs and management time and efforts required to conduct litigation, the directors are considering whether it is in the interest of the Group to resolve the dispute with the IRD without legal proceedings. If the dispute is not resolved and the courts uphold the assessments against the relevant members of the Group, this may affect the Group's financial conditions and results of operations.

13. DIVIDENDS

	2006 US$'000	2005 US$'000
2006 Interim dividend of HK$0.29 per share (2005: 2005 Interim dividend of HK$0.27 per share) paid	**60,517**	56,232
2005 Final dividend of HK$0.48 per share (2005: 2004 Final dividend of HK$0.46 per share) paid	**100,191**	95,529
	160,708	151,761

The directors recommend the payment of a final dividend of HK$0.51 per share for the year ended 30th September, 2006. The proposed dividend for 2006 is payable to those shareholders on the register of members on 1st March, 2007.

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

14. EARNINGS PER SHARE

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

	2006 US$'000	2005 US$'000 (restated)
Earnings:		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**353,591**	297,912
Effect of dilutive potential ordinary shares:		
Gain on fair value changes on derivative financial instruments	**(32,892)**	–
Finance costs on convertible bonds	**12,159**	10,766
Loss on modification of convertible bonds	**25,399**	–
Gain on redemption of convertible bonds	**(2,289)**	–
Profit for the year attributable to equity holders of the Company for the purpose of diluted earnings per share	**355,968**	308,678

14. EARNINGS PER SHARE *(Continued)*

	2006	2005
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**1,619,748,986**	1,619,748,986
Effect of dilutive potential ordinary shares: Convertible bonds	**71,332,038**	90,033,568
Number of ordinary shares for the purpose of diluted earnings per share	**1,691,081,024**	1,709,782,554

The following table summarises the impact on both basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2006	2005	**2006**	2005
	US cents	US cents (restated)	**US cents**	US cents (restated)
Reported figures before adjustments	**21.4**	19.1	**20.5**	18.1
Adjustments arising from changes in accounting policies *(see note 3)*	**0.4**	(0.7)	**0.5**	–
Reported/restated	**21.8**	18.4	**21.0**	18.1

15. INVESTMENT PROPERTIES

	US$'000
FAIR VALUE	
At 1st October, 2004	31,723
Transfer from prepaid lease payments	4,283
Transfer from property, plant and equipment	1,817
Revaluation decrease recognised in equity	(2,123)
At 30th September, 2005	35,700
Additions	14,175
Transfer from prepaid lease payments	784
Transfer from property, plant and equipment	5,325
Net increase in fair value recognised in the consolidated income statement	1,931
Disposals	(746)
At 30th September, 2006	**57,169**

15. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties situated in the PRC of approximately US$43,402,000 at 30th September, 2006 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited ("Knight Frank"), independent qualified professional valuers not connected with the Group. The valuation, which conforms to Hong Kong Institute of Surveyors ("HKIS") Valuation Standards on Properties (First Edition 2005) published by HKIS, was arrived at by reference to market evidence of transaction prices for similar properties.

The fair value of the Group's investment properties situated in the United States of America of approximately US$13,767,000 as at 30th September, 2006 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties.

	2006 **US$'000**	2005 US$'000
The carrying value of investment properties shown above comprises properties on land held under:		
– long-term leases or land use rights in the PRC	**1,350**	1,257
– medium-term land use rights in the PRC	**42,052**	34,443
– freehold land in the United States of America	**13,767**	–
	57,169	35,700

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Hotel properties US$'000	Buildings under construction US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST OR VALUATION								
At 1st October, 2004	674,818	17,794	23,795	738,895	133,320	92,089	21,533	1,702,244
Effects of changes in accounting policies *(note 3)*	(101,133)	–	–	–	–	–	–	(101,133)
At 1st October, 2004, as restated	573,685	17,794	23,795	738,895	133,320	92,089	21,533	1,601,111
Additions	17,008	–	61,468	86,308	24,223	14,891	3,232	207,130
Reclassification	25,199	–	(25,600)	250	31	120	–	–
Transfer to investment properties	(1,817)	–	–	–	–	–	–	(1,817)
Disposals	(1,289)	–	–	(18,687)	(2,843)	(3,229)	(1,076)	(27,124)
At 30th September, 2005	612,786	17,794	59,663	806,766	154,731	103,871	23,689	1,779,300
Additions	28,633	199	74,738	135,836	29,477	15,267	3,302	287,452
Reclassification	76,400	–	(76,758)	315	–	43	–	–
Transfer to investment properties	(5,325)	–	–	–	–	–	–	(5,325)
Disposal of subsidiaries	(6,829)	–	–	(5,126)	(59)	(553)	(106)	(12,673)
Disposals	(74)	(593)	(1,317)	(41,897)	(3,148)	(6,026)	(2,458)	(55,513)
At 30th September, 2006	**705,591**	**17,400**	**56,326**	**895,894**	**181,001**	**112,602**	**24,427**	**1,993,241**
Comprising:								
At cost	670,078	17,400	56,326	895,894	181,001	112,602	24,427	1,957,728
At valuation – 1995	35,513	–	–	–	–	–	–	35,513
	705,591	17,400	56,326	895,894	181,001	112,602	24,427	1,993,241
DEPRECIATION AND AMORTISATION								
At 1st October, 2004	105,548	–	–	379,670	57,947	57,607	14,916	615,688
Effects on changes in accounting policies *(note 3)*	(10,254)	4,270	–	–	–	–	–	(5,984)
At 1st October, 2004, as restated	95,294	4,270	–	379,670	57,947	57,607	14,916	609,704
Provided for the year	19,866	1,280	–	70,310	13,546	12,739	2,332	120,073
Eliminated on disposals	(88)	–	–	(11,760)	(1,719)	(2,693)	(820)	(17,080)
At 30th September, 2005	115,072	5,550	–	438,220	69,774	67,653	16,428	712,697
Provided for the year	24,495	1,213	–	73,699	15,507	12,554	2,323	129,791
Disposal of subsidiaries	(1,196)	–	–	(2,088)	(51)	(726)	(80)	(4,141)
Eliminated on disposals	(64)	(509)	–	(30,469)	(1,141)	(5,091)	(2,241)	(39,515)
At 30th September, 2006	**138,307**	**6,254**	**–**	**479,362**	**84,089**	**74,390**	**16,430**	**798,832**
CARRYING VALUES								
At 30th September, 2006	**567,284**	**11,146**	**56,326**	**416,532**	**96,912**	**38,212**	**7,997**	**1,194,409**
At 30th September, 2005	497,714	12,244	59,663	368,546	84,957	36,218	7,261	1,066,603

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note: Included in land and buildings are certain owner-occupied leasehold land and buildings of approximately US$3,308,000 (2005: US$3,404,000) and US$302,514,000 (2005: US$301,370,000) in Hong Kong and the PRC, respectively, where in the opinion of the directors of the Company, allocation between the land and building elements could not be made reliably.

The above items of property, plant and equipment are depreciated at the following rates per annum:

Land and buildings	Over 20 years to 50 years, or shorter of the lease terms, where appropriate	(straight-line method)
Freehold land	Nil	
Hotel properties	5% – 15%	(straight-line method)
Plant and machinery	5% – 15%	(straight-line method)
Leasehold improvements	10%	(reducing balance method)
Furniture, fixtures and equipment	20% – 30%	(reducing balance method)
Motor vehicles	20% – 30%	(reducing balance method)

	2006 **US$'000**	2005 US$'000
The carrying value of the properties shown above comprises properties on:		
Land held under long-term leases or land use rights in		
– the PRC	**3,794**	3,774
– Indonesia	**75,609**	43,719
Land held under medium-term leases or land use rights in		
– Hong Kong	**3,308**	3,404
– the PRC	**298,720**	297,596
– Vietnam	**181,357**	144,725
Freehold land in Mexico	**4,496**	4,496
Hotel properties under medium-term land use rights in the PRC	**11,146**	12,244
	578,430	509,958

17. PREPAID LEASE PAYMENTS

	2006 US$'000	2005 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– the PRC	**3,987**	4,063
– Indonesia	**20,780**	20,781
Medium-term leases or land use rights in		
– the PRC	**56,406**	51,257
– Vietnam	**26,925**	25,366
	108,098	101,467
Analysed for reporting purposes as:		
Current asset	**1,766**	1,612
Non-current asset	**106,332**	99,855
	108,098	101,467

The Group has acquired rights to the use of land ("land rights") in the PRC, Indonesia and Vietnam and has erected buildings thereon. While the Group has paid substantially the full purchase consideration, the relevant government authorities have not granted formal title to certain of these land rights to the Group. As at 30th September, 2006, the carrying value of the land rights for which the Group had not been granted formal title amounted to approximately US$48.6 million (2005: approximately US$51.5 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.

18. DEPOSIT MADE FOR ACQUISITION OF LAND USE RIGHTS

The deposit at 30th September, 2005 was made by the Group in connection with the acquisition of land use rights in the PRC. The acquisition of land use rights was completed during the year.

19. GOODWILL

	US$'000
COST	
At 1st October, 2004 and 30th September, 2005	221,294
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(33,188)
At 1st October, 2005	188,106
Arising on acquisition of additional interests in subsidiaries	429
At 30th September, 2006	**188,535**
AMORTISATION	
At 1st October, 2004	22,123
Provided for the year	11,065
At 30th September, 2005	33,188
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(33,188)
At 1st October, 2005 and 30th September, 2006	–
CARRYING VALUES	
At 30th September, 2006	**188,535**
At 30th September, 2005	188,106

Particulars regarding impairment testing on goodwill are disclosed in note 20.

Until 30th September, 2005, goodwill had been amortised over its estimated useful life of 20 years, on a straight-line basis.

20. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill with indefinite useful lives as detailed in note 19 has been allocated to three individual cash generating units ("CGUs"). The carrying amount of goodwill as at 30th September, 2006 has been allocated to the following units:

	US$'000
Manufacture and marketing of footwear materials ("Unit A")	182,127
Manufacture and marketing of sports apparel ("Unit B")	5,724
Retail sales of footwear and apparel ("Unit C")	684
	188,535

20. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

During the year ended 30th September, 2006, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the above CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period, and discount rates of 13%, 9% and 9% for Unit A, Unit B and Unit C, respectively. The cash flows beyond the 5 year period are extrapolated using a steady growth rate of 4%. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of allocated goodwill of Unit A, Unit B and Unit C to exceed the corresponding recoverable amounts.

21. INVESTMENTS IN ASSOCIATES

	2006 **US$'000**	2005 US$'000
Cost of investments in associates *(note)*:		
Listed in Hong Kong	**40,484**	40,484
Listed in Taiwan	**86,832**	75,576
Unlisted	**95,254**	47,016
Share of post-acquisition profits and reserves, net of dividends received	**24,147**	9,034
	246,717	172,110
Fair value of listed shares	**105,065**	126,880

Details of the Group's principal associates at 30th September, 2006 are set out in note 51.

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Note: Included in cost of investments in associates is goodwill arising on acquisition of associates of approximately US$78,238,000 (2005: US$59,958,000) and the movement are as follows:

	US$'000
COST	
At 1st October, 2004	46,609
Arising on acquisition of associates	16,922
At 30th September, 2005	63,531
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(3,573)
At 1st October, 2005	59,958
Arising on acquisition of associates	18,280
At 30th September, 2006	**78,238**
AMORTISATION	
At 1st October, 2004	1,072
Provided for the year	2,501
At 30th September, 2005	3,573
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(3,573)
At 1st October, 2005 and 30th September, 2006	–
CARRYING VALUES	
At 30th September, 2006	**78,238**
At 30th September, 2005	59,958

Until 30th September, 2005, the goodwill had been amortised on a straight-line basis over 20 years.

The summarised financial information in respect of the Group's associates is set out below:

	2006 US$'000	2005 US$'000
Total assets	**709,513**	417,370
Total liabilities	**(288,568)**	(139,547)
Net assets	**420,945**	277,823
The Group's share of net assets of associates	**168,479**	112,152
Turnover	**780,238**	442,323
Profit for the year	**58,538**	39,321
The Group's share of results of associates for the year	**24,758**	11,898

21. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2006 **US$'000**	2005 US$'000
Unrecognised share of losses of associates for the year	**570**	992
Accumulated unrecognised share of losses of associates	**6,887**	6,317

22. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying values of these amounts at the balance sheet date approximate their fair values.

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2006 **US$'000**	2005 US$'000
Cost of unlisted investments in jointly controlled entities	**146,338**	66,749
Share of post-acquisition profits and reserves, net of dividends received	**78,671**	50,428
	225,009	117,177

Details of the Group's principal jointly controlled entities at 30th September, 2006 are set out in note 52.

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Note: Included in cost of investments in jointly controlled entities is goodwill arising on acquisition of jointly controlled entities of approximately US$9,208,000 (2005: US$4,874,000) and the movement are as follows:

	US$'000
COST	
At 1st October, 2004 and 30th September, 2005	5,527
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(653)
At 1st October, 2005	4,874
Arising on acquisition of jointly controlled entities	4,334
At 30th September, 2006	**9,208**
AMORTISATION	
At 1st October, 2004	377
Provided for the year	276
At 30th September, 2005	653
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 2)*	(653)
At 1st October, 2005 and 30th September, 2006	–
CARRYING VALUES	
At 30th September, 2006	**9,208**
At 30th September, 2005	4,874

Until 30th September, 2005, the goodwill had been amortised on a straight-line basis over 20 years.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 **US$'000**	2005 US$'000
Current assets	**353,270**	153,492
Non-current assets	**156,678**	73,365
Current liabilities	**(169,603)**	(78,626)
Non-current liabilities	**(86,636)**	(10,985)
Income	**633,999**	333,437
Expenses	**(593,027)**	(310,424)

24. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying values of these amounts at the balance sheet date approximate their fair values.

25. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 30th September, 2006 comprise:

	US$'000
Listed investments at fair value:	
– Equity securities listed in Hong Kong	27,019
– Equity securities listed overseas	4,012
	31,031
Unlisted overseas equity securities	120
	31,151

At the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair value cannot be measured reliable. Fair value of those listed investments have been determined by reference to bid prices quoted in active markets.

The above unlisted securities represent investments in unlisted equity securities issued by a private entity incorporated overseas. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

26. INVESTMENTS IN SECURITIES

Investments in securities as at 30th September, 2005 are set out below. Upon the application of HKAS 39 on 1st October, 2005, investments in securities were reclassified to available-for-sale investments (note 25) under HKAS 39 (see note 3 for details).

	US$'000
Investment securities – non-current:	
Listed equity securities	
– Hong Kong	34,177
– overseas	4,204
	38,381
Other investments – current:	
Unlisted overseas equity securities	465
Market value of listed securities	30,832

27. INVENTORIES

	2006 US$'000	2005 US$'000
Raw materials	**175,291**	187,225
Work in progress	**84,706**	67,495
Finished goods	**159,584**	153,046
	419,581	407,766

28. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms, ranging from 30 days to 90 days, which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US$428,133,000 (2005: US$376,145,000) and an aged analysis is as follows:

	2006 US$'000	2005 US$'000
0 to 30 days	**309,856**	269,999
31 to 90 days	**109,035**	94,338
Over 90 days	**9,242**	11,808
	428,133	376,145

The fair value of the Group's trade and other receivables at the balance sheet date approximates the corresponding carrying amount.

29. DERIVATIVE FINANCIAL INSTRUMENTS

On 1st October, 2005, the Group adopted HKAS 39 and accounted for derivatives at fair value at each balance sheet date.

	2006	
	Assets US$'000	**Liabilities US$'000**
Interest rate swaps *(note a)*	**400**	**–**
Foreign currency forward contracts *(note b)*	**–**	**815**
	400	**815**

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes:

(a) Major terms of interest rate swaps financial derivatives are as below:

The Group has used certain interest rate swaps to reduce its cash flow interest rate risk in relation to its exposure to USD floating rates bank borrowings, with the major terms as below:

Notional Amount	Maturity	Range of 6-month LIBOR	Fixed Interest Rate Payable
USD50,000,000	1st June, 2010	3.99% to 5.5%	3.99% if LIBOR is within the range, or 5.49% if LIBOR is outside the range
USD50,000,000	1st June, 2010	3.75% to 5.5%	3.75% if LIBOR is within the range, or 5.38% if LIBOR is outside the range

(b) Major terms of foreign currency forward contracts are as below:

(i)

Notional Amount	Maturity	Forward Exchange Rates
USD132.7 million	From October 2006 to April 2007	Sell USD/buy RMB at 7.7494 to 7.8835

(ii) The Group has also entered into certain USD vs HKD structured forward contracts which give the Group the opportunities to sell USD/buy HKD at more favourable exchange rates than market exchange rates but subject to the exposure of the Group to buy USD/sell HKD at a fixed exchange rate of 7.745 if the exchange rate falls below 7.745 for a maximum of US$4 million per month for each contract for a period of 18 months. As of 30th September, 2006, the remaining tenors of the 2 outstanding contracts were 13 months and 17 months respectively.

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

30. DEPOSITS PLACED WITH A FINANCIAL INSTITUTION

The deposits placed with a financial institution carry interest at prevailing market rate of 4% (2005: 2.2% to 3.7%) per annum. The fair value of the Group's deposits placed with a financial institution at the balance sheet date approximates the corresponding carrying amount.

31. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The bank deposits carry interest at rates ranged from 0.10% to 5.55% (2005: 0.01% to 3.54%) per annum.

The fair value of the Group's bank balances and cash at the balance sheet date approximates the corresponding carrying amount.

32. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$246,643,000 (2005: US$218,116,000) and an aged analysis is as follows:

	2006 US$'000	2005 US$'000
0 to 30 days	171,522	152,961
31 to 90 days	49,906	45,287
Over 90 days	25,215	19,868
	246,643	218,116

The fair value of the Group's trade and other payables at the balance sheet date approximates the corresponding carrying amount.

33. SHORT-TERM BANK BORROWINGS

	2006 US$'000	2005 US$'000
Unsecured floating-rate borrowings:		
Current portion of long-term bank borrowings *(note 35)*	70,934	71,557
Trust receipt and import loans	5,631	772
Short-term bank borrowings	116,598	86,232
	193,163	158,561

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollar equivalent of	
	New Taiwan dollar US$'000	**Hong Kong dollar** US$'000
As at 30th September, 2006	**5,631**	**–**
As at 30th September, 2005	6,166	1,033

The Group has floating-rate borrowings which carry interest at London Interbank Offered Rate ("LIBOR") plus a fixed percentage per annum.

The range of effective interest rates on the Group's short-term bank borrowings is 4.7% to 8.3% (2005: 2.2% to 6.1%) per annum.

The fair value of the Group's short-term bank borrowings at the balance sheet date approximates the corresponding carrying amount.

34. CONVERTIBLE BONDS

(i) Convertible bonds

On 23rd December, 2003, the Company issued US$300 million zero coupon convertible bonds due 2008 ("CB 2008"). The CB 2008 are listed on the Luxembourg Stock Exchange. They are convertible, at the option of their holders, into ordinary shares of HK$0.25 each of the Company at an initial conversion price of US$3.52 (i.e. HK$27.33 per share with a fixed rate of exchange applicable on conversion of the CB 2008 of HK$7.7622 to US$1.00) at any time on or after 22nd January, 2004 up to and including, the close of business on the business day seven days prior to 23rd December, 2008.

On 12th January, 2004, notice was given to the Company by the arranger of the CB 2008 to exercise in part of the over-allotment option in the aggregate principal amount of US$17 million (out of the possible maximum of US$50 million).

The CB 2008 do not bear interest. Unless previously redeemed, converted or purchased and cancelled, the CB 2008 will be redeemed by the Company at 98.76 per cent of their principal amount on 23rd December, 2008. All or some of these bonds may be redeemed at the option of the Company, in whole or in part, from time to time, (i) on or after 23rd December, 2005 when the closing price of the Company's shares on the Stock Exchange shall have been at least 120 per cent of the conversion price for each of any 20 trading days during a 30 consecutive trading day period or (ii) at any time providing at least 90% in principal amount of the CB 2008 has been converted, redeemed or purchased and cancelled and (in either case) prior to 16th December, 2008 at an early redemption amount as stated in the CB 2008.

The bondholders may, at their option, require the Company to redeem all or some of the bonds on 23rd December, 2005 ("Put Option Date") at 99.5 per cent of the principal amount ("Put Option"). The Put Option in respect of US$308,755,000 principal amount of the CB 2008 was exercised for redemption on 23rd December, 2005 (the "Exercised Bonds"). On 14th December, 2005, the Company signed a put release agreement (the "Put Release Agreement") with a financial institution ("Financial Institution") pursuant to which the Company has agreed, on request of the holders of the Exercised Bonds, to revoke the Put Option exercised so that such CB will continue to be outstanding as if the Put Option had never been exercised. In addition, the Company will make an additional payment to or to the order of the Financial Institution on maturity of the Exercised Bonds.

As a result, the Exercised Bonds with principal amount of US$223,225,000 were revoked and continued to be outstanding. The balances of Exercised Bonds with principal amount of US$85,530,000 were redeemed by the Company with cash of US$85,102,000.

CB 2008 with the principal amount of US$231,470,000 remained outstanding at 30th September, 2006.

34. CONVERTIBLE BONDS *(Continued)*

(i) Convertible bonds *(Continued)*

The convertible bonds contain two components, liability, equity elements and embedded derivatives as detailed in note 34(ii). The equity element is presented in reserves as convertible bonds reserve. After the redemption and modification on the terms of CB 2008 on 23rd December, 2005, the effective interests rate of the liability component is 5.45% per annum.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2006 US$'000	2005 US$'000
At 30th September	**302,157**	291,391
Effects of changes in accounting policies *(note 3)*	**(26,928)**	–
At 1st October	**275,229**	291,391
Effective interest expense	**12,159**	10,766
Redemption	**(74,950)**	–
Modification on the terms of CB 2008 pursuant to the Put Release Agreement	**25,399**	–
At 30th September	**237,837**	302,157

The fair value of the liability component of the convertible bonds at 30th September, 2006, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible bonds at the balance sheet date approximates the carrying amount.

(ii) Derivative financial instruments

	US$'000
Derivatives embedded in the convertible bonds at 1st October, 2005, recognised upon the adoption of HKAS 39	32,892
Change in fair value	(32,892)
Embedded derivative at 30th September, 2006	**–**

On 1st October, 2005, the Group adopted HKAS 39 and accounted for embedded derivatives at fair value at each balance sheet date.

34. CONVERTIBLE BONDS *(Continued)*

(ii) Derivative financial instruments *(Continued)*

The Put Option were fair valued by independent professional valuer on 1st October, 2005 and the Put Option Date at approximately US$32,892,000 and nil, respectively. The change in fair value of approximately US$32,892,000 has been charged to the consolidated income statement during the year ended 30th September, 2006. The Put Option was expired on the Put Option Date.

The inputs used in the model adopted by the management in determining the fair values at the respective dates were as follows:

	1st October, 2005	Put Option Date
Share price	HK$21.30	HK$22.75
Exercise price	HK$27.33	HK$27.33
Expected dividend yield	4%	4%

35. LONG-TERM BANK BORROWINGS

	2006 US$'000	2005 US$'000
The floating-rate long-term bank borrowings are repayable:		
Within one year	70,934	71,557
In more than one year, but not exceeding two years	944	3,515
In more than two years, but not exceeding three years	201	–
In more than three years, but not exceeding four years	280,428	–
In more than four years, but not exceeding five years	228	280,213
In more than five years	8,692	–
	361,427	355,285
Less: Amount due within one year included in current liabilities *(note 33)*	(70,934)	(71,557)
Amount due after one year	290,493	283,728
Analysed as:		
Secured	9,525	–
Unsecured	280,968	283,728
	290,493	283,728

The above secured borrowings are secured by certain investment properties of the Group with a carrying value of approximately US$13,767,000 at 30th September, 2006.

35. LONG-TERM BANK BORROWINGS *(Continued)*

Included in the long-term bank borrowings is an amount of US$350 million (2005: US$350 million) drawn under a syndicated loan facility of US$420 million (2005: US$420 million), which is effectively a United States dollar loan with commercial interest rates linked to the United States dollar and is repayable in June 2010. Pursuant to the loan agreement, certain substantial shareholders of the Company, the family of Tsai, together with 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. At 30th September, 2006 and 2005, the Group has undrawn syndicated loans facilities of US$70 million.

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollar equivalent of Hong Kong dollar US$'000
As at 30th September, 2006	**280,213**
As at 30th September, 2005	280,213

The Group has floating-rate borrowing which carry interest at LIBOR plus a fixed rates per annum. Interest is repricing every six months.

The ranges of effective interest rates on the Group's long-term bank borrowing ranged from 4.5% to 6.7% (2005: 2.4% to 5.1%) per annum.

The fair value of the Group's long-term bank borrowings, estimated by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date, approximates the corresponding carrying amount.

36. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

Loans from minority shareholders of subsidiaries were unsecured, interest-free and fully repaid during the year.

37. DEFERRED TAXATION

The major deferred tax liabilities recognised and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation US$'000	Revaluation of investment properties US$'000	Total US$'000
At 1st October, 2004	3,888	–	3,888
Effect in changes in accounting policies *(note 2)*	–	3,761	3,761
At 1st October, 2004, as restated	3,888	3,761	7,649
Credited to the consolidated income statement	(71)	–	(71)
Credited to investment properties revaluation reserve	–	(700)	(700)
At 30th September, 2005, as restated	3,817	3,061	6,878
Charged to the consolidated income statement	8	637	645
At 30th September, 2006	**3,825**	**3,698**	**7,523**

At the balance sheet date, the Group has unused tax losses of approximately US$18,871,000 (2005: US$11,002,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward for a period of five years until 2011.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$7,289,000 (2005: US$10,585,000). No liability has been recognised in respect of these differences because the Group control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There was no other significant unprovided deferred taxation for the year or at the balance sheet date.

38. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2004, 30th September, 2005 and 30th September, 2006	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2004, 30th September, 2005 and 30th September, 2006	1,619,748,986	404,937
		US$'000
Shown in the consolidated financial statements as at 30th September, 2005 and 2006		52,274

39. SHARE OPTION SCHEME OF PCC

In accordance with the terms of PCC's Share Option Scheme ("Scheme") adopted on 30th July, 2002 and effective for a period of 10 years from the date of adoption of the Scheme, PCC can grant to directors and employees of PCC and its subsidiaries share options to subscribe for its ordinary shares for the primary purpose of providing incentives to directors and eligible employees. The exercise price is the closing price of PCC's shares at the date of grant. Options can be exercised every year up to one-third of the granted option, no earlier than two years from the date of grant. After four years from the date of grant, the option holders are eligible to exercise all the options granted.

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.

There were no options granted to any directors and employees of the Group under the Scheme in respect of services provided to the Group for the years ended 30th September, 2005 and 2006. There is no effect to the Group's result and financial position upon the adoption of HKFRS 2.

40. BALANCE SHEET OF THE COMPANY

	2006 US$'000	2005 US$'000 (restated)
Non-current assets		
Property, plant and equipment	**189**	194
Investments in subsidiaries	**60,832**	60,832
	61,021	61,026
Current assets		
Sundry receivables	**2**	–
Amounts due from subsidiaries	**1,650,963**	1,753,079
Derivative financial instruments	**400**	–
Bank balances and cash	**78**	743
	1,651,443	1,753,822
Current liabilities		
Sundry payables	**4,344**	3,271
Amounts due to subsidiaries	**–**	136,809
Current portion of long-term bank borrowings	**70,000**	70,000
	74,344	210,080
Net current assets	**1,577,099**	1,543,742
Total assets less current liabilities	**1,638,120**	1,604,768
Non-current liabilities		
Convertible bonds *(note 34)*	**237,837**	302,157
Long-term bank borrowings	**280,213**	280,213
	518,050	582,370
	1,120,070	1,022,398
Capital and reserves		
Share capital	**52,274**	52,274
Reserves *(note 41)*	**1,067,796**	970,124
	1,120,070	1,022,398

41. RESERVES OF THE COMPANY

	Share premium US$'000	Contributed surplus US$'000	Convertible bonds reserve US$'000	Retained profits US$'000	Total US$'000
At 1st October, 2004	598,557	38,126	–	226,256	862,939
Effects of change in accounting policies	–	–	30,560	(8,367)	22,193
At 1st October, 2004, as restated	598,557	38,126	30,560	217,889	885,132
Profit for the year, as restated	–	–	–	236,753	236,753
Dividends *(note 13)*	–	–	–	(151,761)	(151,761)
At 30th September, 2005, as restated	598,557	38,126	30,560	302,881	970,124
Effects of change in accounting policies	–	–	–	(5,964)	(5,964)
At 1st October, 2005	598,557	38,126	30,560	296,917	964,160
Profit for the year	–	–	–	276,786	276,786
Dividends *(note 13)*	–	–	–	(160,708)	(160,708)
Redemption of convertible bonds	–	–	(12,442)	–	(12,442)
At 30th September, 2006	**598,557**	**38,126**	**18,118**	**412,995**	**1,067,796**

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.

42. DISPOSAL OF SUBSIDIARIES

On 1st October, 2005, the Group disposed of its 51% equity interest in a wholly-owned subsidiary, Liberty Bell Investments Limited ("Liberty Bell"), which is an investment holding company. Its subsidiary is engaged in the manufacture and trading of footwear components in the PRC. At the balance sheet date, Liberty Bell is a 49% owned associate of the Group.

	US$'000
Net assets disposed of:	
Property, plant and equipment	8,532
Prepaid lease payments	933
Inventories	2,669
Trade and other receivables	8,167
Bank balances and cash	3,959
Trade and other payables	(17,826)
Total consideration	6,434
Transferred to interests in associates	(3,152)
	3,282
Satisfied by:	
Cash	1,483
Deferred consideration	1,799
	3,282
Net cash outflow arising on disposal:	
Cash consideration	1,483
Bank balances and cash disposed of	(3,959)
	(2,476)

The deferred consideration was fully settled in October 2006.

The impact of Liberty Bell on the Group's results and cash flows in the current and prior years is not significant.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 30th September, 2006, the major non-cash transactions were as follows:

(a) Deposit made for acquisition of land use rights of US$6,147,000 was transferred to prepaid lease payments.

(b) The consideration for the acquisition of available-for-sale investments of approximately US$9,101,000 was satisfied by dividends distributed by a jointly controlled entity.

During the year ended 30th September, 2005, the major non-cash transactions were as follows:

(a) Deposit made for acquisition of land use rights of US$5,000,000 was transferred to prepaid lease payments.

(b) The consideration of the acquisition of additional interest in an associate of US$26,578,000 was satisfied by the conversion of the convertible note issued by the associate previously.

44. OPERATING LEASE COMMITMENTS

The Group as Lessee

	2006 **US$'000**	2005 US$'000
Minimum leases payments paid under operating leases during the year:		
Leasehold land and buildings	**21,174**	18,549
Plant and machinery	**2,946**	4,566
	24,120	23,115

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

	2006 **US$'000**	2005 US$'000
Within one year	**16,032**	16,177
In the second to fifth year inclusive	**16,635**	23,042
After five years	**38,877**	28,946
	71,544	68,165

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and staff quarters. Leases are negotiated for an average term of five years and rentals are fixed.

44. OPERATING LEASE COMMITMENTS *(Continued)*

Included in the above are commitments under non-cancellable operating leases of approximately US$6.4 million (2005: US$13.0 million) which expire in 2007 payable to related companies, Godalming Industries Limited and its subsidiaries, details of which are set out in note 48(f).

The Group as lessor

All of the Group's investments properties held have committed tenants for the next one to five years and rentals are fixed.

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

	2006 US$'000	2005 US$'000
Within one year	2,327	1,358
In the second to fifth year inclusive	5,545	4,266
After five years	19,853	18,542
	27,725	24,166

45. CAPITAL COMMITMENTS

	2006 US$'000	2005 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– amount committed for construction of buildings	28,115	2,721
– acquisition of property, plant and equipment	2,688	5,495
	30,803	8,216

46. CONTINGENT LIABILITIES

	2006 US$'000	2005 US$'000
Guarantees given to banks in respect of banking facilities utilised by:		
– associates	2,655	1,284
– jointly controlled entities	41,300	20,689
	43,955	21,973

47. 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 workers under subcontracting agreements in the PRC are subject to retirement benefit scheme established in the PRC. Specified percentage of their payroll is contributed to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

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

	Name of company	Nature of transactions/balances	2006 US$'000	2005 US$'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)*	**1,619**	3,013
		Costs reimbursed to PCC under the Services Agreement *(note b)*	**229,374**	237,987
		Expenses reimbursed to PCC under the Services Agreement *(note b)*	**77,787**	83,328
		Service fees paid *(note b)*	**11,988**	10,441
		Tanning facilities and processing services fee paid *(note c)*	**9,147**	12,102
		Rental expenses under the Rental Agreements and Rental Agreements I *(notes d & k)*	**1,722**	945
		Sales of semi-finished shoe products *(note a)*	**19,469**	21,464
		Management services income received *(note e)*	**30,805**	16,762
		Balance due from/to at 30th September		
		– trade receivables	**5,945**	4,371
		– trade payables	**32,605**	34,331

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Name of company	Nature of transactions/balances	2006 US$'000	2005 US$'000
Companies controlled by a substantial shareholder of the Company:			
Golden Brands Developments Limited ("Golden Brands") and its subsidiaries, associates and jointly controlled entities (collectively the "Golden Brands Group")	Management services income received *(note e)*	**3,000**	5,626
	Rental received on dormitories *(note e)*	**2,026**	2,068
	Sales of packaging box products *(note h)*	**1,020**	2,007
	Balance due from/to at 30th September		
	– trade receivables	**5,221**	3,716
	– trade payables	**21**	28
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings *(note f)*	**7,000**	7,135
Companies controlled by the minority shareholders of subsidiaries:			
Rest Assured Group Limited ("Rest Assured")	Consideration for acquisition of additional interests in subsidiaries *(note g)*	**1,861**	–
	Purchase of shoes and sportswear *(note i)*	**2,146**	703
	Services fee paid *(note j)*	**1,109**	1,014

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

	Name of company	Nature of transactions/balances	2006 US$'000	2005 US$'000
(II)	**RELATED PARTIES, OTHER THAN CONNECTED PARTIES**			
	Jointly controlled entities:			
	Jointly controlled entities	Purchase of raw materials	**103,430**	95,796
		Sales of shoe-related products	**4,509**	3,888
		Service fees paid	**–**	85
		Service income	**5,896**	5,327
		Balance due from/to at 30th September		
		– trade receivables	**13,520**	4,515
		– trade payables	**13,697**	13,726
	Associates:	Purchase of raw materials	**57,548**	58,162
		Sales of shoe-related products	**824**	440
		Service income	**3,094**	1,836
		Balance due from/to at 30th September		
		– trade receivables	**12,169**	215
		– trade payables	**4,249**	6,176

(III) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors who are also identified as members of key management during both years is set out in note 11.

Notes:

(a) During the year, the Group sold semi-finished shoe products to PCC Group representing approximately 0.5% (2005: 0.7%) of the turnover of the Group for the year. In addition, the Group purchased raw materials and shoe-related products from the PCC Group. These purchases of raw materials and shoe-related products, represented approximately 0.1% (2005: 0.1%) 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 owned indirectly through Plantegenet Group Limited as to 13.18% by members of Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng and David N.F. Tsai and directly as to 7.09% 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.

48. 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 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 2.5% (2005: 3.0%) 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.

(c) Pursuant to a production agreement dated 1st January, 1997 ("Production Agreement") entered into between Prime Asia Leather Corporation, Taiwan Branch ("Prime Asia TW"), a wholly owned subsidiary of the Company and Barits Development Corporation ("Barits"), a company which was beneficially owned by PCC as to approximately 98%, 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 following:

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

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

(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 0.5% (2005: 0.7%) of the net tangible assets of the Group as at 30th September, 2006 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 (Holdings) Limited ("Pou Chien Chemical"), a wholly-owned subsidiary of the Company, PCC and Pou Yuen Technology Limited ("Pou Yuen"), a subsidiary of PCC, on 1st October, 2002 ("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 an 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 for the provision of management services to PCC and Golden Brands 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 was ultimately owned as to 94.12% by Mr. Tsai Chi Jui, a substantial shareholder of the Company and PCC is the ultimate holding company of the Company.

48. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Notes: (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 Highmarks;

(ii) in respect of the supply of electricity by Highmark, a markup on the cost incurred by Highmarks;

(iii) in respect of the supply of water by Highmark, a markup on the cost incurred by Highmark; and

(iv) in respect of rental, the prevailing rent is equivalent to the open market rental value at 22nd February, 2006 as valued by Knight Frank, an independent firm of professional property valuers.

(f) Godalming was owned by Power Point Developments Limited, a company in which a former 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 12th May, 2006 as certified by Knight Frank, an independent firm of professional property valuers.

(g) On 7th July, 2006, Dedicated Group Limited, a 70% owned subsidiary of the Company, acquired a further 20% equity interests in 廣州寶旭貿易有限公司(「廣州寶旭」) and 20% equity interests in 人海集團有限公司(「人海集團」) for a total consideration of approximately US$1,243,000, from Rest Assured, the minority shareholders which has 20% equity interest in 廣州寶旭 and 20% equity interest in 人海集團.

On 18th July, 2006, Selangor Gold Limited, a 51% owned subsidiary of the Group, acquired a further 30% equity interests in 寶原興業股份有限公司(「寶原興業」) for a consideration of NT$20,000,000 (equivalent to approximately US$618,000), from Rest Assured Group Limited, a minority shareholder which had 30% equity interest in 寶原興業.

(h) The sales of packaging box products were carried out at market prices or, where no market prices were available, at cost plus a percentage profit mark up.

(i) The purchases of shoes and sportswear were carried out at market prices

(j) Services fees paid were based on terms agreed by both parties.

(k) On 9th January, 2007, certain subsidiaries of the PCC Group and certain subsidiaries of the Company entered into four lease agreements which take effect from 1st October, 2005, subject to the Shareholders' approval as detailed in note 49(d) ("Rental Agreements I"). Details of the Rental Agreements I are as follows:

(i) between PCC as landlord and Pou Chien Chemical Company Limited (a wholly-owned subsidiary of the Company) as tenant;

(ii) between Pou Yuen Technology Co. Ltd (99.05% beneficially owned subsidiary of PCC) as landlord and Yue Dean Technology Corporation (a wholly owned subsidiary of the Company) as tenant;

(iii) between PCC as landlord and Yue Dean Technology Corporation (a wholly owned subsidiary of the Company) as tenant; and

(iv) between Pou Yii Development Company Limited (a wholly-owned subsidiary of PCC) as landlord and Pou Chien Technology Company Limited (a wholly owned subsidiary of the Company) as tenant.

The premises under the above leases are all located in Taiwan.

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

In addition, during the year ended 30th September, 2006, the Group advanced approximately US$45 million (2005: US$31.8 million) to P.T. Nikomas Gemilang, a 99.38% owned subsidiary, for financing its operations. The advance is unsecured, carries interest at commercial interest rate and has no fixed repayment terms.

49. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to the balance sheet date:

(a) On 20th October, 2006, the Company, Wealthplus Holdings Limited (the "Vendor", a substantial shareholder of the Company) and Merrill Lynch Far East Limited (the "Bookrunner") entered into a placing agreement whilst the Company and the Vendor entered into a top-up subscription agreement in relation to the placing of 43,880,000 existing shares by the Vendor and the conditional subscription of 43,880,000 new shares in the Company by the Vendor both at the price of HK$23.05 per share.

Details of these are disclosed in an announcement of the Company dated 20th October, 2006.

(b) On 20th October, 2006, the Company also entered into a bond subscription agreement with the Bookrunner in connection with the issue of convertible bonds ("Convertible Bonds 2011") by the Company with an aggregate principal amount of HK$1,800 million (equivalent to approximately US$231 million). The Company has granted to the Bookrunner the option to require the Company to issue a further HK$300 million (equivalent to approximately US$39 million) optional bonds on the same terms. The proceeds from these transactions will be used for general working capital, capital expenditure, business expansion and repayment of existing debt.

On 2nd November, 2006, notice was given to the Company by the Bookrunner to exercise the option in full in such that the aggregate principal amount of Convertible Bonds 2011 in issue is HK$2,100 million (equivalent to approximately US$270 million).

The Convertible Bonds 2011 are convertible into ordinary shares of HK$0.25 each in the share capital of the Company at an initial conversion price of HK$26.75 per share, subject to adjustments, at any time on or after 27th December, 2006 up to and including 7th November, 2011. Further details are set out in the announcements of the Company dated 20th October, 2006 and 3rd November, 2006.

(c) On 29th November, 2006, Manfield Developments Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with the minority shareholders of Selangor Gold Limited ("Selangor Gold") and Charming Technology Limited ("Charming"), both are 51% owned subsidiaries of the Company, to acquire 19% equity interest in, and shareholders' loan to, Selangor Gold and Charming for an aggregate total consideration of approximately US$6,022,000.

These transactions constitute connected transactions under Chapter 14A of the Listing Rules and details of which are disclosed in an announcement of the Company dated 29th November, 2006.

(d) On 9th January, 2007, the Company has entered into conditional agreements with the relevant connected persons in relation to amending and formalizing the terms of certain connected transactions as disclosed in note 48 ("Continuing Connected Transactions"). The Continuing Connected Transactions are to be approved by the shareholders of the Company at a special general meeting, date yet to be determined. Details of these are disclosed in the announcement of the Company dated 9th January, 2007.

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th September, 2006 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities*
A-Grade Holdings Limited	British Virgin Islands	US$100	70%	Sales and marketing of footwear and sportswear in the PRC
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
Dedicated Group Limited	British Virgin Islands	US$100	70%	Sales and marketing of footwear and sportswear in the PRC
Escon Enterprises Limited	British Virgin Islands	US$1	100%	Leases machinery, equipment to Prime Asia, provision of sub-contracting services for manufacture of leather in the PRC
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 in the PRC

50. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities*
Friendsole Limited	Hong Kong	Ordinary – HK$1,000 Non-voting deferred – HK$1,000	100% 100%	Provision of management services
Fu Tai Company Limited	British Virgin Islands	US$1	100%	Manufacture of shoe moulds and EVA midsole for shoes in the PRC
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
Highfull Developments Limited	British Virgin Islands	US$1	100%	Investment holding
Impressive Developments Limited	British Virgin Islands	US$1,000	100%	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 in the PRC
Murata Profits Limited	British Virgin Islands	US$1	100%	Investment holding
Overboard Investments Limited	British Virgin Islands	US$1	100%	Manufacture of shoe pads in the PRC

50. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities*
P.T. Nikomas Gemilang	Indonesia	Rp56,680,000,000	99.38%	Manufacture and sale of footwear
P.T. Pou Chen Indonesia	Indonesia	Rp49,872,000,000	90%	Manufacture and sale of footwear
P.T. Sukespermata Indonusa	Indonesia	Rp3,500,000,000	90%	Manufacture of mould and cutting for shoes
P.T. Variadhana Citraselaras	Indonesia	Rp625,000,000	55%	Manufacture of injection moulds for shoe components
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
Pou Chien Chemical (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Pou Chien Chemical Company Limited	Taiwan	NT$668,100,000	100%	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 in the PRC
Pou Sung Vietnam Industrial Enterprise Limited	Vietnam	US$47,000,000	100%	Manufacture and sale of footwear
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

50. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities*
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$86,406,000	100%	Manufacture and sale of footwear
Prime Asia (S.E. Asia) Leather Corporation	British Virgin Islands	US$1,000	100%	Leather trading in Vietnam
Prime Asia China Leather Corporation	British Virgin Islands	US$1,000	100%	Leather trading in the PRC
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 in the PRC
Selangor Gold Limited	British Virgin Islands	US$200	51%	Sales and marketing of footwear and sportswear in the PRC
Solar Link International Inc.	USA	US$9,000,000	100%	Manufacture and sale of footwear
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

50. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities*
Upturn Investments Limited	British Virgin Islands	US$1	100%	Manufacture of paper inner boxes and carton boxes in the PRC
Valuable Developments Limited	British Virgin Islands	US$100	51%	Investment holding
Wellmax Business Group Limited	British Virgin Islands	US$100	70%	Sales and marketing of footwear and sportswear in the PRC
Wet Blue International Corporation	British Virgin Islands	US$50,000	100%	Wet blue trading in the PRC
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000 Non-voting deferred – HK$47,000,000	100% 100%	Investment holding and property holding in the PRC
Yue Yuen International Limited	British Virgin Islands	US$1	100%	Manufacture of footwear in the PRC
Yue Yuen Marketing Company Limited	British Virgin Islands	US$1	100%	Sale and marketing of footwear in the PRC
Yue Yuen Purchasing & Supply Co. Ltd.	British Virgin Islands	US$1	100%	Raw materials sourcing in the PRC

* *The principal activities are carried out in the place of incorporation unless otherwise 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 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.

51. PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 30th September, 2006 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of issued and fully paid share capital/ registered 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
Eagle Nice (International) Holdings Limited ("Eagle Nice") *(Note (i))*	Cayman Islands	44.96%	Investment holding and its subsidiaries are engaged in manufacture and trading of sportswear and garments
Just Lucky Investments Limited	British Virgin Islands	38.30%	Property holding in the PRC
Liberty Bell Investments Limited	British Virgin Islands	49%	Manufacture and sale of chemical for leather use
Nan Pao Resins (China) Co., Ltd.	The PRC	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

51. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities
Oftenrich Holdings Limited	Bermuda	45%	Investment holding and its subsidiaries are engaged in manufacture and sale of safety and casual shoes
Original Designs Developments Limited	British Virgin Islands	47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	37%	Investment holding
Platium Long John Company Limited	Taiwan	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Prosperous Industrial (Holdings) Limited	Cayman Islands	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
Rising Sun Associates Limited	British Virgin Islands	37%	Investment holding
San Fang Chemical Industry Co. Ltd. ("San Fang") *(Note (ii))*	Taiwan	44.34%	Manufacture and trading of synthetic leather
Talent Pool Management Limited	British Virgin Islands	30%	Provision of school services
Teco (Dongguan) Air Conditioning Equipment Ltd.	The PRC	30%	Manufacture of central cooling system, commercial air conditioner and accessories

Notes:

(i) Eagle Nice is incorporated in Cayman Islands with its shares listed on the Stock Exchange.

(ii) San Fang is incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

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.

52. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities at 30th September, 2006 are as follows:

Name of jointly controlled entity	Place of incorporation/ operation	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly	Principal activities
Best Focus Holdings Limited	British Virgin Islands	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of paper carton boxes in the PRC
Blessland Enterprises Ltd.	British Virgin Islands	50%	Manufacture of shoe pads
China Ocean Resources Limited	British Virgin Islands	50%	Investment holding and its subsidiaries are engaged in manufacture and sales of sports footwears and apparel products
Cohen Enterprises Inc.	British Virgin Islands	50%	Manufacture and sales of leather products for shoes
Great Skill Industrial Limited	British Virgin Islands	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of plastic shoe injection in the PRC and in Indonesia
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
Smart Shine Industries Limited	British Virgin Islands	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of footwear and apparel

52. PRINCIPAL JOINTLY CONTROLLED ENTITIES *(Continued)*

Name of jointly controlled entity	Place of incorporation/ operation	Proportion of issued and fully paid share capital/ registered 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	40%	Investment holding
Yuen Thai Industrial Company Limited	Hong Kong	50%	Manufacture and trading of sports and active wear

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.