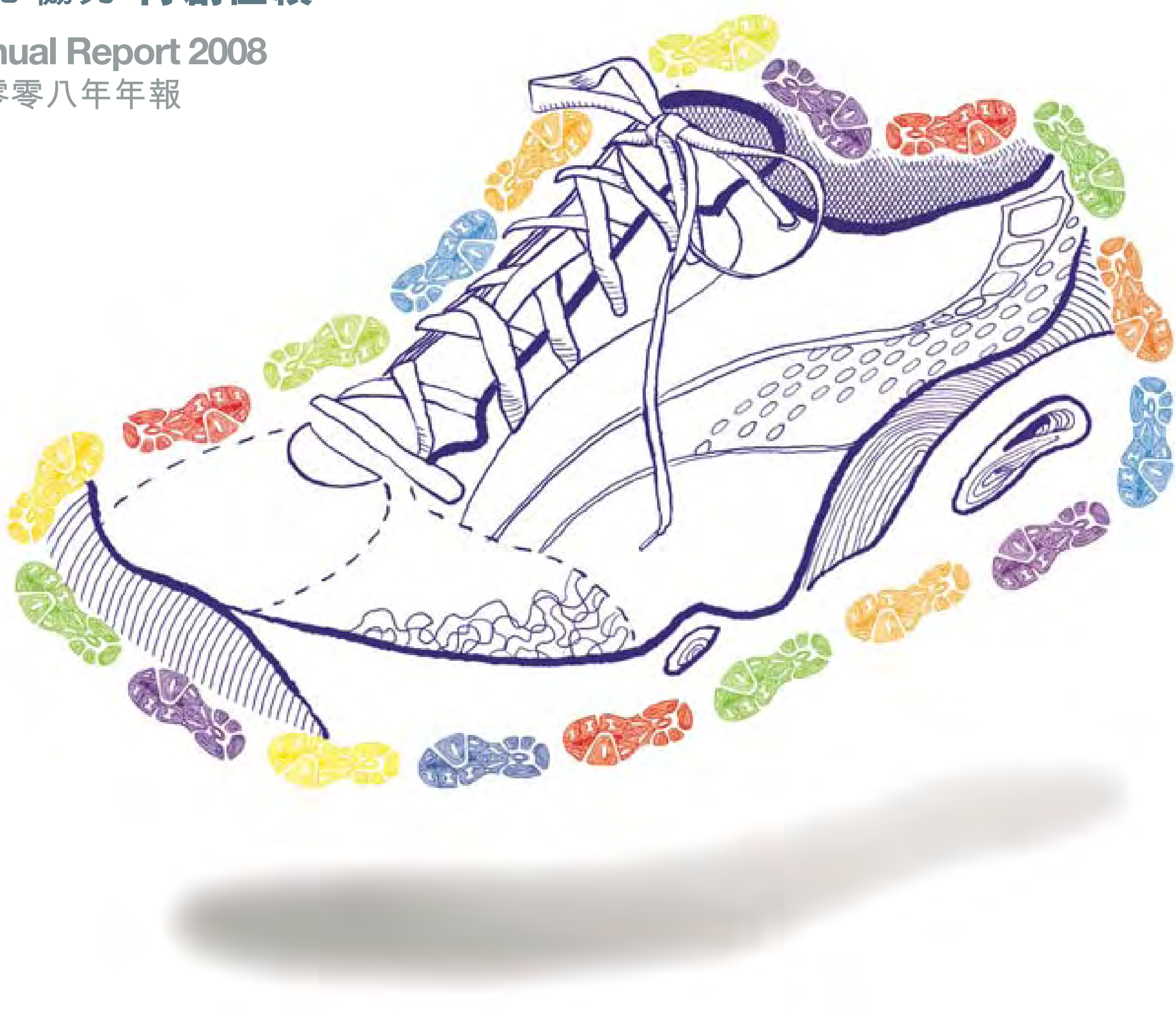
裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited
Stock Code 股份代號：551

Committed Efforts for Sustainable Growth
同心協力 再創佳績

Annual Report 2008
二零零八年年報



Our Mission

Leveraging on our defined strategies, we will work to maintain our position as the world's largest manufacturer of branded athletic and casual footwear. We will continue to develop the wholesale and retail business in Greater China. We are committed to deepening the strategic relationships we have with our partners and fulfilling our responsibilities as an international corporate citizen.

Contents

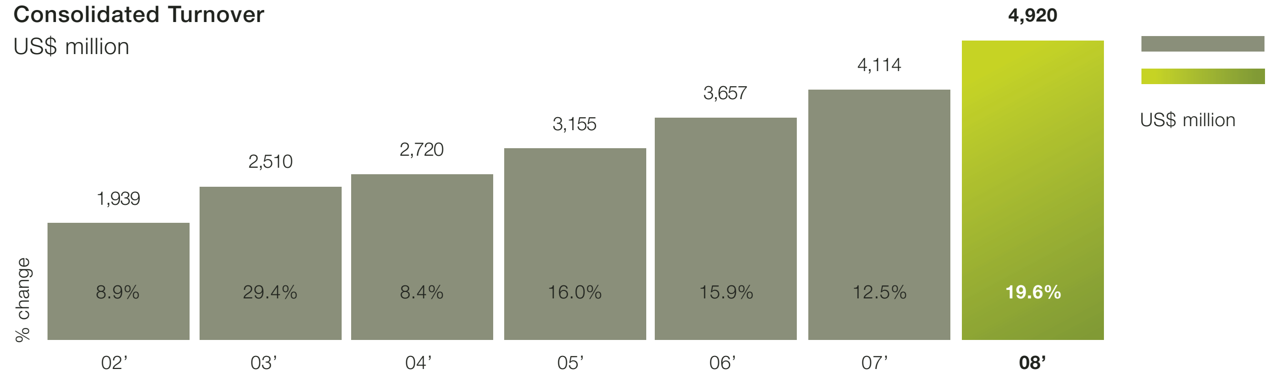
Corporate Overview

Financial and Operating Highlights for the year ended 30th September

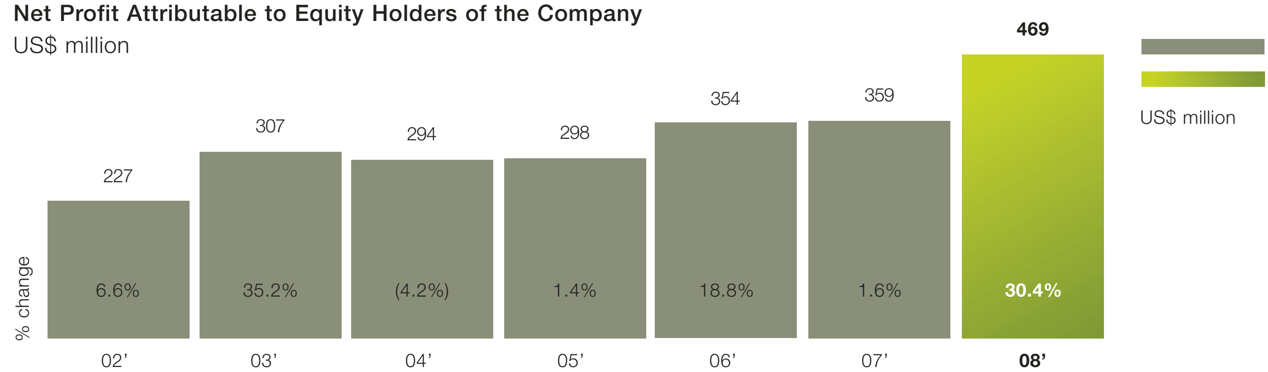
(US$ millions, except where otherwise stated)	**2008**	2007	% change
Total Production Volume (million pairs)	**255.1**	232.2	9.9
Turnover	**4,919.9**	4,114.1	19.6
Profit from Operations	**512.6**	418.1	22.6
Net Profit to Equity Holders of the Company	**468.7**	359.4	30.4
Recurrent Net Profit attributable to Equity Holders	**391.2**	337.5	15.9
Total Assets	**4,968.7**	4,120.8	20.6
Capital Expenditure	**385.4**	337.6	14.2
EBITDA	**573.5**	520.6	10.2
Basic Earnings Per Share (US$)	**0.282**	0.216	30.6
Dividend Per Share			
Interim	**HK$0.34**	HK$0.31	9.7
Final	**(proposed) HK$0.55**	HK$0.53	3.8
Full Year	**(proposed) HK$0.89**	HK$0.84	6.0
Total Equity	**3,108.5**	2,493.8	24.7
Return on Average Total Equity (%)	**15.8**	15.5	1.9
Gearing Ratio (%)	**37.0**	38.5	(3.9)
Net Debt to Equity Ratio (%)	**22.0**	22.2	(0.9)
Number of Outstanding Issued Shares (30/9)	**1,663,628,986**	1,663,628,986	–

Key Shareholder Value Indices

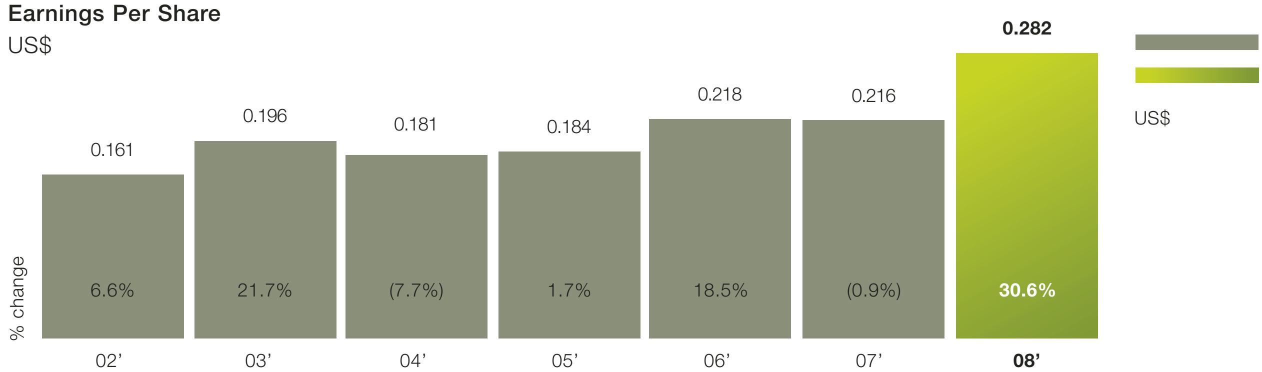
Consolidated Turnover
US$ million



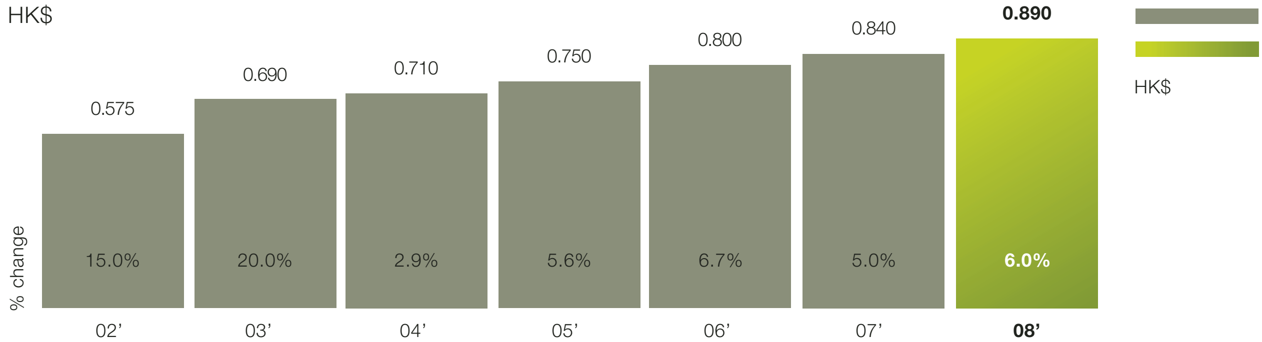
Net Profit Attributable to Equity Holders of the Company
US$ million



Earnings Per Share
US$

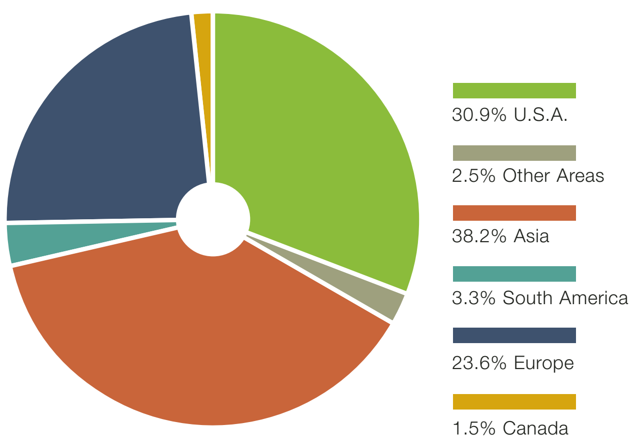


Dividend Per Share
HK$

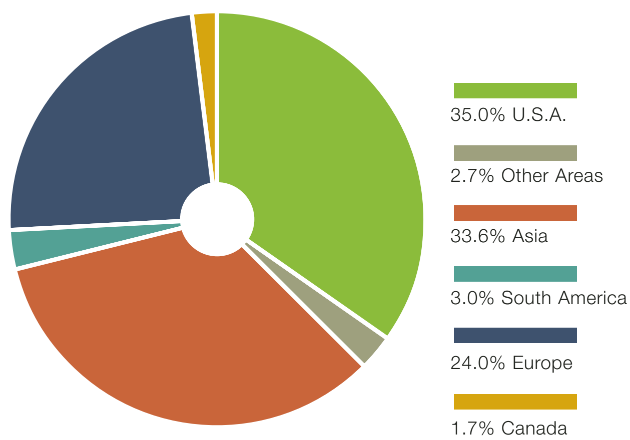


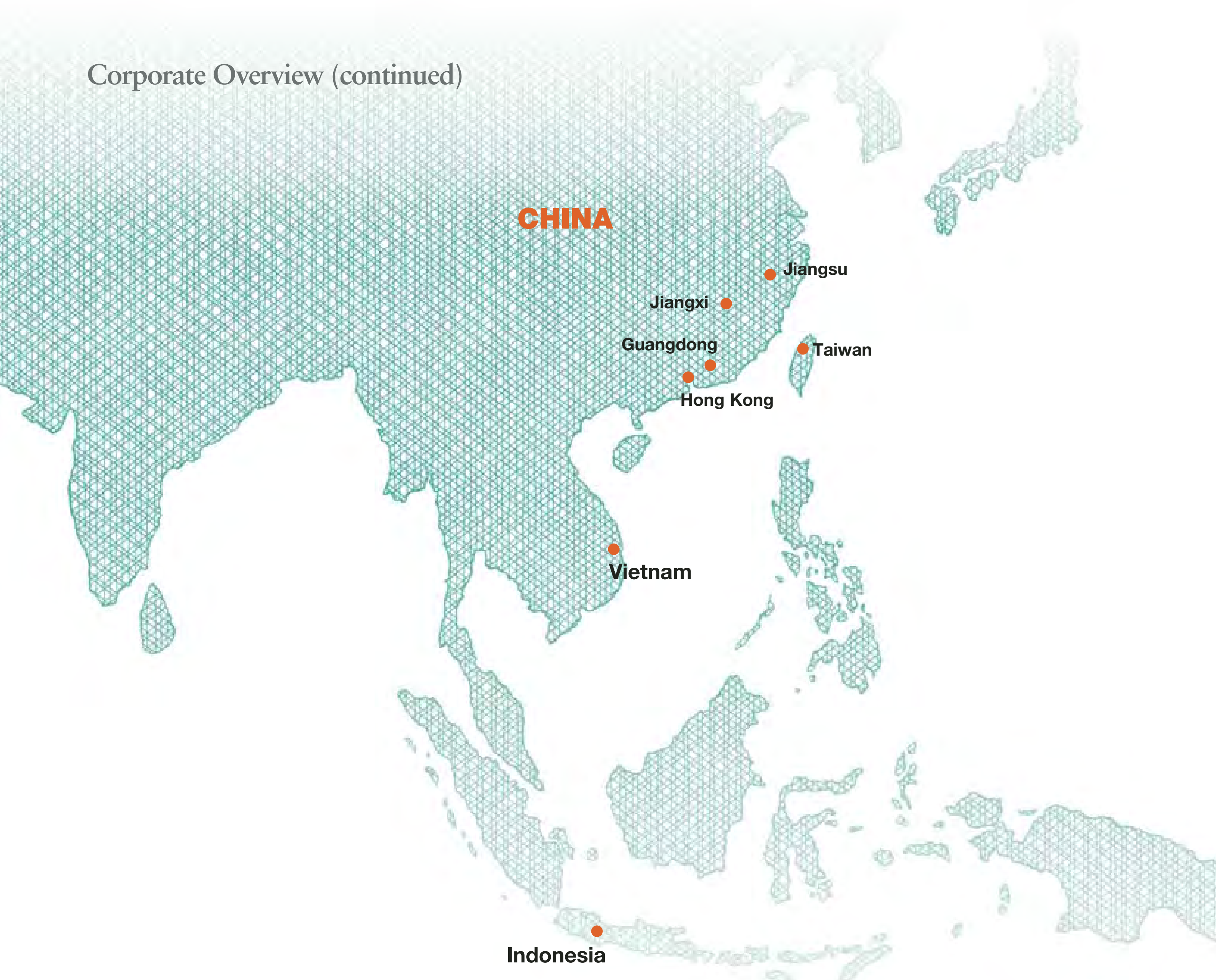
Diversified Market Distribution

2008 Turnover by Geographical Market



2007 Turnover by Geographical Market






Production facilities in Huangjiang, China


Production facilities in Indonesia


Administrative building in Vietnam


Production plant in Jiangxi, China


Production plant in Dongguan, China


Production plant in Vietnam

Corporate Information

Executive Directors
Tsai Chi Neng *(Chairman)*
David N. F. Tsai *(Managing Director)*
Edward Y. Ku[3]
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty

Non-executive Director
John J. D. Sy[1, 3]

Independent Non-executive Directors
So Kwan Lok[1, 3, 4]
Poon Yiu Kin, Samuel[1, 2, 3]
Liu Len Yu[1, 3]
Leung Yee Sik[1, 3] *(appointed on 13th January, 2009)*

Notes:
1. *Member of Audit Committee*
2. *Chairman of Audit Committee*
3. *Member of Remuneration Committee*
4. *Chairman of Remuneration Committee*

Company Secretary
Ng Lok Ming

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business
Suites 3307-09, 33/F
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Auditors
Deloitte Touche Tohmatsu

Registrars
Tricor Secretaries Limited
26/F
Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers
- Bank of America, N.A.
- Bank of China (Hong Kong) Limited
- Bank of Taiwan
- Bank SinoPac
- BNP Paribas
- CALYON
- Changhwa Commercial Bank Ltd.
- Chinatrust Commercial Bank, Ltd.
- Citibank, N.A.
- Citic Ka Wah Bank Limited
- DBS Bank Ltd.
- Hang Seng Bank
- Mega International Commercial Bank Co., Ltd.
- Mizuho Corporate Bank Ltd.
- Scotiabank (Hong Kong) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- Taiwan Business Bank
- Taiwan Cooperative Bank
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Hongkong and Shanghai Banking Corporation Limited
- Yuanta Bank

Solicitors
Richards Butler in association with Reed Smith LLP

Building on

Our Strengths

Chairman's Statement

For the 16th year in a row since listed on the Stock Exchange of Hong Kong Limited, turnover growth increased, rising 19.6% year-on-year to US$4,919.9 million in the year under review.

I am pleased to report that the Group performed well in the fiscal year ended 30th September, 2008. For the 16th year in a row since listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), turnover growth increased, rising 19.6% year-on-year to US$4,919.9 million in the year under review. This encouraging growth was due to continued progress in the footwear manufacturing business as well as rising sales in the Greater China wholesale and retail sales operations. The Group's net profit attributable to equity holders increased 30.4% year-on-year to US$468.7 million for the fiscal year as a result of profitable operations and the gain from the listing of Pou Sheng Group.

During the year, the Group produced 255.1 million pairs of shoes, representing a rise of 9.9% compared with the previous year.

The Group was able to increase revenue and net profit throughout the year despite the volatility in commodity prices. With the benefit of careful planning, the Group was able to manage the rising wages as well as currency fluctuations seen in the manufacturing business. Ever since inception, the Group has been committed to offering a comprehensive range of manufacturing services to its customers. These customers have benefited from this unwavering commitment and have accordingly given the Group their undivided support.

The Group has worked relentlessly to meet customer needs in the various product categories and has continued to enjoy expansion in its customer base. This persistence has allowed the Group to maintain its leading position in the footwear manufacturing business and continue to gain market share. The growth rate of the Group's revenue growth from footwear manufacturing outpaced the rate of the global footwear market.

Improving production efficiency and implementing effective cost-saving measures are key targets of overall Group strategy. The Group's strategy also emphasizes the need for our dedicated management team and diligent workforce to focus on the common goal of providing value-added services to our customers despite the ongoing challenges in the operating environment.
The investments in research and development and in maintaining production capacity ensure that the Group operates its footwear manufacturing efficiently. Cost savings for the supply chain are realized through flexible production line set-ups and procedures that shorten production lead times.

19.6%

Growth in Turnover

255.1

million pairs of shoes produced

2,118

number of directly operated retail stores/ counters under subsidiaries

2,610

number of stores/ counters under joint ventures

For the financial year wholesale and retail sales operations in the Greater China region continued to experience solid growth. Turnover in this area soared 73.8% year-on-year to US$849.0 million. By the end of September 2008, the Group operated about 2,118 directly operated stores/counters under subsidiaries and about 2,610 directly operated stores/counters under joint ventures in mainland China.

In the wholesale operation, the total number of distribution points for our three exclusive licensee brands – Converse, Hush Puppies and Wolverine – was about 2,976 in the Greater China region. The Beijing 2008 Olympics was a tremendous success and international brand names sponsored advertising campaigns to raise their profile in the Greater China Region. These two activities will further promote consumer spending on athletic footwear and apparel in the Greater China Region.

Financial year 2008 was an important year for the Group as Pou Sheng International (Holdings) Limited ("Pou Sheng"), the company holding the retail operations in the Greater China region, was successfully listed on the Stock Exchange of Hong Kong Limited on 6th June, 2008. This listing has not only allowed the Group to strengthen its financial position but also created a new avenue for fund raising to support the fast growing operations of the retail business. Given the size and infant state of the athletic footwear and apparel markets in the Greater China region, Pou Sheng will be an important growth driver for the Group in the future.

Despite the challenging conditions in the manufacturing environment, the Group was able to do well on the back of its economies of scale, vertically integrated manufacturing processes and investment in product development. The Group's associated companies and jointly controlled entities were better prepared for the challenges of financial year 2008. Their efforts to restructure their organizations and reset their business directions have paid off. As a consequence, these entities provided a decent contribution to the Group's bottom line.

Looking Ahead

Momentum in footwear manufacturing and recurring strength in mainland China retail operations led to growth in Group turnover in the first quarter of fiscal 2009. For the three months ended December 2008, the Group recorded a 21.1% year-on-year rise in turnover to approximately US$1,354.9 million.

The Group expects to see moderate growth going forward in light of the dampened consumer spending arising from the economic recession in the mature countries such as the USA, Japan and Europe. The economic recession is a product of the credit crisis brought about by the collapse of the sub-prime mortgage market in the USA. This credit crisis has also made banks reluctant to lend to small and medium sized businesses which will lead to further contraction in manufacturing capacity. As a consequence, financially strong manufacturers like the Group will have the opportunity to receive more orders from brand customers.

21%

Growth in Group Turnover for Q1 FY 2009

We will continue to follow our capacity expansion plans for our three existing production bases in mainland China, Vietnam and Indonesia, based on the sourcing requirements of our customers. Opportunities to expand our production base in the inner provinces of China will also be pursued. We will continue with the development of our industrial estates in Vietnam and Indonesia. Our early entry into these two countries has allowed us to accumulate in-depth knowledge of the local operating requirements, and our presence in these countries will continue to increase over time.

Turnover from our China wholesale and retail sales operations will grow at a slower pace compared to the previous year as the operations have grown significantly and that senior management will now focus on improving efficiency. The Group has an impressive sporting goods distribution network throughout the mainland, selling products belonging to both international and local sporting goods brands. We believe the Beijing 2008 Olympics have set the stage for many years of growth in the consumption of athletic goods.

Our portfolio of stores, ranging from single-brand to multi-brand, mega-stores and factory outlets, allows us to sell to many different categories of customers.

On 6th June, 2008 we successfully listed Pou Sheng on the main board of the Stock Exchange of Hong Kong Limited. Now the retail business under the Pou Sheng Group will be a key growth driver for the Group for many years to come.

The Group achieved steady growth last year and we believe the coming year will be one of reinforcement. The China wholesale and retail sales operations should continue to grow albeit at a tempered pace. The footwear manufacturing side should continue to benefit from further consolidation of the supply chain and contraction of manufacturing capacity. The key challenge will arise from the economic weakness all over the world. However, we believe the Group is well-positioned to weather these challenges.

The Group's strength, in terms of its manufacturing operations and its China retail network, is a unique business model. Our management will continue to create value for the shareholders through careful planning and committed efforts for substainable growth.

Acknowledgements

On behalf of the Board of Directors, I wish to thank our customers, suppliers, business associates and shareholders for their support. I would also like to offer special thanks to our staff for their invaluable service and contribution throughout last year.

Tsai Chi Neng
Chairman

Hong Kong
13th January, 2009

A World of
Performance

Management Discussion and Analysis

Review of Operations

General Overview

For the year ended 30th September, 2008, the Group recorded turnover of US$4,919.9 million, representing year-on-year growth of 19.6%, while net profit attributable to equity holders grew 30.4% year-on-year to US$468.7 million. Within net profit is a non-operating gain recognized from the listing of Pou Sheng International (Holdings) Limited ("Pou Sheng") on the Stock Exchange of Hong Kong Limited in the amount of US$123.5 million. Basic earnings per share increased 30.6% year-on-year to US$0.282 as shares outstanding remained stable.

Excluding non-recurrent operating items, recurrent net profit amounted to US$391.2 million, an increase of 15.9% as compared with the previous year.

The Group maintained steady business growth during the year despite volatility in commodity prices and financial markets. The consolidation of suppliers provided the Group with the opportunity to fortify its leading position. The Group is well prepared to face the challenges that lie ahead, including economic weakness in the developed markets, currency fluctuations, the implementation of new labor laws in mainland China, as well as the tightening of credit conditions arising from the contraction of bank lending globally.

Despite a high base of comparison, retail sales in the Greater China region posted strong year-on-year growth of 73.8% to US$849.0 million in fiscal year 2008. Sales grew as the Group continued to expand the retail network and opened stores in the second-tier cities of the mainland China. Shops that were open for over a year were able to attain double-digit same-store sales growth during the year under review. The August 2008 Beijing Olympics were a great success so that both wholesale and retail sales were able to grow significantly compared to last year. The Group persisted with its strategy of making investments in retail sales joint ventures in different locations and introducing sophisticated inventory control systems into these joint ventures to facilitate their growth.

In line with the Group's horizontal expansion strategy, investments previously had been made in a number of associates and jointly controlled entities engaged in material supplies, the production of ladies' shoes, the manufacture of safety shoes, and sports apparel manufacturing.

Eagle Nice, which is 38.4% owned by the Group, reported a 58.7% increase in turnover for the six months ended September 2008 on the back of solid demand for sports apparel in Asia.

US$ 130 million

spent on product development, 2.6% of turnover

Management Discussion and Analysis (continued)

Hua Jian, 50%-owned by the Group, is engaged in the manufacturing of ladies' shoes. It produced a total of 13 million pairs of shoes and generated turnover of about US$217 million for the year ended 30th September, 2008. At the same time, the 45%-owned joint venture, Oftenrich, which manufactures outdoor and safety shoes, produced 13 million pairs of shoes.

Production Review

During the period under review, the Group produced a total of 255.1 million pairs of shoes, an increase of 9.9% as compared with the previous year. Sustained order flows from existing customers, as well as the addition of new customers in the casual shoes category, fueled the volume growth. The year also saw an increase in the average selling price and double-digit sales growth in the Asia, South America and Europe for the leading athletic brand name companies.

Revenue from athletic shoes increased year-on-year by 19.2% for the year ended 30th September, 2008. Revenue from casual/outdoor shoes and sports sandals declined 0.2% and 5.6% respectively year-on year due to a decrease in production volumes. Athletic shoes remained the Group's major product category, accounting for 56.5% of total sales. Meanwhile, the Group added 42 new production lines to take the total number to 440, an increase of 10.6% year-on-year. The geographical distribution of production was more balanced, with 214 lines in mainland China, 148 in Vietnam and 78 in Indonesia.

The Group continued to upgrade machinery to improve productivity as well as to ensure workplace safety. And in line with Group policy, investments were made in enhancing environmental protection. The team responsible for corporate social responsibility (CSR) initiated courses and programs to strengthen ties between the management and employees, and the results of these initiatives have been encouraging.

Total Turnover by Product Category

For the year ended 30th September	2008 US$ millions	%	2007 US$ millions	%	y-o-y % change
Athletic Shoes	**2,781.4**	**56.5**	2,333.8	56.7	19.2
Casual/Outdoor Shoes	**711.7**	**14.5**	713.2	17.3	(0.2)
Sports Sandals	**59.0**	**1.2**	62.5	1.5	(5.6)
Soles & Components	**466.9**	**9.5**	466.9	11.4	0.0
Retail Sales – Shoes & Apparel	**849.0**	**17.3**	488.4	11.9	73.8
Others	**52.0**	**1.0**	49.3	1.2	5.5
Total Turnover	**4,920.0**	**100.0**	4,114.1	100.0	19.6

Retail sales of the Group grew by 73.8% year-on-year to US$849.0 million. This was due to the strong growth in the retail sales operations in the Greater China region. The total number of directly operated counters/stores in China under the Group stood at about 4,728 by the end of September 2008. In addition, there were about 2,976 distributors in the Greater China region for the Group's wholesale operations for the three licensee brands.

Total Turnover by Geographical Market

For the year ended 30th September	2008 US$ millions	%	2007 US$ millions	%	y-o-y % change
U.S.A.	**1,521.8**	**30.9**	1,441.4	35.0	5.6
Canada	**73.7**	**1.5**	69.2	1.7	6.5
Europe	**1,160.1**	**23.6**	987.7	24.0	17.5
South America	**163.5**	**3.3**	121.5	3.0	34.6
Asia	**1,877.0**	**38.2**	1,383.8	33.6	35.6
Other Areas	**123.9**	**2.5**	110.5	2.7	12.1
Total Turnover	**4,920.0**	**100.0**	4,114.1	100.0	19.6

Steady growth in turnover was experienced in each geographical market, and the distribution of sales was more balanced among the three major markets – Asia, the USA and Europe. Turnover growth was particularly strong in the emerging market regions such as Asia and South America with surging retail sales in the greater China region being the main contributor to turnover growth in Asia.

Cost Review

Total operating costs increased 21.9% year-on-year to US$4,655 million, while cost of sales rose 18.6% to US$3,730 million for the year ended 30th September, 2008. Higher wages led to a rise in the percentage of direct labor costs to ODM/OEM sales, while as a consequence of better management, direct material costs were slightly lower as a percentage of direct materials to ODM/OEM sales. The percentage of overhead expenses to overall ODM/OEM sales was kept under control, due to the management's focus on controlling costs. Selling and distribution expenses of the Group increased as a result of business expansion and a proportional rise in sales activities for the mainland China retail sales operations.

Product Development

During the period under review, the Group spent US$130 million in research and development, a 13% increase over fiscal 2007. The expenses were mainly in sample development, preparation work for the technical development package, and on enhancing production efficiency. The Group maintained separate product development teams for different brand customers. Further progress was made in shortening production lead times and in developing advanced and high-quality footwear product.

Financial Review

Liquidity

The Group's financial position remained stable. As at 30th September, 2008, the Group had cash on hand of US$464 million (2007: US$408 million) and total borrowings of US$1,158 million (2007: US$961 million). The gearing ratio (total borrowings to total equity) was 37% (2007: 39%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 22% (2007: 22%). The decrease in the gearing ratio was due to the increase of equity capital into the Group from the listing of Pou Sheng.

Capital Expenditure

Capital expenditure rose to US$385.4 million (2007: US$337.6 million), mainly due to the acquisition of land for plant development and spending on machinery. The Group spent about US$115.2 million on constructing new factory buildings and ancillary facilities, mainly in Indonesia and mainland China. Meanwhile, US$201.4 million went into plant and equipment and leasehold improvements for production facility expansion, and US$47.6 million was spent on acquiring new land and buildings. Further, US$21.2 million was spent on deposit for acquisition of property, plant and equipment.

Dividends

A final dividend of HK$0.55 per share (2007: HK$0.53) has been recommended, making the full-year dividend per share HK$0.89 (2007: HK$0.84).

The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The policy of upholding steady growth in the normal dividend payment each year remains intact. The dividend payout ratio for 2008 is 48%, on the basis of recurrent net profit.

Employees

As at 30th September, 2008, the Group had about 320,000 staff which is an increase of roughly 6.7% compared to the number in 2007. The Group adopts a remuneration system based on an employee's performance throughout the year, and offers equal opportunities to all staff. There are incentives in the form of discretionary performance bonuses to those who make creative suggestions that improve productivity.

Working with partners who share a

Common Vision

Biographical Data of Directors and Senior Management

Executive Directors

Tsai Chi Neng, aged 60, is Chairman of the Group, responsible for overall management, marketing and production. Mr. Tsai, who joined the Group in 1992, has more than 30 years of experience in the footwear business in Taiwan, Canada and the US. Over the years he has implemented various cost control and staff incentive programs that have allowed the Group to continue to grow.

David, N.F. Tsai, aged 58, is the Group's Managing Director. Prior to taking up this position in 1997, he was Chairman of Pou Yuen. Mr. Tsai has more than 30 years' experience in the footwear sector and is well known in the industry. He has worked closely with the top management of leading global athletic and casual footwear brands. In addition to overall management, his responsibilities include sales and marketing activities.

Edward Y. Ku, aged 66, joined the Group in 1997 and serves as General Counsel, responsible for legal, organizational matters, merger and acquisitions, corporate social responsibility and certain special projects. He was previously the senior partner in the law firm, Ku & Fong, in Los Angeles, and is licensed to practice law in California and Taiwan. He also served as an executive director of First Public Bank in Los Angeles. Mr. Ku holds a Bachelor-in-law degree from the National Taiwan University and a J.D. degree from Washington University in St. Louis, in the US.

Kuo Tai Yu, aged 58, is General Manager in charge of one of the three manufacturing groups. He has over 30 years of experience in the production of footwear in Taiwan. Mr. Kuo holds a Bachelors degree from Chung Hsing University in Taiwan.

Lu Chin Chu, aged 55, is General Manager of one of the three manufacturing groups. He has 30 years of experience in the manufacturing of footwear and related components, and is a college graduate.

Kung Sung Yen, aged 54, is General Manager of one of the three manufacturing groups. He has over 30 years of experience in the footwear industry.

Chan Lu Min, aged 54, is in charge of finance and accounting for the Group, which he joined in 2001. He has 30 years of finance and accounting experience in Taiwan. Mr. Chan is a graduate of Chung Hsing University in Taiwan.

Li I Nan, Steve, aged 67, is responsible for financial operations of the Group. He joined the Group in 1992, and has many years of experience in the footwear business, including in sourcing and wholesale operations. He holds a Bachelors and a Master of Arts degree from National Chengchi University in Taiwan and the University of Southern California, respectively. He studied corporate finance and budgeting at New York University.

Tsai Pei Chun, **Patty**, aged 29, graduated from the wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science in Economics with concentration in Finance and a College Minor in Psychology. She joined the Group in 2002 and served as a director of the Company from 2005 with focus on the Group financial and corporate developments.

Non-executive Director

John, J.D. SY, aged 62, joined the Group in 1997. He is a partner in the accounting firm, Sy, Lee & Chen, in Los Angeles. He also serves as a director of Pioneer Insurance Company based in the US. Mr. Sy holds a Masters in Accounting from the University of Missouri, a Masters in Taxation from the Gold Gate University in the US and a Bachelors in Public Finance from the National Cheng Chi University in Taiwan.

Independent Non-executive Directors

So Kwan Lok, aged 75, is currently President of EVG Enterprises, Inc. in California. He has more than 20 years of experience in banking and over 40 years of experience in California's real estate and investment business, in which he is still active. He has an 18-year association with the University of California, San Diego, as a university foundation trustee and as an Executive Committee member of the International Advisory Board of the Graduate School of International Relations and Pacific Studies. He holds a Masters in Mechanical Engineering from the Massachusetts Institute of Technology.

Poon Yiu Kin, Samuel, aged 49, is Executive Chairman of UniCredit Group's Markets and Investment Banking business in the Asia-Pacific Region. Mr. Poon was formerly a Managing Director of Merrill Lynch, where he held various positions including Co-head of Investment Banking and Head of Debt Capital Markets for the Asia-Pacific Region, and Head of Corporate Finance for Europe, the Middle East and Africa. Mr. Poon co-founded and currently chairs the Governing Board of EdExchange, a registered charitable organization that provides an online platform for educational fund-raising for non-profit schools in Hong Kong. He is also Vice Chairman of the Joint Committee on Student Finance under the Education and Manpower Bureau, and Honorary Treasurer of the English Schools Foundation. He holds a Masters in Business Administration from London Business School and a Masters in Education and a Bachelors in Business Administration from The Chinese University of Hong Kong.

Liu Len Yu, aged 48, is a law professor in the Department of Law at National Cheng Chi University, a director of the Securities and Futures Investors Protection Center, and an advisory member of the Public Interest Fund for Studying the New Trend of Economic and Financial Law, all in Taiwan. Dr. Liu was formerly a commissioner at the Taiwan Fair Trade Commission, Taiwan listing review committee for the Taiwan Stock Exchange and GreTai Securities Market (the OTC market) respectively. He is currently an independent director of Global Brands Manufacture Limited, a company listed on the GreTai Securities Market in Taiwan and an associate of Pou Chen Corporation. Dr. Liu holds a Doctor of Laws from Stanford Law School, Master of Laws degrees from Harvard Law School and National Chung Hsing University, and a Bachelor of Laws from National Chung Hsing University.

Leung Yee Sik, aged 47, graduated from the Hong Kong Polytechnic and is a fellow member of the Association of Chartered Certified Accountants and an associate member of both the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He had worked with KPMG and BDO McCabe Lo Limited and is currently a partner of the accounting firm, Leung & So.

Senior Management

Yang Chun Hui, aged 58, is an Executive Vice President of the Group in charge of certain production divisions in China and Vietnam. Mr. Yang joined the Group in 1992, and has 26 years of experience in the footwear industry. He graduated from National Taiwan University, where he majored in Business Administration.

Hsiu Wen Bin, aged 52, joined the Group in 1998 and is an Executive Vice President in charge of footwear and apparel for certain brand customers. He is also a specialist on IT and supply chain system development. Mr. Hsiu had many years of footwear manufacturing experience in Thailand before joining the Group.

Tsai Nai Kun, aged 53, is an Executive Vice President of the Group in charge of certain research and development programs. He is a college graduate and has 30 years of experience in the footwear business.

Cheng Hsin Min, aged 53, joined the Group in 1980 and is an Executive Vice President engaged in a major brand business. He graduated from Fu Jen Catholic University in Taiwan and has 27 years of experience in the footwear sector.

Lin Pin Huang, aged 52, joined the Group in 1989 and is an Executive Vice President in charge of certain brand customers' business in Dongguan and Vietnam. He is a graduate of Tung Hai University and has over 15 years of experience in the footwear business.

Tsai Nai Chi, aged 52, is a Vice President of the Group and is in charge of certain marketing activities and production operations in Zhongshan. He has 25 years of experience in the footwear business.

Lin Cheng Tien, Jerry, aged 49, joined the Group in 1990 and is a Vice President responsible for the sales and marketing of certain brand customers. He has more than 13 years of experience in sales and marketing of footwear in Taiwan.

Liu Juei Chung, aged 53, is a Vice President of the Group in charge of certain production operations at shoe and component factories. He is a college graduate and has over 27 years of experience in the sports and casual shoes business.

Chiang Ching Po, aged 61, joined the Group in 1975 and is a Vice President in charge of Group's administration centres in China, Vietnam and Indonesia.

Shao Wen Hsien, aged 57, is a Senior Executive Manager in charge of certain production operations in Vietnam. He has 30 years of experience in footwear manufacturing.

Chen Teng, aged 56, joined the Group in 1991 and is a Senior Executive Manager in charge of certain production operations in the Group's Vietnam factories.

Tsai Nai Yun, aged 53, joined the Group in 1992 and is a Senior Executive Manager in charge of mold production.

Wu Tien Tzu, aged 53, joined the Group in 1988 and is a Senior Executive Manager in charge of certain athletic shoe production operations in Indonesia.

Wu Chen Chi, aged 53, is a Senior Executive Manager in charge of a joint-venture division in China and Vietnam. He joined the Group in 1982.

Lai Chang Li, aged 49, joined the Group in 1993 and is a Senior Executive Manager in charge of business and production operation in Zhuhai, mainland China. Mr. Lai graduated from National Cheng Chi University in Taiwan and holds a Bachelors in Business Administration.

Chao Chih Wen, aged 53, joined the Group in 1984 and is a Senior Executive Manager in charge of production operations in China.

Chin Te Shan, aged 52, joined the Group in 1992 and is a Senior Executive Manager in charge of a key product design and development centre. Mr. Chin graduated from Arizona State University and holds a Masters in Journalism.

Chen Hsin Chien, aged 52, joined the Group in 1984 and is a Senior Executive Manager in charge of a production operation for a key account customer in China.

Hsu Yung Hung, aged 48, joined the Group in 1990 and is a Senior Executive Manager in charge of several key customers production and product developments in China.

Hsiao Tsai Yuan, aged 49, joined the Group in 1981 and is a Senior Executive Manager in charge of certain plants operating in Vietnam.

Lee Cheng Chuan, aged 45, joined the Group in 1989 and is a Senior Executive Manager, responsible for a name-brand production in Vietnam.

Chou Tsung Ming, aged 53, joined the Group in 1990 and is a Senior Executive Manager in charge of a name-brand production in China. He graduated from Chung Yuan Christian University in Taiwan.

Chang Chia Li, aged 51, joined the Group in 1997, is a Senior Executive Manager, involving in a name-brand technical development. He graduated from South Fields College in the United Kingdom.

Chin Chine Huei, aged 49, joined the Group in 2001 and is a Senior Executive Manager, working in a R&D center for a name-brand customer in China.

Chen Shih Chung, aged 53, joined the Group in 1998 and is a Senior Executive Manager, in charge of a name-brand production in Indonesia.

Chau Chi Ming, Dickens, aged 45, is a Director, Finance & Treasury, responsible for daily financial management and treasury functions. Mr. Chau had nine years of corporate banking experience before joining the Group in 1993. He graduated from The Chinese University of Hong Kong with a Bachelors in Business Administration, majoring in Finance. He is a member of The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants of the UK.

Chow Sai Kin, aged 57, serves as a Senior Accounting Manager overseeing the Group's accounting activities. He graduated from The Chinese University of Hong Kong in 1975, majoring in Economics. Mr. Chow holds a Bachelors in Social Science, and has 28 years of working experience in the accounting and auditing fields. Before joining the Group in 1994, he was chief accountant at a financial institution.

Ng Lok Ming, William, aged 36, is the Company Secretary and Head of Legal Department of the Group. He is primarily responsible for the company secretarial matters and legal affairs of the Group. Before he joined the Group in 2007, Mr. Ng worked as a director of a computer company and the legal counsel of a listed company. Mr. Ng graduated from the University of Hong Kong with a LL.B. and a P.C.LL. in 1995 and 1996, respectively. He later obtained a LL.M. in the Comparative and PRC law from the City University of Hong Kong in 2002. Mr. Ng was admitted as a solicitor of the High Court of Hong Kong in 2001.

Shum, Jerry, aged 43, is the Head of the Investor Relations Department for the Group. He has a Bachelors of Arts from McGill University and holds the designations CA (Can), CPA (USA), CPA (HK) and CFA. Prior to joining the Group, he worked for various international financial institutions in the area of investment products.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30th September, 2008.

Principal Activities

The Company is an investment holding company. The principal activities of the Group are the manufacturing, marketing and retailing of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

Results and Appropriations

The results of the Group for the year ended 30th September, 2008 are set out in the consolidated income statement on page 48 of the annual report.

An interim dividend of HK$0.34 per share was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK$0.55 per share to the shareholders on the register of members on 27th February, 2009, amounting to approximately HK$906,911,000.

Subsidiaries, Associates and Jointly Controlled Entities

Details of the principal subsidiaries, associates and jointly controlled entities of the Group at 30th September, 2008 are set out in Notes 48, 49 and 50 to the consolidated financial statements, respectively.

Share Capital

Details of the share capital of the Company are set out in Note 34 to the consolidated financial statements.

Investment Properties

Details of movements during the year in the investment properties of the Group are set out in Note 14 to the consolidated financial statements.

Property, Plant and Equipment

During the year, the Group incurred costs of approximately US$110.8 million for construction of new factory, dormitories, staff quarters and accommodation facilities, mainly in the PRC and Vietnam. The Group also invested approximately US$20.3 million in land and buildings and approximately US$176.9 million in machinery and leasehold improvements for the expansion of the Group's business.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

Donations

During the year, the Group made charitable and other donations totalling approximately US$4.9 million.

Distributable Reserves of the Company

As at 30th September, 2008, the Company's reserves available for distribution to shareholders were US$517,167,000 (2007: US$773,444,000), which comprises the contributed surplus of US$38,126,000 (2007: US$38,126,000) and retained profits of US$479,041,000 (2007: US$735,318,000) of the Company.

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

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

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

Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Tsai Chi Neng *(Chairman)*
David N.F. Tsai *(Managing Director)*
Edward Y. Ku[3]
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty

Non-executive Director:

John J.D. Sy[1,3]

Independent Non-executive Directors:

So Kwan Lok[1,3,4]
Poon Yiu Kin, Samuel[1,2,3]
Liu Len Yu[1,3]
Leung Yee Sik[1,3] (appointed on 13th January, 2009)

Notes:

1 *Member of Audit Committee*

2 *Chairman of Audit Committee*

3 *Member of Remuneration Committee*

4 *Chairman of Remuneration Committee*

In accordance with Bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Lu Chin Chu, Mr. Kung Sung Yen, Mr. Li I Nan, Steve, Mr. So Kwan Lok and Mr. Leung Yee Sik will retire as directors and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the non-executive directors is the period up to his retirement as required by the Company's Bye-laws.

Directors and Directors' Service Contracts (continued)

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executives' Interests in Securities

At 30th September, 2008, the interests or short positions of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position

(a) Ordinary shares of HK$0.25 each in the Company

	Number of ordinary shares					
Name of director	Beneficial owner	Held by spouse and/or children under 18	Held by controlled corporation	Held by a discretionary trust	Total	Percentage of the issued share capital of the Company
Tsai Chi Neng	–	–	–	–	–	–
David N. F. Tsai	–	–	–	–	–	–
Edward Y. Ku	–	–	–	–	–	–
Kuo Tai Yu	–	–	–	–	–	–
Lu Chin Chu	–	–	–	–	–	–
Kung Sung Yen	–	–	–	–	–	–
Chan Lu Min	45,000	–	–	–	45,000	0.0027%
Li I Nan, Steve	–	–	–	–	–	–
Tsai Pei Chun, Patty	–	–	–	–	–	–
John J.D. Sy	–	–	–	–	–	–
So Kwan Lok	–	–	–	–	–	–
Poon Yiu Kin, Samuel	–	–	–	–	–	–
Liu Len Yu	–	–	–	–	–	–

Directors' and Chief Executives' Interests in Securities (continued)

Long position (continued)

(b) Ordinary shares of HK$0.01 each in Pou Sheng International (Holdings) Limited ("Pou Sheng"), a non-wholly owned subsidiary of the Company

	Number of ordinary shares					
Name of director	**Beneficial owner**	**Held by spouse and/or children under 18**	**Held by controlled corporation**	**Held by a discretionary trust**	**Total**	**Percentage of the issued share capital of Pou Sheng**
Tsai Chi Neng	–	–	–	–	–	–
David N. F. Tsai	3,037,000	–	–	–	3,037,000	0.09%
Edward Y. Ku	–	–	–	–	–	–
Kuo Tai Yu	–	–	–	–	–	–
Lu Chin Chu	–	–	–	–	–	–
Kung Sung Yen	–	–	–	–	–	–
Chan Lu Min	681,000	–	–	–	681,000	0.02%
Li I Nan, Steve	–	–	–	–	–	–
Tsai Pei Chun, Patty	4,460,000	–	–	–	4,460,000	0.13%
John J.D. Sy	–	–	–	–	–	–
So Kwan Lok	–	–	–	–	–	–
Poon Yiu Kin, Samuel	–	–	–	–	–	–
Liu Len Yu	–	–	–	–	–	–

Other than the interest disclosed above, none of the directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th September, 2008.

Interests in Competing Business

The Company has a 55.69% indirect interest in Pou Sheng which is accounted for as a subsidiary of the Company. Pou Sheng is listed on the main board of the Stock Exchange. The principal business activities of Pou Sheng are the retail and wholesale sales of sportswear and footwear in the Greater China. Pou Sheng also manufactures footwear at its factory in Taicang, PRC.

There is little potential competition between the manufacturing business of the Company and Pou Sheng. On 23rd May, 2008, the Company entered into a business separation deed with Pou Sheng to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Pou Sheng. The Company and Pou Sheng provided certain undertakings in relation to their respective manufacturing businesses. In compliance with such undertakings, the Company confirms that it did not (except through Pou Sheng and its subsidiaries) solicit or manufacture for any of the brands: Li Ning, ANTA, Kappa, 361°, Umbro and XTEP between the period from 6th June, 2008 (the date when the shares of Pou Sheng were first listed on the Stock Exchange) and up to and including 30th September, 2008.

As at 30th September, 2008, Mr. David N.F. Tsai, Mr. Edward, Y. Ku and Ms. Tsai Pei Chun, Patty who are Directors, were also directors of Pou Sheng. Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty also hold shares in Pou Sheng. As the Company and Pou Sheng are separate listed entities run by separate and independent management teams, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from Pou Sheng. The Company intends to maintain its shareholding in Pou Sheng.

Interests in Competing Business (continued)

The Company also has an investment in Symphony Holdings Limited ("Symphony") whose shares are listed on the main board of the Stock Exchange. The principal activities of Symphony are the manufacturing and sales of footwear products. It also engages in retail and wholesale business of apparel and footwear in the PRC. Mr. Edward, Y. Ku, Mr. Chan Lu Min and Mr. Li I Nan, Steve, all of whom are Directors, are also directors of Symphony. As Symphony is operated under separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from Symphony.

Saved as described above, as at 30th September, 2008, none of the Directors had any interest in a business which may compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Share Incentive Schemes

While the Company has no share incentive scheme, a subsidiary, Pou Sheng, operates a Pre-IPO share subscription plan (the "Plan") and a share option scheme, particulars of which are set out in Note 37 to the consolidated financial statements.

No share options were granted under Pou Sheng's share options scheme since its adoption in May 2008.

Details of the subscription right granted and outstanding under the Plan since its adoption in May 2008 are as follows:

Name	**Invitation date**	**No. of shares (5 years plan)** (Notes i & iii)	**No. of shares (10 years plan)** (Notes ii & iii)	**Total**
Employees	23rd May, 2008	71,001,000	53,251,000	124,252,000

Notes:

(i) 20% of the shares shall be subscribed after each anniversary of the date of invitation.

(ii) 10% of the shares shall be subscribed after each anniversary of the date of invitation.

(iii) the subscription price is HK$2.14 per share.

No shares have been subscribed under the Plan up to the date of this report.

Arrangement to Purchase Shares or Debentures

Save as disclosed in the "Share Incentive Schemes" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, as at 30th September, 2008, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following shareholders had notified the Company of their relevant interests in shares representing 5% or more of the issued share capital of the Company.

Long position

Ordinary shares of HK$0.25 each in the Company

Name of shareholder	Notes	Number of ordinary shares beneficially held	Percentage of the issued share capital of the Company
Pou Chen Corporation ("PCC")	(a)	824,143,835	49.54%
Wealthplus Holdings Limited ("Wealthplus")	(a)	767,707,605	46.15%
Max Creation Industrial Limited ("Max Creation")	(b)	213,365,500	12.82%
Quicksilver Profits Limited ("Quicksilver")	(b)	149,494,822	8.98%
World Future Investments Limited ("World Future")	(c)	213,365,500	12.82%
Mr. Tsai Chi Jui	(c)	213,685,500	12.84%
Merrill Lynch & Co. Inc.	(d)	99,315,703	5.97%

Short Position

Merrill Lynch & Co. Inc.	(d)	109,341,792	6.57%

Notes:

(a) Of the 824,143,835 ordinary shares beneficially owned by PCC, 767,707,605 ordinary shares were held by Wealthplus as listed above, 49,127,532 ordinary shares were held by Win Fortune Investments Limited ("Win Fortune") and 7,308,698 ordinary shares were held by Top Score Investments Limited ("Top Score"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC and Top Score is a 98.46% owned subsidiary of PCC. Mr. David N.F Tsai, Mr. Chan Lu Min, Mr. Kung Sung Yen, Mr. Kuo Tai Yu and Mr. John J.D. Sy who are directors of the Company are also directors of PCC. Mr. Chan Lu Min, Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. Tsai Nai Fung and Ms. Tsai Pei Chun, Patty (who are directors of the Company) are directors of Wealthplus. Mr. Chan Lu Min and Mr. David N.F Tsai are directors of Win Fortune. Mr. David N.F Tsai is also a director of Top Score.

(b) Of the 213,365,500 ordinary shares beneficially owned by Max Creation, 149,494,822 ordinary shares were held by Quicksilver as listed above, 46,467,440 ordinary shares were held by Red Hot Investments Limited ("Red Hot") and 17,403,238 ordinary shares were held by Moby Dick Enterprises Limited ("Moby Dick"). Quicksilver, Red Hot and Moby Dick are wholly-owned subsidiaries of Max Creation. Mr. Tsai Chi Neng and Mr. Li I Nan, Steve who are directors of the Company are also directors of Quicksilver, Red Hot and Moby Dick. Mr. Tsai Chi Neng, Mr. David N. F. Tsai and Mr. Edward Y. Ku (who are directors of the Company) are directors of Max Creation.

(c) World Future is deemed to be interested in 213,365,500 ordinary shares under the SFO by virtue of its interests in more than one-third of the voting shares in Max Creation. Mr. Tsai Chi Jui, brother of Mr. Tsai Chi Neng, is also deemed to be interested in these 213,365,500 ordinary shares under the same section as he holds 100% of the issued share capital in World Future. In addition, Mr. Tsai Chi Jui holds 320,000 ordinary shares directly.

(d) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 ordinary shares (long position) held directly by Merrill Lynch Portfolio Managers Limited under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch Portfolio Managers Limited. Merrill Lynch Portfolio Managers Limited is wholly-owned by ML Invest, Inc., which is in turn wholly-owned by Merrill Lynch Group Inc., which is in turn wholly-owned by Merrill Lynch & Co. Inc..

Merrill Lynch & Co. Inc. is also deemed to be interested in 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc. (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Blackrock, Inc.. Merrill Lynch & Co. Inc. owns 49.8% of Blackrock, Inc. through various subsidiaries, namely, Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P. and Fund Asset Management, L.P., which are all 99% owned by Merrill Lynch & Co. Inc. except for Princeton Services, Inc., which is wholly-owned by Merrill Lynch Group, Inc.. Merrill Lynch Group, Inc., which is wholly-owned by Merrill Lynch & Co. Inc., is also deemed to be indirectly interested in the 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc..

In light of the above, Merrill Lynch & Co. Inc. is deemed to be interested in an aggregate of 6,020,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position).

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 ordinary shares (long position) and 106,721,792 ordinary shares (short position) held directly by Merrill Lynch International under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch International. Merrill Lynch & Co. Inc. holds Merrill Lynch International through six wholly-owned subsidiaries, namely Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited and ML UK Capital Holdings. ML UK Capital Holdings is wholly-owned by Merrill Lynch Holdings Limited, which is in turn wholly-owned by Merrill Lynch Europe Intermediate Holdings, which is in turn wholly-owned by Merrill Lynch Europe Plc, which is in turn wholly-owned by Merrill Lynch International Holdings Inc., which is in turn wholly-owned by Merrill Lynch International Incorporated, which is in turn wholly-owned by Merrill Lynch & Co. Inc.. Merrill Lynch International is 97.2% owned by ML UK Capital Holdings.

Substantial Shareholders (continued)

Long position (continued)

Ordinary shares of HK$0.25 each in the Company (continued)

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30th September, 2008.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year are set out in Note 46(I) to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors have confirmed that the transactions were entered into by the Group in ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed in Note 46(I):

(i) no contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with Chapter 14A of the Listing Rules.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were approximately 54% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 22% of the Group's total sales for the year.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

At no time during the year, did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Subsequent to the year end, the Company repurchased 14,700,500 ordinary shares in the Company through the Stock Exchange for a consideration of US$30,366,000. The repurchases were effected by the Directors for the enhancement of shareholders' value.

The shares were cancelled upon repurchase.

Emolument Policy

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the board of directors, as authorised by shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company is committed to maintain the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 46.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30th September, 2008.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in Note 47 to the consolidated financial statements.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
David N. F. Tsai
Managing Director

Hong Kong, 13th January, 2009

Corporate Governance Report

The Group recognizes the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

The Company has applied the principles and has complied with the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules throughout the year ended 30th September, 2008, with deviation from Code Provision A.4.1.

The Company periodically reviews its corporate governance practices to ensure that the practices continue to meet the requirements of the Code.

A. Directors

A.1 The Board

Principle
An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

The overall management of the Company's business is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The directors have to take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board is composed of nine executive directors (including the Chairman and the Managing Director of the Company) and five non-executive directors (of whom four are independent non-executive directors (Note 1)), whose biographical details are set out in "Biographical Data of Directors and Senior Management" section on pages 18 to 20. Mr. Tsai Chi Neng, Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty are, amongst others, members of Tsai's family. Mr. Tsai Chi Neng is uncle of Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty. Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty are cousins. Save as disclosed herein, none of the members of the Board are related to one another.

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

In addition, the Company has received from each of the independent non-executive director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. These directors' independence have been verified.

A. Directors (continued)

A.1 The Board (continued)

Code Provisions	Compliance	Actions by the Company
A.1.1 The board should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals.	Yes	The Board met seven times during the year and four of them were regular board meetings.
A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	Yes	Directors were invited to include any matters which they thought appropriate in the agenda for regular board meetings.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.	Yes	14 days prior notice was normally given for regular board meetings.
A.1.4 All directors should have access to the advice and services of the company secretary.	Yes	All directors have full, timely and direct access to the advice and services of the Company Secretary of the Company.
A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and open for inspection.	Yes	Minutes are kept by the appointed secretary of the meetings and available for inspection at the Company's principal place of business.
A.1.6 Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.	Yes	All draft minutes would be sent to directors for review and comment within one month after each meeting.
A.1.7 There should be a procedure for directors to seek independent professional advice at the issuer's expense.	Yes	Directors are permitted to seek independent professional advice, if required, at the Company's expenses.

A. Directors (continued)

A.1 The Board (continued)

Code Provisions	Compliance	Actions by the Company
A.1.8		
If a substantial shareholder/director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, a board meeting should be held. Independent non-executive directors should be present at such board meeting.	Yes	The Company will continue to ensure that such matters that require board meetings be held instead of by way of circulation.

Compliance with Recommended Best Practices

- There is in place a Directors' & Officers' Liabilities Insurance cover; and
- Board Committees have adopted broadly the same principles and procedures as stated in A.1.1 to A.1.8 of Appendix 14 to the Listing Rules.

A.2 Chairman and Chief Executive Officer

Principle
There should be a clear division between the management of the board and the day-to-day management at the board level of the issuer's business to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The positions of the Chairman and the Managing Director are held by Mr. Tsai Chi Neng and Mr. David N.F. Tsai respectively.

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Managing Director. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice and ensure the effectiveness of the Board. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. The Managing Director is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

A. Directors (continued)

A.2 Chairman and Chief Executive Officer (continued)

Code Provisions	Compliance	Actions by the Company
A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	Yes	Division of responsibilities between the Chairman and the Managing Director is clearly defined and set out in writing. Chairman and Managing Director are served by different persons.
A.2.2 & A.2.3 The chairman should ensure that all directors are properly briefed on issues arising at board meetings and they receive adequate information in a timely manner.	Yes	The Chairman has a clear responsibility to ensure all the directors are properly briefed and given accurate information.

Compliance with Recommended Best Practices

Clear division of responsibilities between Chairman and Managing Director has been approved and adopted by the Company. The Chairman has a clear responsibility to ensure that the Board works effectively and discusses all key and appropriate issues.

A.3 Board composition

Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Board has reviewed its own structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience appropriate to the requirements of the business of the Group.

Code Provisions	Compliance	Actions by the Company
A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications.	Yes	Composition of the Board, by category of Directors, is disclosed in all corporate communications.

A. Directors (continued)

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions	Compliance	Actions by the Company
A.4.1		
Non-executive directors should be appointed for a specific term, subject to re-election.	Partial Compliance	The non-executive directors (including independent non-executive directors) of the Company were not appointed for specific terms, but are subject to retirement by rotation in accordance with the Bye-laws of the Company. Since the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this aspect is no less exacting than that in the Code.
A.4.2		
All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Yes	Every director is subject to retirement by rotation at least once every three years.

Compliance with Recommended Best Practices

The Company's circular of its annual general meeting contained detailed information on election of directors, including details of biographies, and, if applicable, independence of all directors standing for re-election. Each of the independent non-executive directors has confirmed their independence.

A. Directors (continued)

A.5 Responsibilities of directors

Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

During the year, 7 Board meetings, 2 Audit Committee meetings and 1 Remuneration Committee meeting were held. The attendance record of each director at the aforesaid meetings is set out below:

	Attendance of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Tsai Chi Neng	5/7	N/A	N/A
David N.F. Tsai	4/7	N/A	N/A
Edward Y. Ku[3]	7/7	N/A	0/1
Kuo Tai Yu	3/7	N/A	N/A
Lu Chin Chu	3/7	N/A	N/A
Kung Sung Yen	3/7	N/A	N/A
Chan Lu Min	7/7	N/A	N/A
Li I Nan, Steve	7/7	N/A	N/A
Tsai Pei Chun, Patty	7/7	N/A	N/A
Non-executive Director			
John J.D. Sy[1, 3]	4/7	2/2	1/1
Independent Non-executive Directors			
So Kwan Lok[1, 3, 4]	4/7	2/2	1/1
Poon Yiu Kin, Samuel[1, 2, 3]	6/7	2/2	1/1
Liu Len Yu[1,3]	6/7	2/2	1/1
Leung Yee Sik[1,3] (appointed on 13th January, 2009)	N/A	N/A	N/A

Notes:

1. *Member of Audit Committee*
2. *Chairman of Audit Committee*
3. *Member of Remuneration Committee*
4. *Chairman of Remuneration Committee*

A. Directors (continued)

A.5 Responsibilities of directors (continued)

Code Provisions	Compliance	Actions by the Company
A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	A comprehensive information package containing an introduction to the Group's operations, directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. They can also elect to receive briefing from the Company Secretary or Company's legal advisor on the content of the information package.
A.5.2 The functions of non-executive directors should include: – bring an independent judgement at the board meeting; – take the lead where potential conflicts of interests arise; – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance.	Yes	Non-executive directors are well aware of their functions and have been actively performing their functions.
A.5.3 Every director should ensure that he can give sufficient time to the affairs of the issuer and should not accept the appointment if he cannot do so.	Yes	There is reasonably satisfactory attendance rate.

A. Directors (continued)

A.5 Responsibilities of directors (continued)

Code Provisions	Compliance	Actions by the Company
A.5.4 Directors must comply with their obligations under the Model Code set out in Appendix 10.	Yes	The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules regarding directors' dealings in securities. Directors have confirmed compliance with the Model Code throughout the year. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. No incident of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company.

Compliance with Recommended Best Practices
Directors disclose their other directorship at the time of appointment and, subsequently, at least once every year to the Company.

A.6 Supply of and access to information

Principle
Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Code Provisions	Compliance	Actions by the Company
A.6.1 Agenda and accompanying board papers should be sent in full to all directors at least 3 days before board/board committee meeting.	Yes	Agenda and board papers are sent to all directors at least three days before the meetings unless it is on urgent basis.
A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The board and each director should have separate and independent access to the issuer's senior management.	Yes	Senior management works closely with the Board and meets each other on regular basis.
A.6.3 All directors are entitled to have access to board papers. Steps must be taken to respond as promptly and fully as possible.	Yes	Board papers and minutes are properly kept by the company secretarial division under legal department of the Company and are available for inspection by directors.

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee currently comprises Mr. So Kwan Lok, Mr. Edward Y. Ku, Mr. John J. D. Sy, Mr. Poon Yiu Kin, Samuel, Dr. Liu Len Yu and Mr. Leung Yee Sik (Note 1). The Chairman of the Remuneration Committee is Mr. So Kwan Lok, an independent non-executive director of the Company. The majority of the Committee members are independent non-executive directors.

Code Provisions	Compliance	Actions by the Company
B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	Yes	A Remuneration Committee has been established by the Board with specific written terms of reference. Four out of five directors in the Remuneration Committee are independence non-executive directors (Note 1).
B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	The Remuneration Committee carries out annual review of compensation packages for all directors of the Company.
B.1.3, B.1.4 & B.1.5 The terms of reference of the remuneration committee should include the specific duties as stipulated in B.1.3 of Appendix 14 to the Listing Rules. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	The terms of reference are set out in writing with adoption of the specific duties as provided in B.1.3 of Appendix 14 to the Listing Rules. It is available upon request. The Company will pay for the fees for all professional advice and other assistance as required by the Remuneration Committee.

C. Accountability and Audit

C.1 Financial Reporting

Principle
The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions	Compliance	Actions by the Company
C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	Management is required to provide detailed report and explanation to enable the Board to make an informed assessment before approval.
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	Company's directors and auditors state their respective responsibilities on pages 47 of the Annual Report.
C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	Yes	The Board aims at presenting a balanced, clear and understandable assessment of the Company's position to its shareholders and the public pursuant to all sort of statutory requirements.

C. Accountability and Audit (continued)

C.2 Internal controls

Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

The Board is responsible for maintaining a sound and effective system of internal controls of the Group and for reviewing its effectiveness through the Audit Committee. The internal control system is designed to provide reasonable assurance against material misstatement or loss; to manage the risk of system failure; and to assist in the achievement of the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

Code Provisions	Compliance	Actions by the Company
C.2.1		
The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	Yes	The Board has conducted an annual review of the effectiveness of its internal control systems covering all material controls, including financial, operational, compliance controls as well as risk management functions. The Internal Audit team has prepared risk management analysis on factory operation and conducted audit or investigation accordingly. Based on the assessments made by the Group's Internal Audit department, the Audit Committee and the Board considered that the key areas of the Group's internal control systems have reasonably been implemented with room for improvement. The Internal Audit team has actively conducted audit activities and followed up any improvements which were identified.

C. Accountability and Audit (continued)

C.3 Audit Committee

Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

The Audit Committee currently comprises Mr. Poon Yiu Kin, Samuel, Mr. So Kwan Lok, Dr. Liu Len Yu, Mr. John J.D. Sy and Mr. Leung Yee Sik (Note 1). The Chairman of Audit Committee is Mr. Poon Yiu Kin, Samuel, an independent non-executive director of the Company. The majority of the Committee members are independent non-executive directors. None of the members of the Audit Committee are a former partner of the Company's existing external auditors.

The Audit Committee held 2 meetings during the year to review the financial results and reports, financial reporting, internal control and compliance procedures, and to make recommendations to the Board on the re-appointment of the external auditors.

Code Provisions	Compliance	Actions by the Company
C.3.1		
Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.	Yes	Draft minutes prepared by the secretary of the meeting are sent to members within one month of each meeting. Full minutes are kept by the secretary of the meeting.
C.3.2		
A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for one year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.	Yes	None of the members of the Audit Committee are former partners of the Company's existing auditing firm.

C. Accountability and Audit (continued)

C.3 Audit Committee

Code Provisions	Compliance	Actions by the Company
C.3.3 The terms of reference of the audit committee should include at least the following duties: – review of relationship with the issuer's auditors; – review of financial information of the issuer; and – oversight of the issuer's financial reporting system and internal control procedures.	Yes	The terms of reference have been revised to cover the scope of duties as required in this Code Provision.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	Yes	The terms of reference are available upon request.
C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	Not applicable	Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditors of the Company.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	The Company will at its expenses provide such assistance as required by the Audit Committee.

Compliance with Recommended Best Practices

The terms of reference of the Audit Committee have been revised to include the following duties:

(a) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and

(b) to act as the key representative body for overseeing the Company's relation with the external auditor.

D. Delegation by the Board

D.1 Management functions

Principle
An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code Provisions	Compliance	Actions by the Company
D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management.	Yes	The segregation of duties and responsibilities between the Board and the management has been defined and provided in the internal guidelines of the Company.
D.1.2 An issuer should formalize the functions reserved to the board and those delegated to management.	Yes	The duties of the Board include: – establishing strategic development and direction of the Company; – setting up the objective of management; – monitoring performance of management; and – overseeing relationships between the Company and its clients.

D. Delegation by the Board (continued)

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

The Board has established Audit Committee, Remuneration Committee and Executive Committee with defined terms of reference. The terms of reference of the Board Committees are available upon request.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Code Provisions	Compliance	Actions by the Company
D.2.1		
Board committees are established with sufficiently clear terms of reference.	Yes	The Board has established three Board Committees (Audit Committee, Remuneration Committee and Executive Committee) with specific terms of reference.
D.2.2		
The terms of reference of board committees should require such committees to report back to the board.	Yes	Board Committees would report to the Board their work, findings and recommendations in Board meetings.

E. Communication with Shareholders

E.1 Effective communication

Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Code Provisions	Compliance	Actions by the Company
E.1.1 A separate resolution should be proposed by the chairman of a general meeting for substantially separate issue.	Yes	Separate resolutions are proposed at the meeting on each substantially separate issue.
E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	The Board Chairman and either the chairman of the Audit Committee and Remuneration Committee or their representatives would attend the annual general meeting ("AGM") of the Company.

E. Communication with Shareholders (continued)

E.2 Voting by poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Code Provisions	Compliance	Actions by the Company
E.2.1 Disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll.	Yes	The directors holding proxies in respect of the shares representing 5% or more of the total voting rights at a particular meeting to demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. As a usual practice of the Company, procedures for demanding a poll were set out in the circular accompanying the AGM notice.
E.2.2 The issuer should ensure that votes cast are properly counted and recorded.	Yes	Branch Share Registrars was appointed as scrutiniser.
E.2.3 The chairman of a meeting should at the commencement of the meeting ensure that the procedures for demanding a poll by shareholders and the detailed procedures for conducting a poll are explained.	Yes	The chairman of the meeting took care of the meeting procedures and conducted a poll (if applicable) after all shareholders had gained a full understanding of the procedures.

Note 1: Mr. Leung Yee Sik has been appointed as an independent non-executive director of the Company since 13th January, 2009.

Nomination of Directors

The Company has not established nomination committee but will constantly review and consider whether such committee is required. All new appointments and re-appointments to the Board are subject to approval of the Board of Directors of the Company.

Auditors' Remuneration

During the year under review, the remuneration paid to the Company's external auditors is set out as follows:

	US$'000
Audit services	1,686
Non-audit services	2,364
	4,050

The above non-audit services include professional advisory on taxation, professional services rendered in connection with the setting up of overseas companies, the field audit by the Inland Revenue Department of certain subsidiaries of the Group, the report of factual findings on agreed upon procedures in respect of connected parties transactions, the proposed initial public offering for the retail business and the review of internal control of retail business.

Information Disclosure and Investor Relations

The Group adheres to high standards with respect to the disclosure of its financial statements, with quarterly reports of unaudited results and the monthly revenue announcement for previous month. To foster regular and contribute two-way communication amongst the Company, its shareholders and potential investors, the Group has established an Investor Relations Department to respond to enquiries from shareholders and the public. In addition, the Group is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the shareholders and the public.

Director's Responsibility in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 136, which comprise the consolidated balance sheet as at 30th September, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30th September, 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13th January, 2009

Consolidated Income Statement

For the Year Ended 30th September, 2008

	NOTES	2008 US$'000	2007 US$'000
Turnover	5	**4,919,937**	4,114,090
Cost of sales		**(3,729,539)**	(3,143,553)
Gross profit		**1,190,398**	970,537
Other income		**170,733**	100,376
Net gain on deemed disposal of partial interest of subsidiaries	6	**123,459**	–
Fair value changes on investment properties	14	**2,477**	4,530
Fair value changes on derivative financial instruments	7	**(25,221)**	17,369
Impairment loss recognised on available-for-sale investments		**(23,264)**	–
Selling and distribution expenses		**(344,486)**	(221,157)
Administrative expenses		**(404,550)**	(312,563)
Other expenses		**(176,961)**	(141,018)
Finance costs	8	**(63,696)**	(50,181)
Share of results of associates		**37,199**	24,676
Share of results of jointly controlled entities		**29,341**	(5,922)
Profit before taxation		**515,429**	386,647
Income tax expense	9	**(24,685)**	(17,715)
Profit for the year	10	**490,744**	368,932
Attributable to:			
Equity holders of the Company		**468,664**	359,432
Minority interests		**22,080**	9,500
		490,744	368,932
Dividends	12	**185,481**	174,632
		US cents	US cents
Earnings per share	13		
– Basic		**28.2**	21.6
– Diluted		**27.1**	20.6

Consolidated Balance Sheet

At 30th September, 2008

	NOTES	2008 US$'000	2007 US$'000
Non-current assets			
Investment properties	14	**66,296**	61,982
Property, plant and equipment	15(a)	**1,536,824**	1,367,743
Deposits paid for acquisition of property, plant and equipment	15(b)	**22,447**	–
Prepaid lease payments	16	**133,853**	114,285
Goodwill	17	**193,086**	190,636
Investments in associates	19	**310,717**	292,179
Amounts due from associates	20	**10,335**	2,801
Investments in jointly controlled entities	21	**319,370**	261,372
Amounts due from jointly controlled entities	22	**136,238**	93,223
Available-for-sale investments	23	**29,218**	21,744
Rental deposits and prepayment		**35,408**	21,797
Deferred tax assets	33	**1,908**	–
		2,795,700	2,427,762
Current assets			
Inventories	24	**728,522**	498,691
Trade and other receivables	25	**897,503**	780,692
Prepaid lease payments	16	**2,659**	2,079
Taxation recoverable		**3,451**	806
Derivative financial instruments	26	**74,312**	3,125
Deposits placed with a financial institution	27	**24,000**	24,000
Pledged bank deposits	28	**2,337**	–
Bank balances and cash	28	**440,191**	383,617
		2,172,975	1,693,010
Current liabilities			
Trade and other payables	29	**637,749**	622,227
Taxation payable		**11,514**	11,400
Derivative financial instruments	26	**41,632**	24,032
Short-term bank borrowings	30	**344,278**	148,769
Convertible bonds	31	**262,131**	–
Bank overdrafts	28	**188**	5,417
		1,297,492	811,845
Net current assets		**875,483**	881,165
Total assets less current liabilities		**3,671,183**	3,308,927

Consolidated Balance Sheet (continued)

At 30th September, 2008

	NOTES	2008 US$'000	2007 US$'000
Non-current liabilities			
Convertible bonds	31	**255,479**	492,135
Long-term bank borrowings	32	**296,014**	314,838
Deferred taxation	33	**11,141**	8,150
		562,634	815,123
Net assets		**3,108,549**	2,493,804
Capital and reserves			
Share capital	34	**53,682**	53,682
Reserves		**2,726,215**	2,365,696
Equity attributable to equity holders of the Company		**2,779,897**	2,419,378
Other reserve of a listed subsidiary		**706**	–
Minority interests		**327,946**	74,426
Total equity		**3,108,549**	2,493,804

The consolidated financial statements on pages 48 to 136 were approved and authorised for issue by the Board of Directors on 13th January, 2009 and are signed on its behalf by:

David N.F. Tsai
MANAGING DIRECTOR

Li I Nan, Steve
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 30th September, 2008

	Attributable to equity holders of the Company												
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (Note a)	Convertible bonds reserve US$'000	Other reserve US$'000 (Note b)	Non-distributable reserve fund US$'000 (Note c)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Other reserve of a listed subsidiary US$'000 (Note d)	Total equity US$'000
At 1st October, 2006	52,274	598,557	(10,451)	(16,688)	18,118	–	–	244	1,449,266	2,091,320	45,249	–	2,136,569
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	13,607	–	13,607	1,545	–	15,152
Gain on fair value changes of investments	–	–	1,369	–	–	–	–	–	–	1,369	–	–	1,369
Total income recognised directly in equity	–	–	1,369	–	–	–	–	13,607	–	14,976	1,545	–	16,521
Profit for the year	–	–	–	–	–	–	–	–	359,432	359,432	9,500	–	368,932
Total recognised income for the year	–	–	1,369	–	–	–	–	13,607	359,432	374,408	11,045	–	385,453
Acquisition of business	–	–	–	–	–	–	–	–	–	–	4,883	–	4,883
Issue of new shares	1,408	128,465	–	–	–	–	–	–	–	129,873	–	–	129,873
Cost of issue new shares	–	(1,591)	–	–	–	–	–	–	–	(1,591)	–	–	(1,591)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	20,285	–	20,285
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(4,677)	–	(4,677)
Dividends (Note 12)	–	–	–	–	–	–	–	–	(174,632)	(174,632)	–	–	(174,632)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,359)	–	(2,359)
Transfer	–	–	–	–	–	–	6,454	–	(6,454)	–	–	–	–
At 30th September, 2007	53,682	725,431	(9,082)	(16,688)	18,118	–	6,454	13,851	1,627,612	2,419,378	74,426	–	2,493,804
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	42,799	–	42,799	4,251	–	47,050
Loss on fair value changes of investments	–	–	(14,182)	–	–	–	–	–	–	(14,182)	–	–	(14,182)
Net income recognised directly in equity	–	–	(14,182)	–	–	–	–	42,799	–	28,617	4,251	–	32,868
Recognition of impairment loss on available-for-sale investments	–	–	23,264	–	–	–	–	–	–	23,264	–	–	23,264
Reserve released upon deregistration of a jointly controlled entity	–	–	–	–	–	–	–	61	–	61	–	–	61
Profit for the year	–	–	–	–	–	–	–	–	468,664	468,664	22,080	–	490,744
Total recognised income for the year	–	–	9,082	–	–	–	–	42,860	468,664	520,606	26,331	–	546,937
Issue of call option	–	–	–	–	–	25,394	–	–	–	25,394	–	–	25,394
Recognition of share based payments	–	–	–	–	–	–	–	–	–	–	–	706	706
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	852	–	852
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,541)	–	(2,541)
Deemed disposal of partial interest in a subsidiaries (Note 6)	–	–	–	–	–	–	–	–	–	–	230,106	–	230,106
Dividends (Note 12)	–	–	–	–	–	–	–	–	(185,481)	(185,481)	–	–	(185,481)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,228)	–	(1,228)
Transfer	–	–	–	–	–	–	6,879	–	(6,879)	–	–	–	–
At 30th September, 2008	**53,682**	**725,431**	**–**	**(16,688)**	**18,118**	**25,394**	**13,333**	**56,711**	**1,903,916**	**2,779,897**	**327,946**	**706**	**3,108,549**

Notes:

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

(b) On 10th March, 2008, in consideration of the receipt by the Company of a cash premium of US$25.4 million, the Company granted an option to a financial institution, pursuant to which, the financial institution has the right, from time to time during the period from 14th March, 2008 to 7th November, 2011, to require the Company to issue up to a maximum of 78,504,672 ordinary shares of HK$0.25 each in the Company at an agreed exercise price of approximately US$3.435 per share (the "USD Call Option"). The premium received by the Company has been credited to other reserve.

Up to 30th September, 2008, the holder of the USD Call Option had not exercised any of its right thereof.

(c) According to the relevant laws in the People's Republic of China ("PRC"), wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of the registered capital of respective enterprise. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any. The non-distributable reserve fund is non-distributable other than upon liquidation.

(d) The amount represents the share-based payment transaction recognized in respect of a non-wholly-owned subsidiary.

Consolidated Cash Flow Statement

For the Year Ended 30th September, 2008

	2008 US$'000	2007 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**515,429**	386,647
Adjustments for:		
Release of prepaid lease payments	**3,246**	2,154
Depreciation of property, plant and equipment	**153,401**	138,830
Net gain on deemed disposal of partial interest of subsidiaries	**(123,459)**	–
Dividend income from available-for-sale investments	**(911)**	(2,562)
Finance costs	**63,696**	50,181
Fair value changes on investment properties	**(2,477)**	(4,530)
Interest income	**(15,015)**	(14,375)
Impairment loss recognised on available-for-sale investments	**23,264**	–
Impairment loss on trade receivables	**1,711**	3,453
Impairment loss on amount due from a jointly controlled entity	**10,000**	–
Written back of impairment loss on trade receivables	**(1,591)**	(2,329)
Recognition of share based payment	**706**	–
Loss on disposal of associates	**572**	–
Loss on deregistration of a jointly controlled entity	**590**	–
Loss on disposal of property, plant and equipment	**11,106**	4,507
Fair value changes on derivative financial instruments	**25,221**	(17,369)
Gain on deemed disposal of an associate	**–**	(1,054)
Share of results of associates	**(37,199)**	(24,676)
Share of results of jointly controlled entities	**(29,341)**	5,922
Operating cash flow before movements in working capital	**598,949**	524,799
Increase in inventories	**(218,997)**	(71,387)
Increase in trade and other receivables	**(100,805)**	(145,377)
Increase in rental deposits and prepayments	**(11,178)**	(21,797)
Increase in trade and other payables	**12,386**	103,769
Cash generated from operations	**280,355**	390,007
Hong Kong Profits Tax paid	**(81)**	(247)
Overseas taxation paid	**(24,488)**	(2,547)
Refund of overseas taxation	**26**	–
Purchase of tax reserve certificates	**(8,751)**	(8,333)
NET CASH FROM OPERATING ACTIVITIES	**247,061**	378,880

Consolidated Cash Flow Statement (continued)

For the Year Ended 30th September, 2008

	NOTE	2008 US$'000	2007 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(334,759)**	(324,612)
Advance to jointly controlled entities		**(49,167)**	(55,950)
Cash payments for call option premium		**(44,098)**	–
Prepaid land leases		**(29,467)**	(12,965)
Purchase of available-for-sale investments		**(27,985)**	(1,492)
Investments in jointly controlled entities		**(27,448)**	(46,223)
Increase in deposit paid for acquisition of property, plant and equipment		**(21,166)**	–
(Advance to) repayment from associates		**(7,534)**	4,198
Increase in pledged deposit		**(2,337)**	–
Investments in associates		**(2,205)**	(16,731)
Acquisition of additional interests in subsidiaries		**(1,362)**	(4,677)
Net proceed from deemed disposal of partial interest of subsidiaries		**316,414**	–
Interest received		**15,015**	14,375
Dividends received from associates		**14,459**	10,819
Proceed from disposal of associates		**11,478**	–
Proceeds from disposal of property, plant and equipment		**9,180**	13,407
Dividends received from jointly controlled entities		**8,125**	7,188
Proceeds from early termination of land leases		**6,879**	3,427
Proceeds from disposal of available-for-sale investments		**5,946**	105
Proceeds from deregistration of a jointly controlled entity		**3,325**	4,271
Dividends received from available-for-sale investments		**911**	2,562
Refund of consideration from acquiring of an associate		**776**	–
Acquisition of business (net of cash and cash equivalent acquired)	40	**–**	(4,082)
NET CASH USED IN INVESTING ACTIVITIES		**(155,020)**	(406,380)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(2,955,839)**	(1,665,370)
Dividends paid		**(185,481)**	(174,632)
Interest paid on bank borrowings		**(40,041)**	(25,477)
Dividends paid to minority shareholders of subsidiaries		**(1,228)**	(2,359)
Bank borrowings raised		**3,117,825**	1,645,321
Premium received on USD Call Option		**25,394**	–
Contribution from minority shareholders		**852**	20,285
Issuance of convertible bonds		**–**	270,000
Proceed from placing new shares		**–**	129,873
Cost of issuing new shares		**–**	(1,591)
Cost of issuing convertible bonds		**–**	(3,381)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(38,518)**	192,669
NET INCREASE IN CASH AND CASH EQUIVALENTS		**53,523**	165,169
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**8,280**	2,525
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		**402,200**	234,506
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**464,003**	402,200
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash		**440,191**	383,617
Bank overdrafts		**(188)**	(5,417)
Deposits placed with a financial institution		**24,000**	24,000
		464,003	402,200

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The 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 (“USD”), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are the manufacturing, marketing and retailing of athletic footwears, athletic style leisure footwear, casual and outdoor footwear.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st October, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

The Company has not yet early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]

[1] Effective for financial period commencing on or after 1st January, 2009 except the amendments to HKFRS 5, effective for financial period beginning on or after 1st July, 2009
[2] Effective for financial period commencing on or after 1st January, 2009
[3] Effective for financial period commencing on or after 1st July, 2009
[4] Effective for financial period commencing on or after 1st January, 2008
[5] Effective for financial period commencing on or after 1st July, 2008
[6] Effective for financial period commencing on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that, other than HKFRS 8, the application of these standards, amendments or interpretations will have no material impact on how the results and financial position of the Group are prepared and presented. The directors are not yet in a position to determine whether HKFRS 8 would have a significant impact on how the disclosure of segmental information in the consolidated financial statements are presented.

3. 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 into 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity or a jointly controlled entity 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 acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity or a jointly controlled entity 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 (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet as an intangible asset.

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 the relevant cash-generating unit, 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 attributable to the additional interest acquired are accounted for as goodwill.

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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 net assets 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.

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 investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 net assets 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.

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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. Significant Accounting Policies (continued)

Revenue recognition

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

Revenue from sale 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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 including land and buildings held for use in the production or supply of goods or services or for administrative purposes, other than construction in progress, are stated at cost or fair value 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 reserve in shareholders' equity. 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 fair value of items of property, plant and equipment, other than construction in progress, 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.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Construction in progress represents property, plant and equipment in the course of construction for production and 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 losses other than goodwill (see the accounting policy in respect of goodwill above)

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.

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.

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 term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Inventories

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

3. Significant Accounting Policies (continued)

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 financial assets at fair value through profit or loss ("FVTPL"), 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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend and interests earned on the financial assets.

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, rental deposits, amounts due from associates and jointly controlled entities, deposits placed with a financial institution, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy on impairment loss on financial assets below)

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (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, loans and receivables or held-to-maturity investments.

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. (see accounting policy on impairment loss on financial assets below)

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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. (see accounting policy on impairment loss on financial assets below)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

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 Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

The Group's financial liabilities at FVTPL include derivatives that are not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including bank borrowings, rental deposits, debt component of convertible bonds and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds

(a) Convertible bonds 2008 containing liability and equity components

Convertible bonds issued by the Company that contains liability and equity components are classified separately into respective items on initial recognition. Conversion option that 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 rate 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 conversion 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.

(b) Convertible bonds 2011 containing liability, conversion option derivative and other embedded derivatives

Convertible bonds issued by the Company that contain liability component, conversion option component and other embedded derivatives are classified separately into respective items on initial recognition. Conversion option that will be settled other than 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 a conversion option derivative. At the date of issue, the liability component, conversion option component and other embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative and the other derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component, equity component, conversion option derivative and other derivative in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity while the costs related to derivative is charged to profit or loss immediately. 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.

Equity instruments

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised on fair value on the date they are 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 non-derivative 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.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of the rights/options to subscribe for the share incentive schemes at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At each balance sheet date, the Group revises its estimates of the number of rights/options that are expected to ultimately vest. The impact of the revision of the estimate during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

At the time when the rights/options are exercised, the amount previously recognised in equity will be transferred to share premium of the relevant group entity. When the rights/options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained profits.

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.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax is recognised 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, associates and 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 respective 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant Accounting Policies (continued)

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are recognised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit scheme

Payments to defined contribution retirement benefit plan, including 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

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

(i) *Prepaid lease payments*

Despite the Group has paid substantially the full purchase consideration as detailed in Notes 14, 15(a) and 16, formal titles of certain of the Group's rights to the use of the land were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying the entity's accounting policies (continued)

(ii) Taxation

As stated in Note 9, the Hong Kong Inland Revenue Department ("HKIRD") have issued protective assessments in aggregate of approximately US$135.2 million relating to certain assessment years and the Group has purchased tax reserve certificate (the "TRC") of US$40,478,000. The directors of the Company believe that no tax is payable under these protective assessments and consequently, no provision for income tax has been made in the consolidated financial statements in respect of the protective assessments and the full amounts paid for the TRC have been included in other receivables.

Key sources of estimation uncertainty

The following are 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.

(i) 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, 2008, the carrying amount of goodwill is approximately US$193.1 million. Details of the recoverable amount calculation are disclosed in Note 18.

(ii) Fair value of derivative financial instruments

The directors of the Company use their judgement in selecting an appropriate valuation technique to determine the fair value of derivative financial instruments not quoted in an active market, where the valuation techniques are those commonly applied by market practitioners. Assumptions are made based on market statistic and adjusted for specific features of the instrument. Measurements of the fair value of the JV Call Options (as detailed in Note 26) require the use of variables and assumptions about future events including (i) the underlying value of the Relevant Equity Interests; (ii) the profitability of Pou Sheng and the Relevant Companies and (iii) the share price of Pou Sheng. Details of the assumptions used are disclosed in Note 26.

5. 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, 2008

	United States of America US$'000	Europe US$'000	PRC US$'000	Rest of Asia US$'000	Others US$'000	Total US$'000
TURNOVER	1,521,839	1,160,147	1,262,867	614,082	361,002	4,919,937
RESULTS						
Segment results	151,902	116,081	124,251	49,876	36,020	478,130
Unallocated income						144,949
Unallocated expenses						(187,945)
Net gain on deemed disposal of partial interest of subsidiaries						123,459
Fair value changes on investment properties						2,477
Fair value changes on derivative financial instruments						(25,221)
Impairment loss recognised on available-for-sale investments						(23,264)
Finance costs						(63,696)
Share of results of associates						37,199
Share of results of jointly controlled entities						29,341
Profit before taxation						515,429
Income tax expense						(24,685)
Profit for the year						490,744
ASSETS						
Segment assets	357,286	271,739	471,937	182,141	84,785	1,367,888
Investments in associates						310,717
Amounts due from associates						10,335
Investments in jointly controlled entities						319,370
Amounts due from jointly controlled entities						136,238
Unallocated corporate assets						2,824,127
Consolidated total assets						4,968,675
LIABILITIES						
Segment liabilities	97,139	74,113	108,045	38,704	23,040	341,041
Unallocated corporate liabilities						1,519,085
Consolidated total liabilities						1,860,126

5. Turnover and Segmental Information (continued)

Geographical segments (continued)

For the year ended 30th September, 2007

	United States of America US$'000	Europe US$'000	PRC US$'000	Rest of Asia US$'000	Others US$'000	Total US$'000
TURNOVER	1,441,417	987,726	828,171	555,600	301,176	4,114,090
RESULTS						
Segment results	177,229	121,821	88,569	46,048	37,065	470,732
Unallocated income						81,510
Unallocated expenses						(156,067)
Fair value changes on investment properties						4,530
Fair value changes on derivative financial instruments						17,369
Finance costs						(50,181)
Share of results of associates						24,676
Share of results of jointly controlled entities						(5,922)
Profit before taxation						386,647
Income tax expense						(17,715)
Profit for the year						368,932
ASSETS						
Segment assets	344,563	235,394	223,205	175,194	71,928	1,050,284
Investments in associates						292,179
Amounts due from associates						2,801
Investments in jointly controlled entities						261,372
Amounts due from jointly controlled entities						93,223
Unallocated corporate assets						2,420,913
Consolidated total assets						4,120,772
LIABILITIES						
Segment liabilities	106,965	73,286	61,826	41,851	22,349	306,277
Unallocated corporate liabilities						1,320,691
Consolidated total liabilities						1,626,968

5. Turnover and Segmental Information (continued)

Segment assets consist of inventories, trade receivables and other operating assets. Segment liabilities comprise of trade payables. Property, plant and equipment and prepaid lease are not directly attributable to each customer and cannot be allocated to segment assets on a reasonable basis.

An analysis of the Group's other information attributable to geographical markets by location of customer for both years is not presented as the amounts involved cannot be allocated by location of its customers.

The following table is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located. Segment assets consist of inventories, trade receivables, property, plant and equipment, prepaid lease payments and other operating assets.

	Carrying amounts of total assets		Capital additions	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
PRC	**1,999,983**	1,590,438	**252,872**	245,430
Vietnam	**617,888**	545,779	**48,728**	45,955
Indonesia	**381,100**	311,134	**62,749**	45,783
Others (Note)	**49,341**	46,095	**1,807**	2,755
Segment total	**3,048,312**	2,493,446	**366,156**	339,923
Unallocated corporate assets	**1,920,363**	1,627,326	**–**	–
	4,968,675	4,120,772	**366,156**	339,923

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

5. Turnover and Segmental Information (continued)

Business segment

For management purposes, the Group is currently organised into two divisions in (i) manufacturing and sales of footwear products and (ii) retailing business. These divisions are the basis on which the Group reports its secondary segment information.

The following table provides an analysis of the Group's revenues, carrying amount of segment assets and capital additions, analysed by the business segment. Segment assets consist of inventories, trade receivables, property, plant and equipment, prepaid lease payments and other operating assets that are directly attributable to the business segment.

	Revenue US$'000	Carrying amount of total assets US$'000	Capital additions US$'000
2008			
Manufacturing and sales of footwear products	**4,068,224**	**2,509,108**	**301,319**
Retailing business	**848,991**	**436,059**	**54,788**
Others	**2,722**	**103,145**	**10,049**
	4,919,937	**3,048,312**	**366,156**
Unallocated corporate assets		**1,920,363**	**–**
		4,968,675	**366,156**
2007			
Manufacturing and sales of footwear products	3,625,240	2,239,983	269,039
Retailing business	488,431	198,790	31,172
Others	419	54,673	39,712
	4,114,090	2,493,446	339,923
Unallocated corporate assets		1,627,326	–
		4,120,772	339,923

6. Net Gain on Deemed Disposal of Partial Interest of Subsidiaries

During the year, the Group restructured its retailing, distribution and property management business ("Retail Operations") into Pou Sheng International Holdings Limited ("Pou Sheng"). Upon completion of the restructuring, the carrying amounts of the net assets of the Retail Operations attributable to the Group's interests remain the same. The shares of Pou Sheng were subsequently listed on the Stock Exchange (the "Spin-off").

Pou Sheng then issued a total of 840,937,000 new shares of par value HK$0.01 each pursuant to the global public offering of its shares in the Spin-off at an issue price of HK$3.05 per share for an aggregate consideration of approximately US$328,921,000, before expenses of approximately US$12,507,000. In addition, Pou Sheng also issued shares as payment for the JV Call Options (as detailed in Note 26) and upon acquisition of additional interests in subsidiaries. Upon the completion of the above transactions, the Group's interest in Pou Sheng was reduced from 75.5% to 55.7% and the Group recognised a net gain on deemed disposal of approximately US$123,459,000, representing the increase in the consolidated net assets of Pou Sheng attributable to the Group's interest therein.

7. Fair Value Changes on Derivative Financial Instruments

	2008 US$'000	2007 US$'000
(Loss) gain on changes in fair value of:		
– HKD Call Option (Note 26)	**(14,978)**	–
– derivatives embedded in convertible bonds (Note 31)	**(15,675)**	14,063
– JV Call Options (Note 26)	**8,945**	–
– other derivative financial instruments	**(3,513)**	3,306
	(25,221)	17,369

8. Finance Costs

	2008 US$'000	2007 US$'000
Interest on bank borrowings:		
– wholly repayable within five years	**40,041**	24,867
– not wholly repayable within five years	**–**	610
Effective interest expense on convertible bonds	**25,585**	24,704
	65,626	50,181
Less: amount capitalised in property, plant and equipment	**(1,930)**	–
	63,696	50,181

9. Income Tax Expense

	2008 US$'000	2007 US$'000
Taxation attributable to the Company and its subsidiaries:		
Profits Tax		
Hong Kong Profits Tax (Note i)		
– current year	**783**	751
– (over)underprovision in prior years	**(3)**	22
PRC Enterprise Income Tax ("EIT") (Note ii)		
– current year	**20,287**	12,683
– overprovision in prior years	**(3,032)**	–
Overseas taxation (Note iii)		
– current year	**5,567**	3,634
– overprovision in prior years	**–**	(2)
	23,602	17,088
Deferred tax charge (Note 33)	**1,083**	627
	24,685	17,715

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

From March 2004 to March 2007, the HKIRD issued protective profits tax assessments, in aggregate, of approximately HK$825,433,000 (equivalent to approximately US$106,231,000) relating to the years of assessment 1997/98 to 2000/01, that is, for the financial years ended 30th September, 1997 to 2000, against certain wholly-owned subsidiaries of the Company. The Group lodged objections with the HKIRD against the protective assessments. The HKIRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing the TRC of HK$246,526,000 (equivalent to approximately US$31,727,000) for those three years of assessment. These TRC were purchased.

In March 2008, the HKIRD further issued protective profits tax assessments of approximately HK$226,510,000 (equivalent to approximately US$29,151,000) relating to the year of assessment 2001/2002, that is, for the financial year ended 30th September, 2001. The HKIRD agreed to hold over the tax claim subject to the purchasing of TRC of HK$68,000,000 (equivalent to approximately US$8,751,000). The TRC was purchased.

In the opinion of the directors, the subsidiaries involved 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. Having taken 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 or for any other years and no provision for Hong Kong Profits Tax in respect of the protective assessments is considered necessary.

Whilst the Group has been advised that it has a good case to argue that the tax claimed is not in fact payable, the directors are also considering alternative approaches in the best interest of the Group to resolve the dispute with the HKIRD without legal proceedings, which are costly and time consuming. 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.

9. Income Tax Expense (continued)

Notes: (continued)

(ii) PRC

Up to 31st December, 2007, PRC EIT was calculated based on the statutory rate of 33% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rate rules and regulations in the PRC, except for the followings:

(i) 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 2008 and 2010.

(ii) Pursuant to《國家税務局關於落實西部大開發有關税收政策具體實施意見的通知》and the relevant state policy and with approval from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in specific encouraged industries are subject to a preferential tax rate of 15% during the period from 2001 to 2010.

(iii) Pursuant to Income Tax Law of the PRC, Yusheng (Kunshan) Sports Goods Company Limited, a subsidiary of the Company operating in an approved economic and technology development zone of the PRC, is entitled to a preferential income tax rate of 15% and is exempted from 3% local income tax, when the annual revenue from manufacturing business amounted to over 50% of its total revenue in fiscal year. Continuance of this preferential rate is subject to annual confirmation from the local tax bureau.

On 16th March, 2007, the PRC government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate to 25% for the subsidiaries from 1st January, 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment as set out in (iii) will be increased progressively to 25% over a five year period. The tax exemption and deduction from EIT entitled as set out in (i) above is still applicable until the end of the five year transitional period under the New Law. The preferential treatment set out in (ii) above will continue on the implementation of the New Law.

(iii) Overseas

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

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th October, 1999, certain subsidiaries established in Macau are exempted from Macao Complementary Tax.

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

	2008 US$'000	2007 US$'000
Profit before taxation	**515,429**	386,647
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (Note)	**106,030**	88,111
Tax effect of share of results of associates and jointly controlled entities	**(15,599)**	(4,240)
Tax effect of expenses not deductible for tax purpose	**10,995**	7,490
Tax effect of income not taxable for tax purpose	**(59,889)**	(71,607)
Tax effect of tax losses not recognised	**3,139**	1,244
Tax effect of income subject to tax rates prior to the adoption of New Law	**1,058**	–
Effect of PRC tax holidays/exemption granted to subsidiaries	**(20,693)**	(402)
Effect of tax concessions or preferential tax rates	**(7)**	(2,901)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(358)**	–
Deferred tax charge on dividend withholding tax	**3,044**	–
(Over)underprovision in prior years	**(3,035)**	20
Tax charge for the year	**24,685**	17,715

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.

10. Profit for the Year

	2008 US$'000	2007 US$'000
Profit for the year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	**997,094**	741,485
– retirement benefit scheme contributions	**16,865**	11,007
– share based payment	**706**	–
	1,014,665	752,492
Release of prepaid lease payments	**3,246**	2,154
Auditors' remuneration	**1,686**	1,119
Depreciation of property, plant and equipment	**153,401**	138,830
Loss on disposal of property, plant and equipment	**11,106**	4,507
Loss on disposal of associates	**572**	–
Loss on deregistration of a jointly controlled entity	**590**	–
Impairment loss on trade receivables	**1,711**	3,453
Impairment loss on amount due from a jointly controlled entity	**10,000**	–
Research and development expenditure	**130,210**	114,684
Share of taxation of associates (included in share of results of associates)	**4,670**	889
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**9,049**	3,000
Listing expense on the Spin-off	**6,631**	–
and after crediting to other income:		
Interest income	**15,015**	14,375
Dividend income from listed available-for-sale investments	**911**	2,562
Net exchange gain	**29,601**	6,417
Written back of impairment loss on trade receivables	**1,591**	2,329
Cash discounts from suppliers	**25,784**	18,866
Utility income	**21,002**	13,351
Gain on deemed disposal of an associate	**–**	1,054
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$110,000 (2007: US$36,000)	**6,426**	4,944

Note: For the years ended 30th September, 2007 and 2008, cost of inventories recognised as an expense represents 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 13 (2007: 13) directors were as follows:

2008

	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$'000	John J.D. Sy US$'000	So Kwan Lok US$'000	Poon Yiu Kin, Samuel US$'000	Liu Len Yu US$'000	Total US$'000
Directors' fees:														
Executive	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executive	–	–	–	–	–	–	–	–	–	45	–	–	–	45
Independent non-executive	–	–	–	–	–	–	–	–	–	–	31	45	27	103
Other emoluments of executive directors:														
Salaries and other benefits	273	344	331	106	117	173	19	184	100	–	–	–	–	1,647
Bonus	1,067	974	81	954	872	954	181	59	35	–	–	–	–	5,177
Retirement benefit schemes	–	–	2	–	–	–	–	2	–	–	–	–	–	4
Other emoluments of non-executive directors:														
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonus	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total directors' emoluments	1,340	1,318	414	1,060	989	1,127	200	245	135	45	31	45	27	6,976
2007														
Directors' fees:														
Executive	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executive	–	–	–	–	–	–	–	–	–	45	–	–	–	45
Independent non-executive	–	–	–	–	–	–	–	–	–	–	30	42	26	98
Other emoluments of executive directors:														
Salaries and other benefits	272	340	316	100	106	159	18	179	100	–	–	–	–	1,590
Bonus	1,016	928	77	910	831	908	172	55	32	–	–	–	–	4,929
Retirement benefit schemes	–	–	1	–	–	–	–	1	–	–	–	–	–	2
Other emoluments of non-executive directors:														
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonus	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total directors' emoluments	1,288	1,268	394	1,010	937	1,067	190	235	132	45	30	42	26	6,664

11. Directors' Emoluments and Employees' Emoluments (continued)

During the year ended 30th September, 2007, the directors' emoluments disclosed above include the rateable value of a property which is owned by the Group and occupied by an executive director of the Company. The rateable value of the residential accommodation provided to the director, Li I Nan, Steve, was approximately US$10,000. Li I Nan, Steve, has moved out of the property since 1st October, 2007.

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. Dividends

	2008 **US$'000**	2007 US$'000
Dividends recognised as distribution during the year:		
2008 Interim dividend of HK$0.34 per share (2007: 2007 Interim dividend of HK$0.31 per share)	**72,447**	66,002
2007 Final dividend of HK$0.53 per share (2007: 2006 Final dividend of HK$0.51 per share)	**113,034**	108,630
	185,481	174,632

The directors recommend the payment of a final dividend of HK$0.55 per share for the year ended 30th September, 2008. The proposed dividend will be paid on or before 4th March, 2009 to those shareholders whose names appear on the Company's register of members on 27th February, 2009.

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

13. Earnings Per Share

(i) Earnings per share

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

	2008 US$'000	2007 US$'000
Earnings:		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**468,664**	359,432
Effect of dilutive potential ordinary shares:		
Gain on fair value changes on derivative financial instruments	**–**	(14,063)
Finance costs on convertible bonds (Note)	**11,339**	24,704
Profit for the year attributable to equity holders of the Company for the purpose of diluted earnings per share	**480,003**	370,073

	2008	2007
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**1,663,628,986**	1,660,984,164
Effect of dilutive potential ordinary shares:		
USD Call Option	**44,091,665**	–
Convertible bonds (Note)	**65,741,545**	134,352,478
Number of ordinary shares for the purpose of diluted earnings per share	**1,773,462,196**	1,795,336,642

13. Earnings Per Share (continued)

(ii) Other earnings per share based on a component of profit for the year which is used by the Board of Directors of the Company for its financial management purposes are as follows:

	2008 **US cents**	2007 US cents
Basic	**23.8**	20.3
Diluted	**22.9**	20.2

The calculation of these other basic and diluted earnings per share for the year is based on the following data, which are determined by the directors:

	2008 **US$'000**	2007 US$'000
Earnings:		
Profit for the year attributable to equity holders of the Company	**468,664**	359,432
Adjusted for (after minority interest):		
Net gain on deemed disposal of partial interest of subsidiaries	**(123,459)**	–
Fair value changes on investment properties	**(2,477)**	(4,530)
Fair value changes on derivative financial instruments	**29,184**	(17,369)
Impairment loss recognised on available-for-sale investments	**23,264**	–
Adjusted profit for the year attributable to equity holder of the Company for the purpose of other basic earnings per share	**395,176**	337,533
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (Note)	**11,339**	24,704
Adjusted profit for the year attributable to equity holders of the Company for the purpose of other diluted earnings per share	**406,515**	362,237

13. Earnings Per Share (continued)

(ii) (continued)

	2008	2007
Number of shares:		
Number of ordinary shares for the purpose of other basic earnings per share	**1,663,628,986**	1,660,984,164
Effect of dilutive potential ordinary shares:		
USD Call Option	**44,091,665**	–
Convertible bonds (Note)	**65,741,545**	134,352,478
Number of ordinary shares for the purpose of other diluted earnings per share	**1,773,462,196**	1,795,336,642

Note: The computation of diluted earnings per share for the year ended 30th September, 2008 does not assume the conversion of the Company's outstanding convertible bonds – CB 2011 (as defined in Note 31) since their exercise would result in an increase in earnings per share.

14. Investment Properties

	US$'000
FAIR VALUE	
At 1st October, 2006	57,169
Transfer from property, plant and equipment	283
Fair value changes recognised in the consolidated income statement	4,530
At 30th September, 2007	61,982
Transfer from property, plant and equipment	1,837
Fair value changes recognised in the consolidated income statement	2,477
At 30th September, 2008	**66,296**

All of the Group's property interests held under operating leases to earn long-term 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$52,803,000 at 30th September, 2008 (2007: US$48,215,000) has been arrived at on the basis of a valuation carried out as of that date by Knight Frank Petty Limited ("Knight Frank"), independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to recent market prices for similar properties.

The fair value of the Group's investment properties situated in the United States of America of approximately US$13,493,000 as at 30th September, 2008 (2007: US$13,767,000) has 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.

14. Investment Properties (continued)

	2008 US$'000	2007 US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term leases or land use rights in the PRC	**1,395**	1,366
– medium-term land use rights in the PRC	**51,408**	46,849
– freehold land in the United States of America	**13,493**	13,767
	66,296	61,982

As at 30th September, 2008, the Group had not obtained the formal land use rights for certain of its investment properties, the carrying value of which at that date was approximately US$41.8 million (2007: US$37.8 million). In the opinion of the directors, the absence of formal title to these land use rights does not impair their value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

15. Property, Plant and Equipment/Deposits Paid for Acquisition of Property, Plant and Equipment

(a) Property, plant and equipment

	Buildings	Freehold land	Land and buildings	Hotel properties	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000 (Notes i, ii & iii)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST OR VALUATION										
At 1st October, 2006	332,215	4,496	368,880	17,400	56,326	895,894	181,001	112,602	24,427	1,993,241
Exchange realignment	–	–	1,533	–	654	576	785	516	66	4,130
Additions	15,439	–	41,081	–	94,593	106,573	44,283	19,409	3,234	324,612
Acquisition of business	–	–	–	–	–	–	2,346	–	–	2,346
Reclassification	30,889	–	32,021	–	(76,033)	1,902	10,508	713	–	–
Transfer to investment properties	–	–	–	–	(283)	–	–	–	–	(283)
Disposals	(64)	–	(3,423)	(5,385)	–	(29,485)	(13,012)	(3,114)	(2,328)	(56,811)
At 30th September, 2007	378,479	4,496	440,092	12,015	75,257	975,460	225,911	130,126	25,399	2,267,235
Exchange realignment	–	–	3,981	–	1,095	1,440	2,787	1,328	135	10,766
Additions	17,526	–	2,813	992	110,848	112,834	64,104	24,491	3,081	336,689
Reclassification	16,673	–	43,192	–	(61,858)	1,536	548	(91)	–	–
Transfer to investment properties	–	–	(756)	–	(1,081)	–	–	–	–	(1,837)
Disposals	(1,803)	–	(300)	(68)	(350)	(27,675)	(25,140)	(11,084)	(1,203)	(67,623)
At 30th September, 2008	**410,875**	**4,496**	**489,022**	**12,939**	**123,911**	**1,063,595**	**268,210**	**144,770**	**27,412**	**2,545,230**
Comprising:										
At cost	410,875	4,496	453,509	12,939	123,911	1,063,595	268,210	144,770	27,412	2,509,717
At valuation – 1995	–	–	35,513	–	–	–	–	–	–	35,513
	410,875	4,496	489,022	12,939	123,911	1,063,595	268,210	144,770	27,412	2,545,230
DEPRECIATION										
At 1st October, 2006	75,250	–	63,057	6,254	–	479,362	84,089	74,390	16,430	798,832
Exchange realignment	–	–	68	–	–	87	481	69	22	727
Provided for the year	17,581	–	10,114	1,039	–	75,387	19,948	12,341	2,420	138,830
Eliminated on disposals	(61)	–	(134)	(1,879)	–	(24,196)	(8,364)	(2,356)	(1,907)	(38,897)
At 30th September, 2007	92,770	–	73,105	5,414	–	530,640	96,154	84,444	16,965	899,492
Exchange realignment	–	–	492	–	–	396	1,554	341	67	2,850
Provided for the year	18,861	–	11,817	843	–	79,358	26,058	14,044	2,420	153,401
Eliminated on disposals	(335)	–	(27)	(7)	–	(19,798)	(16,864)	(9,280)	(1,026)	(47,337)
At 30th September, 2008	**111,296**	**–**	**85,387**	**6,250**	**–**	**590,596**	**106,902**	**89,549**	**18,426**	**1,008,406**
CARRYING VALUE										
At 30th September, 2008	**299,579**	**4,496**	**403,635**	**6,689**	**123,911**	**472,999**	**161,308**	**55,221**	**8,986**	**1,536,824**
At 30th September, 2007	285,709	4,496	366,987	6,601	75,257	444,820	129,757	45,682	8,434	1,367,743

15. Property, Plant and Equipment/Deposits Paid for Acquisition of Property, Plant and Equipment (continued)

(a) Property, plant and equipment (continued)

Notes:

(i) In the opinion of the directors, the land and building element of certain of properties held by the Group cannot be allocated reliably. Accordingly they are presented on a combined basis as land and buildings as above. At 30th September, 2008, the carrying value of such properties situated in Hong Kong and the PRC was approximately US$3,154,000 (2007: US$3,250,000) and US$400,481,000 (2007: US$363,737,000), respectively.

(ii) As at 30th September, 2008, the Group had not obtained the formal land use rights for certain of the properties included in land and buildings above, the carrying value of which at that date was approximately US$212.3 million (2007: US$190.0 million). In the opinion of the directors, the absence of formal title to these land rights does not impair their value to the Group as the Group has paid substantially the full purchase consideration of these land rights and the probability of being evicted on the ground of an absence of formal title is remote.

(iii) At 30th September, 2008, certain of the Group's properties included in land and buildings were carried at their 1995 valuation less subsequent depreciation. If such properties had not been revalued in 1995, the carrying value of land and buildings would have been US$404,125,000 (2007: US$367,477,000).

Property, plant and equipment, other than construction in progress, are depreciated at the following rates per annum:

Land and buildings and Buildings	Over 20 years to 50 years, or the lease terms of the relevant land wherever shorter	(straight-line method)
Freehold land	Nil	
Hotel properties	3.3% – 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)

	2008 US$'000	2007 US$'000
The carrying value of the properties shown above comprises properties situated on:		
Land or land use rights under long-term leases in		
– the PRC	**1,476**	1,531
– Indonesia	**110,872**	102,985
Land or land use rights under medium-term leases in		
– Hong Kong	**3,154**	3,250
– the PRC	**399,005**	362,206
– Vietnam	**188,707**	182,724
Freehold land in Mexico	**4,496**	4,496
Hotel properties under medium-term land use rights in the PRC	**6,689**	6,601
	714,399	663,793

(b) Deposits paid for acquisition of property, plant and equipment

Details of the related capital commitments are set out in Note 43.

16. Prepaid Lease Payments

	2008 US$'000	2007 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– the PRC	**2,733**	2,785
– Indonesia	**22,377**	23,081
Medium-term leases or land use rights in		
– the PRC	**85,119**	66,334
– Vietnam	**26,283**	24,164
	136,512	116,364
Analysed for reporting purposes as:		
Current asset	**2,659**	2,079
Non-current asset	**133,853**	114,285
	136,512	116,364

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As of 30th September, 2008, the Group had not obtained the formal title to certain of these land interests, the carrying value of which at that date was approximately US$63.7 million (2007: US$49.6 million). In the opinion of the directors, the absence of formal title to these land interests does not impair their value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of the absence of formal title is remote.

17. Goodwill

	US$'000
COST	
At 1st October, 2006	188,535
Arising on acquisition of business	2,101
At 30th September, 2007	190,636
Arising on acquisition of additional interest in a subsidiary	2,450
At 30th September, 2008	**193,086**

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

18. Impairment Testing on Goodwill

For the purposes of impairment testing, the carrying value of goodwill with indefinite useful lives as detailed in Note 17 has been allocated to three individual cash generating units ("CGUs"), as follows:

	2008 US$'000	2007 US$'000
Manufacture and marketing of footwear materials ("Unit A")	**182,127**	182,127
Manufacture and marketing of sports apparel ("Unit B")	**5,724**	5,724
Retail sales of footwear and apparel ("Unit C")	**5,235**	2,785
	193,086	190,636

During the year ended 30th September, 2008, management of the Group determines that there were no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their principal 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 five years period, and discount rates of 14%, 15% and 15% for Unit A, Unit B and Unit C, respectively. The cash flows for the next five years are extrapolated using a steady annual growth rate of 3%, 4% and 4% for Unit A, Unit B and Unit C, respectively. This growth rate is based on the forecasts of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of Unit A, Unit B and Unit C to fall below their respective carrying amounts.

19. Investments in Associates

	2008 US$'000	2007 US$'000
Cost of investments in associates (Notes i & ii):		
Listed in Hong Kong	**52,647**	52,647
Listed in Taiwan	**88,053**	88,053
Unlisted	**100,141**	110,764
Share of post-acquisition profits and reserves, net of dividends received	**69,876**	40,715
	310,717	292,179
Fair value of listed investments	**116,413**	172,028

Details of the Group's principal associates at 30th September, 2008 are set out in Note 49.

Notes:

(i) Pursuant to the investment agreement, the initial investments made by the Group for an associate is subject to price adjustment which is determined by the financial performance achieved by the relevant associates during the specified profit evaluation period of two years. If the financial performance of a relevant associate during the specified profit evaluation period does not meet certain benchmarks, the partner of that associate will have to compensate the Group based on a pre-determined formulae either by cash or by transferring a portion of its equity interest in such associate to the Group. If the financial performance of a relevant associate during such profit evaluation period exceeds certain benchmark, then the Group is required to make additional contribution to the associate. As at the balance sheet date, the fair value of the estimate compensation and/or contributions of the price adjustment mechanism is not material.

(ii) Included in cost of investments is goodwill of approximately US$83,245,000 (2007: US$83,888,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2006	78,238
Arising on acquisition of associates	5,650
At 30th September, 2007	83,888
Arising on acquisition of an associate	133
Adjustment to cost of acquisition (Note a)	(776)
At 30th September, 2008	**83,245**

Note a: This represents an adjustment to the acquisition consideration of an associate in a prior year following compensation to the Group because the financial performance of that associate did not meet the specified level.

19. Investments in Associates (continued)

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

	2008 US$'000	2007 US$'000
Total assets	**1,565,540**	1,280,407
Total liabilities	**(760,533)**	(562,182)
Net assets	**805,007**	718,225
The Group's share of net assets of associates	**227,472**	208,291
Turnover	**2,539,218**	1,035,428
Profit for the year	**110,351**	60,976
The Group's share of results of associates for the year	**37,199**	24,676

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

	2008 US$'000	2007 US$'000
Unrecognised share of profits of associates for the year	**(509)**	(198)
Accumulated unrecognised share of losses of associates	**6,180**	6,689

20. Amounts due from Associates

Included in the balance is a loan of US$7,304,000 (2007: Nil) receivable from an associate which is secured over the equity interest in that associate held by the other joint venture partner. This loan has no fixed repayment terms and it carries interest at the lending rate quoted by the People's Bank of China ("PBOC"). The loan carried effective interest of 6.55% (2007: Nil) per annum during the year.

The other amounts include in the balance are unsecured, interest-free and have no fixed repayment terms.

The whole amount is not expected to be repaid within one year and is classified as non-current assets.

21. Investments in Jointly Controlled Entities

	2008 US$'000	2007 US$'000
Cost of unlisted investments in jointly controlled entities (Notes i & ii)	**205,777**	184,889
Share of post-acquisition profits and reserves, net of dividends received	**113,593**	76,483
	319,370	261,372

Details of the Group's principal jointly controlled entities at 30th September, 2008 are set out in Note 48.

Notes:

i. Pursuant to the joint venture agreements, the initial investments made by the Group for certain jointly controlled entities are subject to price adjustment which is determined by the financial performance achieved by the relevant jointly controlled entities during the specified profit evaluation periods, which ranged from two to three years. If the financial performance of a relevant jointly controlled entity during the specified profit evaluation period does not meet certain benchmarks, the partner of that jointly controlled entity will have to compensate the Group for the price adjustment either by cash or by transferring a portion of its equity interest in that jointly controlled entity to the Group. If the financial performance of a relevant jointly controlled entity during such profit evaluation period exceeds certain benchmarks, then the Group is required to make additional contribution to that jointly controlled entity. As at the balance sheet date, the fair value of the estimated compensation and/or contributions of the price adjustment mechanism are not material.

ii. Included in cost of investments is goodwill of approximately US$11,322,000 (2007: US$10,669,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2006	9,208
Arising on acquisition of jointly controlled entities	1,461
At 30th September, 2007	10,669
Arising on acquisition of a jointly controlled entity	653
At 30th September, 2008	**11,322**

21. Investments in Jointly Controlled Entities (continued)

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:

	2008 US$'000	2007 US$'000
Current assets	**572,301**	453,044
Non-current assets	**199,748**	212,261
Current liabilities	**(394,467)**	(279,016)
Non-current liabilities	**(26,991)**	(92,580)
Income	**1,056,066**	685,183
Expenses	**(1,027,266)**	(685,684)

22. Amounts due from Jointly Controlled Entities

Included in the balance are loans of US$120,604,000 (2007: US$67,415,000) receivable from certain jointly controlled entities which are secured over the equity interests in those jointly controlled entities held by the other joint venture partners. These loans have no fixed repayment terms and they carry interest at the lending rate quoted by PBOC. The loan carried effective interest of 6.55% (2007: 5.73%) per annum during the year.

The other amounts included in the balance are unsecured, interest-free and have no fixed repayment terms.

The whole amount is not expected to be repaid within one year and is classified as non-current assets.

23. Available-for-sale Investments

Available-for-sale investments comprise:

	2008 US$'000	2007 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**2,551**	9,519
– Equity securities listed overseas	**3,637**	10,760
	6,188	20,279
Unlisted overseas equity securities	**23,030**	1,465
	29,218	21,744

23. Available-for-sale Investments (continued)

All the listed investments are stated at their fair value, determined by reference to bid prices quoted in active markets.

The unlisted overseas equity securities are issued by private entities 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.

The available-for-sale investments that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 US$'000	2007 US$'000
Renminbi ("RMB")	**1,195**	–
Hong Kong dollars ("HKD")	**2,551**	9,519
New Taiwan dollars ("NTD")	**16,945**	10,760
	20,691	20,279

24. Inventories

	2008 US$'000	2007 US$'000
Raw materials	**229,160**	180,861
Work in progress	**110,699**	80,814
Finished goods	**388,663**	237,016
	728,522	498,691

25. Trade and Other Receivables

	2008 US$'000	2007 US$'000
Trade and bills receivables	**593,830**	502,380
Less: allowance for doubtful debts	**(5,231)**	(5,111)
	588,599	497,269
Other receivables	**308,904**	283,423
	897,503	780,692

25. Trade and Other Receivables (continued)

Included in the other receivables are mainly prepayments of various natures of approximately US$90,069,000 (2007: US$62,010,000), TRC of approximately US$40,478,000 (2007: US$31,727,000), deposits paid to certain suppliers of approximately US$39,646,000 (2007: US$39,098,000) and value-added tax recoverable of approximately US$24,670,000 (2007: US$12,323,000).

The Group allows an average credit period 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, net of allowance for doubtful debts of US$588,599,000 (2007: US$497,269,000) and an aged analysis is as follows:

	2008 US$'000	2007 US$'000
0–30 days	**423,127**	349,321
31–90 days	**154,528**	137,794
Over 90 days	**10,944**	10,154
	588,599	497,269

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$35,739,000 (2007: US$33,413,000) which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 90 days (2007: 90 days).

Movement in the allowance account for doubtful debts during the year are as follows:

	2008 US$'000	2007 US$'000
Balance at beginning of the year	**5,111**	3,987
Impairment losses recognised on receivables	**1,711**	3,453
Amounts recovered during the year	**(1,591)**	(2,329)
Balance at end of the year	**5,231**	5,111

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$5,231,000 (2007: US$5,111,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognized represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

25. Trade and Other Receivables (continued)

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 US$'000	2007 US$'000
USD	**541**	3,445
RMB	**17,259**	10,244
HKD	**5,678**	2,660
NTD	**555**	6,056
Vietnamese Dong ("VND")	**12,851**	20,312
Indonesian Rupiah ("IDR")	**8,495**	11,015
	45,379	53,732

26. Derivative Financial Instruments

		2008		2007	
	Notes	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Derivatives:					
HKD Call Option	(a)	**13,016**	**–**	–	–
JV Call Options	(b)	**59,744**	**–**	–	–
Foreign currency derivatives	(c)	**1,552**	**2,174**	3,125	234
Embedded derivative in convertible bonds	31	**–**	**39,458**	–	23,798
		74,312	**41,632**	3,125	24,032

Notes:

(a) HKD Call Option

On 10th March, 2008, the Company entered into a derivative contract with an independent third party (the "HKD Call Option Issuer") to purchase the cash-settled call option for the notional amount of approximately HK$2,100 million (equivalent to US$269,231,000) under which the Company has the right, but not the obligation, from time to time on or after 14th March, 2008 up to 7th November, 2011, to settle in United States Dollar ("USD") the net difference between the market value of one share of the Company and the agreed price of HK$26.75 per share for each option exercised ("HKD Call Option"). The total number of HKD Call Option that can be exercised by the Company is equivalent to 78,504,672 ordinary shares of HK$0.25 each in the Company. The Company paid a premium of US$27,994,000 for the HKD Call Option.

The HKD Call Option is not an option to acquire or dispose of shares of the Company but a financial arrangement in which the HKD Call Option Issuer is required to make a payment to the Company upon exercise of the HKD Call Options when the share price is above the agreed price of HK$26.75. The option will be automatically exercised, if the share price of the Company rises and remains above certain agreed levels for 30 consecutive days from 17th May, 2008 to 17th November, 2011 for a range of share price level from HK$33.319 to HK$36.346. In such circumstance, the Company will automatically settle in USD the net difference between the market value of one share of the Company and the agreed price of HK$26.75 per share of the Company for all the entirety of outstanding notional of the HKD Call Option.

26. Derivative Financial Instruments (continued)

Notes: (continued)

(a) HKD Call Option (continued)

The Company may choose, or may be required by the HKD Call Option Issuer, in connection with the HKD Call Option, to repurchase the shares of the Company, subject to the restrictions in the Listing Rules and the Hong Kong Code on Share Repurchases and any such repurchase will be made pursuant to the mandate to repurchase up to 166,362,898 shares of the Company granted to the directors of the Company at its annual general meeting on 3rd March, 2008, on the exercise of the HKD Call Option by the Company.

Up to 30th September, 2008, the HKD Call Option remained unexercised.

At the issue of the HKD Call Option, the initial premium paid of US$27,994,000 was recognized as a derivative financial asset. At the balance sheet date, the HKD Call Option was fair valued at approximately US$13,016,000. The change in fair value of approximately US$14,978,000 has been debited to the consolidated income statement for the year ended 30th September, 2008.

The inputs used in the Monis Model adopted by the management in determining the fair value of the HKD Call Option at the respective dates are as follows:

	At 30th September, 2008	At date of issue
Share price	**HK$21.00**	HK$23.20
Exercise price	**HK$26.75**	HK$26.75
Expected dividend yield	**4.2%**	3.2%
Volatility	**35%**	48%

(b) JV Call Options

	2008 US$'000	2007 US$'000
Financial assets:		
Call options for acquisition of additional interests in associates, jointly controlled entities and subsidiaries	**59,744**	–

In October, 2007, the Group entered into call option agreements with the shareholders, other than the Group, (the "Relevant Partners") of certain associates, jointly controlled entities and subsidiaries (the "Relevant Companies"), pursuant to which the Group, in return for its payment of a premium to each of the Relevant Partners (the "Option Premium"), has the right (but not the obligation) exercisable at its discretion to acquire from each of the Relevant Partners their respective equity interests (the "Relevant Equity Interests") in the Relevant Companies (the "JV Call Options").

The JV Call Options are exercisable within five years commencing from the expiry of the first six months after dealing in the shares of Pou Sheng on the Stock Exchange commenced. Each of the Relevant Partners has agreed not to transfer or dispose of the Relevant Equity Interests during the JV Call Options exercisable period without the Group's prior written consent.

Pursuant to the JV Call Options agreements, the consideration for acquiring the Relevant Equity Interests is to be determined based on the actual profit of the Relevant Companies attributable to the Relevant Partners during the pre-determined evaluation periods and the price earnings ratio of Pou Sheng during a specified period and after certain discount agreed between the Group and the Relevant Partners. The consideration is to be settled by the issue of shares in Pou Sheng at the average price during the same specified period and after deducting the Option Premium paid.

The Option Premium was determined with reference to 15% of the agreed estimated consideration for the acquisition of the Relevant Equity Interests on the date of the JV Call Option agreements. The Option Premium was settled by the issue of shares in Pou Sheng and the number of shares issued was determined with reference to the offering price upon the global offering of Pou Sheng's shares on the Stock Exchange. Pursuant to the supplementary agreements entered into by certain of the Relevant Partners, some of these partners agreed to accept cash in lieu of the shares for part or, in some cases, all of the Option Premium that the Group had agreed with each of them. The Option Premium paid will not be refundable if the Group does not exercise the JV Call Options before expiry of the exercisable period.

In June, 2008, the Group settled the Option Premium by the issue of a total of 85,702,000 shares of Pou Sheng and cash payments of US$17,277,000. The total fair value of the JV Call Options at initial recognition was the settlement amount of US$50,799,000.

26. Derivative Financial Instruments (continued)

Notes: (continued)

(b) JV Call Options (continued)

The value of each of the JV Call Options at 30th September, 2008 were valued by Savills Valuation and Professional Services Limited, an independent valuer using the Binomial Model. The key inputs into the model include estimated earnings of the Relevant Companies and expected price earning ratio of Pou Sheng at the time of exercise of the options and further details are set out below.

	At 30th September, 2008
Derivative assets – JV Call Options:	
Expected price earning ratio – Pou Sheng	5
Expected volatility – Pou Sheng	48%
Expected volatility – the Relevant Companies	31%
Risk free rate	3.53%
Exercisable period	5 years
Expected dividend yield	–

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of daily share average prices of comparable companies with similar business over the past years immediately preceding the grant dates.

In addition to the above inputs, the estimated earnings of the Relevant Companies are determined based on cash flow projections prepared from the financial budgets approved by management of the Relevant Companies covering a 5 year period and are then discounted to present value using a discount rate of 15%. The cash flows beyond the five year period are extrapolated using a steady growth rate of 2%. This growth rate of 2% applied in the calculation is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The change in fair value of approximately US$8,945,000 have been credited to the consolidated income statements for the year ended 30th September, 2008.

(c) Foreign currency derivatives

		2008		2007	
	Notes	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign currency derivatives:					
Forward contracts	(i)	1,552	364	3,072	234
Currency structured contracts	(ii)	–	1,810	53	–
		1,552	2,174	3,125	234

(i) Forward contracts

Major terms of foreign currency forward contracts as at 30th September, 2008 are as below:

Aggregate principal amount	Maturity	Forward exchange rates
US$274.8 million	From October 2008 to October 2009	Sell USD/buy RMB at 6.5113 to 7.2155
US$79.8 million	From October 2008 to July 2009	Sell RMB/buy USD at 6.3485 to 7.0460

At 30th September, 2008, the fair value of the above forward contracts were determined based on valuations provided by counterparty banks using valuation techniques.

26. Derivative Financial Instruments (continued)

Notes: (continued)

(c) Foreign currency derivatives (continued)

(ii) Currency structured contracts

The Group has also entered into certain USD/HKD structured forward contracts which give the Group the opportunities to receive a fixed amount per month if the market exchange rate is at or over 7.745 on the fixing date. However, the Group is obliged to buy USD/sell HKD at a fixed exchange rate of 7.703 to 7.745 if the market exchange rate falls below the level specified under the respective contracts for a maximum of US$4 million to US$7 million per month for each contract for a period of 18 months. As of 30th September, 2008, the remaining tenors of the 3 outstanding contracts were 8 months, 8 months and 13 months respectively.

In addition, the Group has also entered into a one-year non-deliverable USD/RMB structured forward contract which gives the Group the opportunities to sell USD/buy RMB at more favourable exchange rates than the prevailing market exchange rates. However, if the monthly depreciation of RMB against USD exceeds the level specified in the contract for 2 months or more in a quarter, the Group is obliged to sell US$10 million against RMB for each of four quarterly settlements at a fixed rate in the range from 6.07 to 6.67. As of 30th September, 2008, 3 quarterly settlements remained outstanding.

At 30th September, 2008, the fair value of the above currency structured contracts were determined based on valuation provided by the counterparty banks using valuation techniques.

The derivative financial instruments that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008		2007	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
HKD	**–**	**39,458**	1,380	23,908

27. Deposits Placed with a Financial Institution

The deposits placed with a financial institution carry interest at prevailing market rate of 3.5% (2007: 5.5%) per annum.

28. Bank Balances and Cash/Pledged Bank Deposits/Bank Overdrafts

Bank balances and cash

The bank balances and short-term bank deposits 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 4.8% (2007: 0.10% to 5.50%) per annum during the year.

The bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 US$'000	2007 US$'000
USD	**103,245**	14,555
RMB	**60,095**	40,041
HKD	**5,802**	18,632
NTD	**853**	9,944
VND	**3,323**	–
IDR	**1,427**	–
	174,745	83,172

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to US$2,337,000 (2007: Nil) have been pledged to secure bank overdrafts, short-term bank loans and undrawn facilities, and are therefore classified as current assets.

The pledged bank deposits carried interest at rates ranged from 5.73% to 5.99% (2007: Nil) per annum during the year.

The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank overdrafts

Bank overdrafts carry interest at market rates which ranged from 7.25% to 9.00% (2007: 4.70% to 8.08%) per annum during the year.

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

	2008 US$'000	2007 US$'000
HKD	**188**	1

29. Trade and Other Payables

	2008 US$'000	2007 US$'000
Trade and bills payables	**341,041**	306,277
Other payables	**296,708**	315,950
	637,749	622,227

Included in other payables are accruals of various nature of approximately US$150,472,000 (2007: US$152,256,000), receipts in advance from customers of approximately US$19,615,000 (2007: US$33,649,000), royalty payables of approximately US$7,494,000 (2007: US$4,297,000).

Included in trade and other payables are trade and bills payables of US$341,041,000 (2007: US$306,277,000) and an aged analysis is as follows:

	2008 US$'000	2007 US$'000
0 to 30 days	**243,536**	205,783
31 to 90 days	**74,054**	74,385
Over 90 days	**23,451**	26,109
	341,041	306,277

The credit period on purchases of goods ranged from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 US$'000	2007 US$'000
USD	**156**	1,402
RMB	**42,167**	12,429
HKD	**9,954**	12,281
NTD	**31,993**	26,213
VND	**2,577**	8,178
IDR	**4,962**	18,482
	91,809	78,985

30. Short-term Bank Borrowings

	2008 US$'000	2007 US$'000
Current portion of long-term bank borrowings (Note 32)	**192**	5,187
Short-term bank borrowings	**344,038**	141,443
Trust receipt and import loans	**48**	2,139
	344,278	148,769
Analysed as:		
Secured	**192**	178
Unsecured	**344,086**	148,591
	344,278	148,769

The Group's short-term bank borrowings are interest bearing as follows:

	2008 US$'000	2007 US$'000
Fixed rate borrowings	**12,017**	67,042
Variable rate borrowings	**332,261**	81,727
	344,278	148,769

The Group has floating-rate borrowings which carry interest at a premium over London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") and prevailing lending rate quoted by PBOC.

The range of effective interest rates on the Group's short-term bank borrowings during the year are as follows:

	2008	2007
Effective interest rate:		
Fixed rate borrowings	**5.99% to 7.25%**	5.31% to 7.65%
Variable rate borrowings	**2.72% to 7.47%**	4.37% to 7.87%

30. Short-term Bank Borrowings (continued)

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

	2008 **US$'000**	2007 US$'000
USD	–	7,180
NTD	–	3,214
	–	10,394

31. Convertible Bonds

(i) Convertible bonds

Zero Coupon Convertible Bonds due 2008 ("CB 2008")

These relate to the convertible bonds issued on 23rd December, 2003 and on 12th January, 2004 which are listed on the Luxembourg Stock Exchange.

The CB 2008 are convertible, at the option of their holders, into ordinary shares of HK$0.25 each in the Company at a conversion price of US$3.52 (i.e. HK$27.33 per share with a fixed rate of exchange applicable on conversion), subject to anti-dilutive adjustments, 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.

The CB 2008 did not bear interest.

The CB 2008 could be redeemed at the option of the Company, in whole or in part, from time to time up to 16th December, 2008, (i) on or after 23rd December, 2005 when the closing price of the Company's shares on the Stock Exchange was 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% of the principal amount of the CB 2008 was converted, redeemed or purchased and cancelled, at an early redemption amount as stated in the CB 2008 agreement.

Unless previously redeemed, converted or purchased and cancelled, the CB 2008 would be redeemed by the Company at 98.76 per cent of their principal amount on 23rd December, 2008. In addition, the Company agreed to make an additional payment to the order of a financial institution on maturity of the convertible bonds with a principal amount of US$223,225,000 (2007: US$223,225,000).

At 30th September, 2008, CB 2008 with a carrying amount of US$262,131,000 (2007: US$250,792,000) and principal amount of US$231,470,000 (2007: US$231,470,000) remained outstanding.

At 30th September, 2008, the quoted asked value of the CB 2008 was US$220,714,000 (2007: US$223,225,000).

31. Convertible Bonds (continued)

(i) Convertible bonds (continued)

Zero Coupon Convertible Bonds due 2011 ("CB 2011")

On 20th October and 2nd November, 2006, the Company issued CB 2011 with an aggregate principal sum of HK$2,100 million (equivalent to US$270 million) which are listed on the Stock Exchange.

The CB 2011 are convertible at the option of the holders into ordinary shares of HK$0.25 each in the Company, at a conversion price of HK$26.75 per share, subject to anti-dilutive adjustments, at any time on or after 27th December, 2006 up to and including 7th November, 2011.

The CB 2011 do not bear interest.

Prior to 17th November, 2011, all but not some of the CB 2011 may be redeemed at the option of the Company: (i) on or after 17th November, 2007 when the closing price of the Company's shares on the Stock Exchange shall have been at least 120% of the effective conversion price for each of the 30 consecutive trading days or (ii) at any time providing at least 90% of the principal amount of the CB 2011 has been converted, redeemed or purchased and cancelled or (iii) in the event of certain changes relating to Bermuda or Hong Kong taxation law (each bondholder may, after the Company serves notice to exercise such tax redemption option, elect to refuse such redemption by the Company), at an early redemption amount as stated in the CB 2011 agreement.

The bondholders may, at their option, require the Company to redeem all or some of the CB 2011 on 17th November, 2009 at 107.738 per cent of their principal amount. All but not some only of the CB 2011 may be redeemed at the option of the bondholders upon (i) a delisting the Company's shares on the Stock Exchange or (ii) the occurrence of a change of control as defined in the CB 2011 agreement.

Unless previously redeemed, converted or purchased and cancelled, the CB 2011 will be redeemed by the Company at 113.227 per cent of their principal amount on 17th November, 2011.

At the issue of CB 2011, an amount of US$228,868,000 and US$37,751,000 were recognised as a liability and derivatives embedded in CB 2011, respectively.

At 30th September, 2008, the liability component of CB 2011 with a carrying amount of US$255,479,000 (2007: US$241,343,000) principal amount of HK$2,100 million (2007: HK$2,100 million), equivalent to approximately US$270 million (2007: US$270 million) remained outstanding.

At 30th September, 2008, the fair value based on quoted asked price of the CB 2011 was US$267,561,000 (2007: US$281,346,000).

31. Convertible Bonds (continued)

(i) Convertible bonds (continued)

Zero Coupon Convertible Bonds due 2011 ("CB 2011") (continued)

The movement of the liability component of the CB 2008 and CB 2011 for the year ended 30th September, 2008 is set out below:

	2008			
	CB 2008 US$'000	CB 2011 US$'000	Total US$'000	2007 US$'000
At the beginning of the year	250,792	241,343	492,135	237,837
Issue of CB 2011	–	–	–	228,868
Effective interest expenses	11,339	14,246	25,585	24,704
Exchange difference	–	(110)	(110)	726
At the end of the year	262,131	255,479	517,610	492,135
Less: amount included in current liabilities	(262,131)	–	(262,131)	–
Amount due after one year	–	255,479	255,479	492,135

During the year ended 30th September, 2008, the effective interest rates of CB 2008 and CB 2011 were 4.52% (2007: 5.45%) and 5.93% (2007: 5.93%), respectively.

(ii) Derivative financial instruments

	2008 US$'000	2007 US$'000
Derivatives embedded in the CB 2011:		
At the beginning of the year	23,798	–
Initial fair value embedded in the CB 2011	–	37,751
Exchange realignment	(15)	110
Changes in fair value	15,675	(14,063)
At the end of the year	39,458	23,798

The conversion and redemption option derivatives embedded in CB 2011 were fair valued at the balance sheet dates. The change in fair value was recognised in the consolidated income statement.

31. Convertible Bonds (continued)

(ii) Derivative financial instruments (continued)

The inputs used in the Monis Model adopted by the management in determining the fair values at the balance sheet dates are as follows:

	2008	2007
Share price	**HK$21.00**	HK$23.25
Exercise price	**HK$26.75**	HK$26.75
Expected dividend yield	**4.2%**	3.2%
Volatility	**35%**	31%

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

	2008 **US$'000**	2007 US$'000
HKD	**255,479**	241,343

32. Long-term Bank Borrowings

	2008 **US$'000**	2007 US$'000
The long-term bank borrowings are repayable:		
Within one year	**192**	5,187
In more than one year, but not exceeding two years	**282,384**	25,473
In more than two years, but not exceeding three years	**2,554**	280,428
In more than three years, but not exceeding four years	**2,567**	228
In more than four years, but not exceeding five years	**218**	241
In more than five years	**8,291**	8,468
	296,206	320,025
Less: Amount due within one year included in current liabilities (Note 30)	**(192)**	(5,187)
Amount due after one year	**296,014**	314,838
Analysed as:		
Secured	**9,160**	9,351
Unsecured	**286,854**	305,487
	296,014	314,838

32. Long-term Bank Borrowings (continued)

At 30th September, 2008, the above secured borrowings were secured by certain investment properties of the Group with a carrying value of approximately US$13,493,000 (2007: US$13,767,000).

Included in the long-term bank borrowings is an amount of US$280 million (2007: US$280 million) drawn under a syndicated loan facility of US$420 million (2007: US$420 million). Pursuant to the loan agreement, certain substantial shareholders of the Company, namely, the family of Tsai, and Pou Chen Corporation ("PCC"), are obliged to maintain (i) an aggregate shareholding of not less than 51% of the issued share capital of the Company and (ii) Pou Yuen Industrial (Holdings) Limited as a subsidiary of the Company. At 30th September, 2008 and 2007, the Group had undrawn syndicated loans facilities of US$140 million (2007: US$140 million).

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

	2008 US$'000	2007 US$'000
USD	2,314	–
HKD	280,213	280,213
	282,527	280,213

The Group's long-term bank borrowings are interest-bearing as follows:

	2008 US$'000	2007 US$'000
Fixed rate borrowings	9,160	9,351
Variable rate borrowings	286,854	305,487
	296,014	314,838

The Group's floating-rate borrowings carry interest at a premium over LIBOR, HIBOR and the prevailing lending rate quoted by PBOC. Interest is repriced every six months.

The ranges of effective interest rates on the Group's long-term bank borrowing during the year are as follows:

	2008	2007
Effective interest rate:		
Fixed rate borrowings	6.08% to 6.25%	6.23%
Variable rate borrowings	5.23% to 5.63%	5.2% to 7.9%

33. Deferred Taxation

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

	Accelerated tax depreciation US$'000	Revaluation of investment properties US$'000	Undistributed earnings of PRC entities US$'000 (Note)	Tax losses US$'000	Total US$'000
At 1st October, 2006	3,825	3,698	–	–	7,523
(Credit) charged to the consolidated income statement	(11)	638	–	–	627
At 30th September, 2007	3,814	4,336	–	–	8,150
(Credit) charged to the consolidated income statement	(246)	551	3,044	(1,908)	1,441
Effect of a change in tax rate	(11)	(347)	–	–	(358)
At 30th September, 2008	**3,557**	**4,540**	**3,044**	**(1,908)**	**9,233**

Note: These entities include subsidiaries, associates and jointly controlled entities.

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

	2008 US$'000	2007 US$'000
Deferred tax assets	**1,908**	–
Deferred tax liabilities	**(11,141)**	(8,150)
	(9,233)	(8,150)

At the balance sheet date, the Group had unused tax losses of approximately US$48.6 million (2007: US$23.8 million). A deferred tax asset has been recognised in respect of such tax losses of approximately US$7.6 million (2007: Nil). No deferred tax asset has been recognised in respect of the remaining tax losses amounting to US$41.0 million (2007: US$23.8 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$2.5 million (2007: US$2.7 million) that will expire between 2010 and 2012. Other tax losses may be carried forward indefinitely.

Deferred taxation has been provided in full in respect of the undistributed earnings of the Group's PRC associates and jointly controlled entities arising since 1st January, 2008. In respect of the undistributed earnings of the Group's PRC subsidiaries for the same period, because the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

At the balance sheet date, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately US$59.9 million (2007: Nil).

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

34. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2006, 30th September, 2007 and 30th September, 2008	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At 1st October, 2006	1,619,748,986	404,937
Issue of new shares	43,880,000	10,970
At 30th September, 2007 and 30th September, 2008	1,663,628,986	415,907

	US$'000
Shown in the consolidated financial statements as at 30th September, 2007 and 30th September, 2008	53,682

35. Balance Sheet of the Company

	2008 US$'000	2007 US$'000
Total assets	**2,314,799**	2,399,515
Total liabilities	**975,007**	828,840
	1,339,792	1,570,675
Capital and reserves		
Share capital	**53,682**	53,682
Reserves (Note 36)	**1,286,110**	1,516,993
	1,339,792	1,570,675

36. Reserves of the Company

	Share premium US$'000	Contributed surplus US$'000	Convertible bonds reserve US$'000	Other reserve US$'000	Retained profits US$'000	Total US$'000
At 1st October, 2006	598,557	38,126	18,118	–	412,995	1,067,796
Issue of subscription shares	126,874	–	–	–	–	126,874
Profit for the year	–	–	–	–	496,955	496,955
Dividends (Note 12)	–	–	–	–	(174,632)	(174,632)
At 30th September, 2007	725,431	38,126	18,118	–	735,318	1,516,993
Loss for the year	–	–	–	–	(70,796)	(70,796)
Issue of call option	–	–	–	25,394	–	25,394
Dividends (Note 12)	–	–	–	–	(185,481)	(185,481)
At 30th September, 2008	**725,431**	**38,126**	**18,118**	**25,394**	**479,041**	**1,286,110**

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

37. Share-based Payment Transactions

While the Company has no share incentive scheme, a subsidiary, Pou Sheng, operates a share option scheme and a Pre-IPO share subscription plan, particulars of which are set out below.

(i) Share Option Scheme

Pou Sheng's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 14th May, 2008 for the primary purpose of attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of Pou Sheng and its shares for the benefit of Pou Sheng and its shareholders as a whole, and will expire on 13th May, 2018. Under the Scheme, the board of directors of Pou Sheng may grant options to eligible participants, including inter alia, directors and employees of Pou Sheng and its subsidiaries, to subscribe for shares in Pou Sheng.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of Pou Sheng in issue at any point in time, without prior approval from the Pou Sheng's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time, without prior approval from the Pou Sheng's shareholders. Options granted to substantial shareholders or independent non-executive directors of Pou Sheng in excess of 0.1% of the Pou Sheng's share capital or with a value in excess of HK$5 million (equivalent to US$0.6 million) must be approved in advance by the Pou Sheng's shareholders.

At 30th September, 2008, no options were granted, exercised or lapse under the Scheme.

The exercise price is determined by the directors of Pou Sheng, and will not be less than the highest of (i) the closing price of the Pou Sheng shares on the date of grant, (ii) the average closing price of the Pou Sheng share for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Pou Sheng share.

37. Share-based Payment Transactions (continued)

(ii) Pre-IPO Subscription Plan

Pou Sheng's pre-IPO share subscription plan (the "Plan") was adopted pursuant to a resolution passed on 14th May, 2008. Pursuant to the Plan under which invitations were made to and accepted by, eligible persons to subscribe for shares in Pou Sheng at HK$2.14 per share which represents discount of 30% below the IPO price (the "Plan Shares"), for the primary purpose to recognize contributions of eligible persons, to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the Group's further development. The Plan is an one-off and close-end scheme.

	Invitation date	Number of Plan Shares (5 year plan) (Note i)	Number of Plan Shares (10 year plan) (Note ii)	Total
Employees	23rd May, 2008	71,001,000	53,251,000	124,252,000

Notes:

(i) 20% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

(ii) 10% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

At 30th September, 2008, no shares have been subscribed under the Plan.

The fair value of the subscription right for the Plan Shares on the date of invitation was calculated using the Binomial Model (the "Model") and the amount that was charged to the consolidated income statement of Pou Sheng as share-based expense for the year ended 30th September, 2008 is approximately US$706,000 (2007: Nil). The inputs into the Model for the purpose of the valuation are as follows:

	5 year Plan	10 year Plan
Weighted average share price of Pou Sheng	HK$3.05	HK$3.05
Subscription price	HK$2.14	HK$2.14
Expected life of share subscription	5 years	10 years
Expected volatility of Pou Sheng shares	48%	48%
Expected dividend yield of Pou Sheng shares	0% to 2%	0% to 2%
Risk free rate	1.22% to 2.92%	1.22% to 2.92%
Fair value of subscription right per share	HK$0.99	HK$0.98

The Model is one of the commonly used models to estimate the fair value of the subscription right of the Plan Shares and which involves assumptions and variables based on Pou Sheng directors' best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

The expected life of the share subscription and the dividend yield are based on management's best estimate taking into account the Pou Sheng Group's future plans and prospects. Expected volatility was determined with reference to the historical volatility of the share prices of comparable companies on the Stock Exchange.

38. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings, bank overdrafts and convertible bonds (net of cash and cash equivalents) and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

39. Financial Instruments

a. Categories of financial instruments

	2008 US$'000	2007 US$'000
Financial assets		
Derivative financial instruments	**74,312**	3,125
Loans and receivables (including cash and cash equivalents)	**1,336,666**	1,141,129
Available-for-sale financial assets	**29,218**	21,744
Financial liabilities		
Derivative financial instruments	**41,632**	24,032
Amortised cost	**1,617,669**	1,390,978

b. Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from associates, amounts due from jointly controlled entities, derivative financial instruments, deposits placed with a financial institution, pledged bank deposits, bank balances and cash, rental deposits, trade and other payables, bank borrowings, convertible bonds and bank overdrafts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

39. Financial Instruments (continued)

b. **Financial risk management objectives and polices** (continued)

Market risk

(i) Currency risk

Majority of the Group's turnover are denominated in USD. However, the Group has certain trade payables, bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate the currency risk, the Group has entered into foreign currency forward contracts to hedge USD against RMB and HKD. Details of the contracts are set out in Note 26. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the reporting date are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
USD	**103,786**	18,000	**2,470**	8,582
RMB	**78,549**	50,285	**42,167**	12,429
NTD	**18,353**	26,760	**31,993**	29,427
VND	**16,174**	20,312	**2,577**	8,178
IDR	**9,922**	11,015	**4,962**	18,482
HKD	**14,031**	32,191	**585,292**	557,746

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of HKD, RMB and NTD.

Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate. If the HKD strengthen 2% against USD, the Group's profit for the year ended 30th September, 2008 would decrease by US$11,425,000 (2007: US$10,511,000). If the HKD weaken 2% against USD, there would be an equal and apposite impact on the profit for the year.

The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive (negative) number below indicates an increase (decrease) in profit when the currencies below strengthen 5% against the functional currencies of the relevant group entities. For a 5% weakening of these currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit.

39. Financial Instruments (continued)

b. Financial risk management objectives and polices (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

	Notes	2008 US$'000	2007 US$'000
Gain (loss) in relation to:			
– USD	(i)	**5,066**	471
– RMB	(ii)	**1,819**	1,893
– NTD	(iii)	**(682)**	(133)
– VND	(iii)	**680**	607
– IDR	(iii)	**248**	(373)

(i) This is mainly attributable to the exposure on bank balances.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB.

(iii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in NTD, VND and IDR.

The Group's sensitivity to foreign currency fluctuation has increased during the current year mainly due to both the significant appreciation RMB against USD.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to amounts due from associates and jointly controlled entities, deposit placed with a financial institution, pledged bank deposits, bank balances and bank borrowings (see Notes 20, 22, 27, 28, 30 and 32 for details of these respectively) due to the fluctuation of the prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The directors consider the Group's exposure of the bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Notes 30 and 32 for details respectively). The management monitors interest rate exposure and will consider to repay the fixed-rate bank borrowings when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR, HIBOR and rates quoted by PBOC.

39. Financial Instruments (continued)

b. **Financial risk management objectives and polices** (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For amounts due from associates and jointly controlled entities and variable-rate bank borrowings which carried floating interest rates, the analysis is prepared assuming the carrying amount of assets and liabilities which carried floating interest rates and outstanding at the balance sheet date were outstanding for the whole year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest-bearing amounts due from associates and jointly controlled entities and bank borrowings had been 100 basis points higher and all other variables were held constant, the Group's profit for the year ended 30th September, 2008 would decrease by US$5,576,000 (2007: decrease by US$3,991,000). If interest rates were lower by 100 basis points, there would be an equal and opposite impact on the profit for the year.

This is mainly attributable to the Group's exposure to its net variable-rate borrowing.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group's available-for-sale equity investments, embedded derivatives of CB 2011, HKD Call Options, JV Call Options and foreign currency derivatives at each balance sheet date exposed the Group to other price risk. Details of those items are set out in Notes 23 and 26.

Sensitivity analysis

(a) Available for sale investment

The Group is also exposed to equity price risk through its available-for-sale investments. If the market price of the listed investment had been increased/decreased by 20%, the Group's reserve would increase/decrease by approximately US$1,238,000 at 30th September, 2008 (2007: US$4,056,000).

(b) Embedded derivatives of CB 2011 and HKD Call Options

If the equity prices had been 20% higher/lower while all other input variables of the valuation models were held constant, the Group's profit would (decrease)/increase as follows:

		2008 **US$'000**	2007 US$'000
(i)	Higher by 20%		
	Embedded derivatives of CB 2011	**(11,351)**	(23,798)
	HKD Call Options	**17,024**	N/A
(ii)	Lower by 20%		
	Embedded derivatives of CB 2011	**2,703**	14,874
	HKD Call Options	**(10,165)**	N/A

39. Financial Instruments (continued)

b. Financial risk management objectives and polices (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

(c) JV Call Options

As set out in Note 26, the fair values of the JV Call Options were valued using the Binomial Model, which uses cash flow projections based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the JV Call Options recognized in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

If individual input to the valuation model had been 10% higher/lower while all other variables were held constant, the profit for the year ended 30th September, 2008 would have increased (decreased) as follows:

	Higher by 10% US$'000	**Lower by 10%** US$'000
Expected volatility – Pou Sheng	782	(776)
Growth rate	(4,065)	2,924
Expected price-earning rate – Pou Sheng	(4,415)	2,576

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation of the derivatives involves multiple variables where certain variables are interdependent.

(d) Foreign currency

For the outstanding forward derivatives exchange contracts, the market bid and ask forward exchange rate of USD against RMB had been 5% higher/lower, profit for the year ended 30th September, 2008 would decrease/increase by US$8,923,000 (2007: decrease/increase by US$4,787,000) as a result of the changes in the market bid and ask foreign currency forward exchange rate of USD against RMB.

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in determining the fair value of the derivatives and financial liabilities are interdependent.

39. Financial Instruments (continued)

b. **Financial risk management objectives and polices** (continued)

Credit risk

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 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the guarantee given as set out in Note 44.

The Group has concentration of credit risk on certain individual customers. At the balance sheet date, the five largest receivable balances accounted for approximately 24% 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. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval 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 trade debt at each balance sheet date to 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.

In addition to the credit risk on trade debts, the Group is also exposed to credit risk through its advances to, and guarantees granted to banks in respect of banking facilities utilized by its associates and jointly controlled entities. The advances are secured by the equity interests held by the other joint venture partners in these entities as collateral for the advances. In addition, because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and can take timely actions to safeguard its assets and/or to minimize its losses. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

The Group's concentration of credit risk by geographical locations of customers are mainly on the United States of America, Europe and Asia which accounted for 29%, 22% and 41%, respectively, of the trade receivables at 30th September, 2008. In order to minimise the credit risk, management intends to build a customer base with an extensive geographical spread, which can minimise the credit risk by geographical location.

The credit risk on liquid funds is limited because the counterparties are banks and a financial institution with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group has net current assets of approximately US$875,483,000 (2007: US$881,165,000) as at 30th September, 2008. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

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. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

39. Financial Instruments (continued)

b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and interest cash outflows.

For derivative instruments settled on a net basis, undiscounted net cash (inflows)/outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 30.9.2008 US$'000
2008								
Non-derivative financial liabilities								
Trade and other payables	–	399,306	60,273	–	–	–	459,579	459,579
Bank overdrafts	8.12	188	–	–	–	–	188	188
Bank borrowings								
– fixed rate	6.39	9,493	3,104	201	916	8,741	22,455	21,177
– variable rate	5.26	72,504	219,656	45,441	302,431	–	640,032	619,115
Convertible bonds	–	264,829	–	–	306,011	–	570,840	517,610
		746,320	283,033	45,642	609,358	8,741	1,693,094	1,617,669
Derivatives – net settlement								
Foreign currency derivatives:								
Forward contracts	–	244	–	126	–	–	370	364
Derivatives – gross settlement								
Currency structured contracts								
– inflow	–	(11,341)	(29,084)	(141,622)	–	–	(182,047)	N/A
– outflow	–	10,535	29,193	144,200	–	–	183,928	N/A
		(806)	109	2,578	–	–	1,881	1,810

39. Financial Instruments (continued)

b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years U$'000	Over 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 30.9.2007 US$'000
2007								
Non-derivative financial liabilities								
Trade and other payables	–	299,802	130,017	–	–	–	429,819	429,819
Bank overdrafts	6.39	5,417	–	–	–	–	5,417	5,417
Bank borrowings								
– fixed rate	6.40	418	11,554	54,240	936	8,987	76,135	70,976
– variable rate	6.34	4,235	5,844	77,558	324,183	–	411,820	392,631
Convertible bonds	–	–	–	–	571,037	–	571,037	492,135
		309,872	147,415	131,798	896,156	8,987	1,494,228	1,390,978
Derivatives – net settlement								
Foreign currency derivatives:								
Forward contracts	–	–	–	246	–	–	246	234

In addition to the above contractual obligation on its non-derivative liabilities, the Group is subject to make additional cash contribution to the associates and jointly controlled entities determined by the price adjustment mechanism as set out in Notes 19 and 21, should the financial performance of the associates and jointly controlled entities exceed certain benchmarks.

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input;
- the fair value of HKD Call Option and embedded derivates of CB 2011 are determined using the Monis Model;
- the fair value of the JV Call Options are determined based on the Binominal Model and estimated earnings of the relevant companies and price earning ratio of Pou Sheng; and
- the fair value of the foreign currency derivative are determined using the prices provided by counterparty banks using valuation techniques.

Except convertible bonds as disclosed in Note 31, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the consolidated financial statements approximate their fair value.

40. Acquisition of Business

On 1st January, 2007, a non-wholly-owned subsidiary of the Group acquired the business and the relevant assets and liabilities of a retailing business in Yunnan, PRC, for a consideration of RMB56,100,000 (equivalent to approximately US$7,184,000) from a minority shareholder of a subsidiary. This acquisition was accounted for using the purchase method.

The carrying amounts and fair value of the net assets acquired in the transaction and the goodwill arising therefrom are as follows:

	2007 US$'000 (Note)
Net assets acquired:	
Purchase of property, plant and equipment	2,346
Inventories	7,723
Trade and other receivables	7,414
Taxation recoverable	1,242
Bank balances and cash	3,102
Trade and other payables	(11,861)
	9,966
Goodwill	2,101
Minority interests	(4,883)
Total consideration	7,184
Satisfied by:	
Cash	7,184
Net cash outflow arising on acquisition:	
Cash consideration paid	(7,184)
Bank balances and cash acquired	3,102
	(4,082)

Note: The fair values of the net assets acquired approximate to their carrying amounts on or before the date of acquisition.

The acquired business contributed US$1.9 million to the Group's profit for the year between the date of acquisition and the balance sheet date as at 30th September, 2007.

If the acquisition had been completed on 1st October, 2006, the revenue and the profit after taxation of the Group for the year ended 30th September, 2007 would have been US$4,120.0 million and US$370.0 million, respectively. This pro forma information is for illustration purposes only and is not necessarily an indication of the Group's revenue and results of operations that would actually have been achieved had the acquisition been completed on 1st October, 2006, nor is it intended to be a projection of future results.

41. Major Non-cash Transactions

For the year ended 30th September, 2008, the major non-cash transactions are as follows:

1. The acquisition of the JV Call Options of US$50,799,000, of which US$33,522,000 was satisfied by the issue of shares in a listed subsidiary and US$17,277,000 was satisfied by cash.

2. A listed subsidiary of the Group has issued 9,276,000 shares at a price of HK$3.05 per share with an aggregate value of US$3,629,000 to acquire additional interests in a subsidiary.

During the year ended 30th September, 2007, the Group had no major non-cash transactions.

42. Operating Leases

The Group as lessee

	2008 US$'000	2007 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	**57,626**	15,348
– retail shops	**35,065**	10,722
– plant and machinery	**4,030**	4,614
	96,721	30,684
Contingent rentals:		
– Shops	**72,751**	41,964
	169,472	72,648

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

	2008 US$'000	2007 US$'000
Within one year	**54,680**	23,312
In the second to fifth year inclusive	**97,111**	39,751
After five years	**44,202**	21,402
	195,993	84,465

42. Operating Leases (continued)

The Group as lessee (continued)

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

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent payable.

Included in the above are commitments under non-cancellable operating leases of approximately US$6.8 million as at 30th September, 2007 which expire in 2008 payable to related companies, Godalming Industries Limited and its subsidiaries, details of which are set out in Note 46(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:

	2008 **US$'000**	2007 US$'000
Within one year	**3,323**	2,893
In the second to fifth year inclusive	**7,910**	7,396
After five years	**26,442**	25,691
	37,675	35,980

In addition to the basic rental receipts as disclosed above, the lease agreements with certain tenants also include provisions for the payment of contingent rent to the Group. In general, these contingent rents are calculated with reference to the turnover generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent receivable. Rental income received by the Group during the year amounted to US$6,426,000 (2007: US$4,944,000), included in which was rental income arising from contingent lease contacts of US$2,031,000 (2007: US$419,000).

43. Capital Commitments

	2008 US$'000	2007 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	**34,971**	22,164
– acquisition of property, plant and equipment	**26,195**	10,872
	61,166	33,036
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– investment in associates	**–**	5,414
– investment in jointly controlled entities	**–**	6,875
– investment in available-for-sale investments	**3,708**	6,983
	3,708	19,272
	64,874	52,308

In addition, the Group had contingent commitments in respect of further investments in associates and jointly controlled entities as set out in Notes 19 and 21, respectively.

44. Contingencies

At the balance sheet date, the Group had contingent liabilities as follow:

	2008 US$'000	2007 US$'000
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	**150,269**	85,356
– amount utilized	**103,959**	66,020
(ii) associates		
– amount guaranteed	**18,918**	15,617
– amount utilized	**10,205**	6,455

45. Retirement Benefits Schemes

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 and employees of the Group's subsidiaries 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.

46. 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:

(I) Connected and Related Parties

Name of company	Nature of transactions/balances	2008 US$'000	2007 US$'000
Substantial shareholder of the Company:			
Pou Chen Corporation ("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)	**1,100**	1,258
	Costs and expenses reimbursed and services fee paid to PCC under the Services Agreement (Note b)	**362,035**	306,674
	Tanning facilities and processing services fee paid (Note c)	**8,527**	7,459
	Rental expenses under the Rental Agreements (Note d)	**1,248**	1,428
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes (Note a)	**18,050**	20,292
	Management services income received (Note e)	**27,687**	34,943
	Balance due from/to at 30th September and included in:		
	– trade receivables	**–**	3,215
	– trade payables	**27,803**	31,107
	– other receivables (Note i)	**11,982**	12,633
	– other payables (Note i)	**10,168**	–

46. Connected and Related Party Transactions and Balances (continued)

(I) Connected and Related Parties (continued)

Name of company	Nature of transactions/balances	2008 US$'000	2007 US$'000
Companies controlled by a substantial shareholder of the Company:			
Golden Brands Developments Limited ("Golden Brands") and its subsidiaries (collectively the "Golden Brands Group")	Management services income received (Note e)	**3,160**	3,169
	Rental received on dormitories (Note e)	**1,847**	1,828
	Sales of packaging box products	**–**	5
	Balance due from/to at 30th September and included in:		
	– trade receivables	**2,992**	–
	– trade payables	**166**	–
	– other receivables (Note i)	**3,507**	3,272
	– other payables (Note i)	**23**	–
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings (Note f)	**6,698**	6,786
	Balance due from/to at 30th September and included in:		
	– other receivables (Note i)	**5,662**	–
	– other payables (Note i)	**48**	–

(II) Connected Parties

Name of company	Nature of transactions/balances	2008 US$'000	2007 US$'000
Minority shareholders of subsidiaries and/or companies controlled by them	Consideration for acquisition of a retail business (Note g)	**–**	7,184
	Consultancy fee paid	**–**	1,007
	Consideration for acquisition of additional interests in subsidiaries (Note h)	**4,991**	6,022

46. Connected and Related Party Transactions and Balances (continued)

(III) Related Parties, Other than Connected Parties

Name of company	Nature of transactions/balances	2008 US$'000	2007 US$'000
Jointly controlled entities:	Purchase of raw materials	**142,023**	115,359
	Sales of shoe-related products	**4,610**	4,493
	Sales of sportswear products	**11,589**	–
	Management service income	**8,037**	6,508
	Interest income	**171**	–
	Balance due from/to at 30th September		
	– trade receivables	**11,151**	587
	– trade payables	**19,496**	17,247
	– other receivables (Note i)	**7,718**	3,664
	– other payables (Note i)	**2,359**	–
Associates:	Purchase of raw materials and sportswear products	**74,786**	75,299
	Sales of shoe-related products	**1,401**	1,704
	Sales of sportswear products	**10,832**	–
	Management service income	**6,936**	2,108
	Interest income	**124**	–
	Balance due from/to at 30th September		
	– trade receivables	**3,941**	1,489
	– trade payables	**4,539**	10,047
	– other receivables (Note i)	**16,677**	20,514
	– other payables (Note i)	**417**	–

46. Connected and Related Party Transactions and Balances (continued)

(IV) 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 leather, moulds, finished and semi-finished shoe products and packaging boxes to PCC Group. In addition, the Group purchased raw materials, production tools and shoe-related products from the PCC Group. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on 1st March, 2007. PCC is owned indirectly through Plantegenet Group Limited as to 11.68% 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 6.38% by relatives of Mr. Tsai Chi Neng.

(b) Pursuant to services agreement dated 22nd February, 1997 and the supplemental services agreement dated 9th January, 2007 entered into between the Company and PCC (collectively 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.

(c) Pursuant to the production agreement dated 24th December, 1996 and the supplemental production agreement dated 9th January, 2007 (collectively the "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 is beneficially owned by PCC as to approximately 99.59%. Barits provides tanning facilities and processing services to Prime Asia TW for the processing of Prime Asia TW's raw leather into finished leather.

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

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

(ii) the direct selling and general costs incurred by Barits; 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 and based on valuation report dated on 6th March, 2006, 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.

46. Connected and Related Party Transactions and Balances (continued)

(IV) Compensation of Key Management Personnel (continued)

Notes: (continued)

(d) On 9th January, 2007, certain subsidiaries of the PCC Group and certain subsidiaries of the Company entered into four lease agreements which took effect from 1st October, 2005 ("Rental Agreements"). Details of the Rental Agreements 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 (99.39% 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 non-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 Rental Agreements are all located in Taiwan.

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

(e) On 9th January, 2007, Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into respective supplemental management service agreements with PCC and Golden Brands for the provision of management services to PCC and Golden Brands and their subsidiaries.

In addition, on 9th January, 2007, Highmark entered into a lease agreement with Golden Brands to leases certain dormitories within the Yue Yuen Industrial Estate, He Lu Industrial Area, Huang Jiang Town, Dongguan, the PRC ("Yue Yuen Industrial Estate") to Golden Brands.

Golden Brands is ultimately owned as to 94.12% by Mr Tsai Chi Jui, a substantial shareholder of the Company, and PCC is a substantial shareholder of the Company.

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

(i) in respect of common services provided by Highmark, approximately a 10% mark up on the aggregate costs incurred by Highmark;

(ii) in respect of the supply of electricity by Highmark, approximately the aggregate of the costs of the oil consumed with a 5% mark up and the cost of overheads incurred for the production of electricity incurred by Highmark;

(iii) in respect of supply of water by Highmark, a charge with reference to the price charged by the local authority; and

(iv) in respect of rental, a rent that is equivalent to the open market rental value as reviewed and agreed by both parties annually.

(f) Godalming is 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 dated 8th June, 1992, together with a supplemental tenancy agreement which was entered into between the Group and subsidiaries of Godalming on 9th January, 2007 for a lease term of 3 years from 1st October, 2005.

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 valuers.

(g) On 1st January, 2007, a non-wholly-owned subsidiary of the Group acquired the business and the relevant assets and liabilities in Yunan, PRC, for consideration of RMB56,100,000 (equivalent to approximately US$7,148,000) from a minority shareholder.

46. Connected and Related Party Transactions and Balances (continued)

(IV) Compensation of Key Management Personnel (continued)

Notes: (continued)

(h) 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 a total consideration of approximately US$6,022,000.

On 30th May, 2008, Great Pacific Investments Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with the minority shareholder of EthoSport Development Corp. ("EthoSport"), which is 60% owned subsidiary of the Company, to acquire an additional 40% equity interests in EthoSport for a total consideration of approximately US$1,362,000.

On 31st May, 2008, A-Grade Holdings Limited, a non-wholly-owned subsidiary of the Group, entered into a sales and purchase agreement with a minority shareholder to acquire 10% equity interest of Baoyu (Chengdu) Trading Company Limited. The consideration was satisfied by the issue of 9,276,000 ordinary shares of Pou Sheng at HK$3.05 per share, which amounted to approximately US$3,629,000.

(i) The amounts due from/to are unsecured, interest-free and repayable on demand.

47. Post Balance Sheet Events

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

(i) In October 2008, the Company repurchased 14,700,500 shares of its own shares through the Stock Exchange at an aggregate consideration of HK$236,597,000 (or equivalent to US$30,366,000). The repurchased shares were subsequently cancelled on 24th November, 2008.

(ii) On 27th November, 2008, the Group obtained a loan facility of US$150 million which has been used to redeem CB 2008. The loan has a tenor of 5 years and carries interest at 0.95% over LIBOR.

(iii) As detailed in Note 31, CB 2008 matured on 23rd December, 2008 and were fully redeemed by the Group at their aggregate redemption amount of US$264,829,000.

48. Principal Subsidiaries

Details of the Company's principal subsidiaries at 30th September, 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment	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*
			2008	2007	
A-Grade Holdings Limited	British Virgin Islands	US$9,000	**55.69%+**	70%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited	PRC**	US$8,880,000	**55.69%+**	70%	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited	PRC**	US$5,000,000	**55.69%+**	70%	Retailing of sportswear
Baoyu (Chengdu) Trading Company Limited	PRC**	US$7,400,000	**55.69%+**	63%	Retailing of sportswear
Bestful Properties Limited	British Virgin Islands	US$1	**100%**	100%	Property holding in the PRC
Champolian Investments Inc.	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Chiya Vietnam Enterprise Limited	Vietnam	US$700,000	**51%**	51%	Manufacture of foamed cotton
Dah-Chen Shoe Materials Ltd.	Vietnam	US$437,500	**51%**	51%	Manufacture of shoe pads
Dedicated Group Limited	British Virgin Islands	US$1,000	**55.69%+**	70%	Investment holding
Diodite (China) Sports Company Limited	The PRC**	US$20,000,000	**55.69%+**	100%	Retailing of sportswear
Dragonlight (China) Sports Goods Company Limited	The PRC**	US$36,000,000	**55.69%+**	100%	Investment holding
Escon Enterprises Limited	British Virgin Islands	US$1	**100%**	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%**	100%	Investment holding

48. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2008	2007	Principal activities*
Forearn Company Ltd.	British Virgin Islands	US$1	**100%**	100%	Manufacture of shoe moulds in the PRC
Friendsole Limited	Hong Kong	Ordinary – HK$1,000	**100%**	100%	Provision of management services
		Non-voting deferred – HK$1,000	**100%**	100%	
Giacinto Investments Limited	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Gold Plenty International Limited	British Virgin Islands	US$1	**100%**	100%	Sale and marketing of footwear in the PRC
Great Pacific Investments Ltd.	British Virgin Islands	US$1	**100%**	100%	Investment holding
Harbin Baosheng Sports Goods Company Limited	PRC**	RMB7,000,000	**55.69%+**	70%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC**	RMB1,000,000	**55.69%+**	70%	Retailing of sportswear
High Shine Investments Limited	British Virgin Islands	US$100	**51%**	51%	Investment holding
Highfull Developments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Idea (Macao Commercial Offshore) Limited	Macau	MOP100,000	**100%**	100%	Sale and marketing of footwear in the PRC
Key International Co., Ltd.	British Virgin Islands	US$1	**100%**	100%	Investment holding
Major Focus Management Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Multiform Enterprises Limited	British Virgin Islands	US$200	**100%**	100%	Manufacture of moulding equipment in the PRC
Murata Profits Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding

48. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	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*
			2008	2007	
Overboard Investments Limited	British Virgin Islands	US$1	**100%**	100%	Manufacture of shoe pads in the PRC
P.T. Nikomas Gemilang	Indonesia	IDR56,680,000,000	**99.38%**	99.38%	Manufacture and sale of footwear
P.T. Pou Chen Indonesia	Indonesia	IDR49,872,000,000	**90%**	90%	Manufacture and sale of footwear
P.T. Sukespermata Indonusa	Indonesia	IDR3,500,000,000	**90%**	90%	Manufacture of mould and cutting for shoes
Pau Yuen Trading Corporation	Taiwan	NTD50,000,000	**50,12%+**	63%	Distribution of licenced products
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	**100%**	100%	Manufacture and sale of footwear
Pou Chien Chemical Company Enterprise Limited	Taiwan	NTD1,268,100,000	**100%**	100%	Manufacture of shoe materials (chemical products)
Pou Chien Chemical (Holdings) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Pou Ming Paper Products Manufacturing Company Limited	British Virgin Islands	US$1	**100%**	100%	Manufacture of paper carton boxes and investment holding in the PRC
Pou Sheng International (Holdings) Limited	Bermuda***	HK$35,676,000	**55.69%**	–	Investment holding
Pou Sung Vietnam Co., Ltd.	Vietnam	US$47,000,000	**100%**	100%	Manufacture and sale of footwear

48. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2008	2007	Principal activities*
Pou Yuen Industrial (Holdings) Limited	Hong Kong	Ordinary – HK$12,000,000	**100%**	100%	Investment holding and property holding in Hong Kong and the PRC
		6% cumulative preference – HK$433,600,000	**100%**	100%	
Pou Yuen Vietnam Company Limited	Vietnam	US$86,406,000	**100%**	100%	Manufacture and sale of footwear
Prime Asia China Leather Corporation	British Virgin Islands	US$1,000	**100%**	100%	Leather trading in the PRC
Prime Asia (S.E. Asia) Leather Corporation	British Virgin Islands	US$1,000	**100%**	100%	Leather trading in Vietnam
Prime Asia Leather Corporation	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Pro Kingtex Industrial Company Limited	British Virgin Islands	US$13,792,810	**91.68%**	91.68%	Manufacture of apparel in the PRC
Selangor Gold Limited	British Virgin Islands	US$1,000	**55.69%+**	70%	Investment holding
Shengdao (Yangzhou) Sports Goods Development Company Limited	The PRC**	US$66,000,000	**55.69%+**	100%	Investment holding
Solar Link International Inc.	USA	US$9,000,000	**100%**	100%	Manufacture and sale of footwear
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	**100%**	100%	Sale and marketing of footwear in the PRC
Top Units Developments Limited	British Virgin Islands	US$100	**51%**	51%	Investment holding
Upturn Investments Limited	British Virgin Islands	US$1	**100%**	100%	Manufacture of paper inner boxes and carton boxes in the PRC

48. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2008	2007	Principal activities*
Wellmax Business Group Limited	British Virgin Islands	US$9,000	55.69%+	70%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC**	RMB1,000,000	55.69%+	70%	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co. Ltd.	PRC**	US$10,000,000	55.69%+	70%	Distribution of licenced sportswear
Yue Ming International Limited	Hong Kong	HK$1	55.69%+	70%	Distribution of licenced sportswear
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000	100%	100%	Investment holding and property holding in the PRC
		Non-voting deferred – HK$47,000,000	100%	100%	
Yue-Shen (Taicang) Footwear Co. Ltd	PRC**	US$15,000,000	55.69%+	100%	Manufacturing of sportswear
Yunnan Orientalsport Economy Trade Company Limited	PRC**	RMB56,100,000	28.40%+	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC**	RMB87,500,000	33.41%+	60%	Property leasing and management
YY Sports Holdings Limited	British Virgin Islands	US$1	55.69%+	100%	Investment holding

* *The principal activities are carried out in the place of incorporation unless otherwise stated.*
** *These companies established in the PRC are wholly-foreign owned enterprises.*
*** *Pou Sheng International (Holdings) Limited is a listed company on the Stock Exchange.*
\+ *These companies were subsidiaries of Pou Sheng International (Holdings) Limited as at 30th September, 2008.*

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.

48. Principal Subsidiaries (continued)

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 any debt securities outstanding during the year or at the end of the year.

49. Principal Associates

Details of the Group's principal associates at 30th September, 2008 and 2007 are as follows:

Name of associate	**Place of incorporation/ establishment/ operation**	**Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly** 2008	2007	**Principal activities**
Asia Air Tech Industrial (Pte) Ltd.	Singapore	**30%**	30%	Investment holding
Bigfoot Limited	British Virgin Islands	**48.76%**	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Eagle Nice (International) Holdings Limited ("Eagle Nice") (Note (i))	Cayman Islands	**38.42%**	38.42%	Investment holding and its subsidiaries are engaged in manufacture and trading of sportswear and garments
Farsighted International Limited ("Farsighted")	BVI	**16.71%+**	30%	Investment holding in a group of PRC companies which are engaged in retailing of sportswear
Just Lucky Investments Limited	British Virgin Islands	**38.30%**	38.30%	Property holding in the PRC
Liberty Bell Investments Limited	British Virgin Islands	**49%**	49%	Manufacture and sale of chemical for leather use
Luen Thai Holdings Limited ("Luen Thai ") (Note (ii))	Cayman Islands	**8.98%**	8.98%	Manufacturing and trading of apparel
Natural Options Limited	British Virgin Islands	**38.30%**	38.30%	Manufacture of foamed cotton

49. Principal Associates (continued)

Name of associate	Place of incorporation/ establishment/ operation	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2008	2007	Principal activities
Oftenrich Holdings Limited	Bermuda	**45%**	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%**	47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	**37%**	37%	Investment holding
Platium Long John Company Limited	Taiwan	**48.76%**	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Prosperous Industrial (Holdings) Limited	Cayman Islands	**30%**	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
San Fang Chemical Industry Co. Ltd. ("San Fang") (Note (iii))	Taiwan	**44.72%**	44.72%	Manufacture and trading of synthetic leather
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	PRC**	**22.28%+**	40%	Retailing of sportswear
Teco (Dongguan) Air Conditioning Equipment Ltd.	The PRC**	**30%**	30%	Manufacture of central cooling system, commercial air conditioner and accessories
Zhejiang Baohong Sports Goods Company Limited	PRC**	**27.29%+**	49%	Retailing of sportswear

\+ *These companies were associates of Pou Sheng International (Holdings) Limited as at 30th September, 2008*

** *These companies established in the PRC are sino-foreign enterprises.*

49. Principal Associates (continued)

Notes:

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

(ii) Luen Thai is incorporated in Cayman Islands with its shares listed on the Stock Exchange. The Group has been in a position to exercise significant influence to participate in the financial and operating policy decisions of Luen Thai since 17th September, 2007 after the appointment of a director of the Company into the board of director of Luen Thai, and accordingly, the investment is accounted for as an associate.

(iii) 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.

50. Principal Jointly Controlled Entities

Details of the Group's principal jointly controlled entities at 30th September, 2008 and 2007 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 2008	2007	Principal activities
Best Focus Holdings Limited	British Virgin Islands	**50%**	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of paper carton boxes in the PRC
Blessland Enterprises Limited	British Virgin Islands	**50%**	50%	Manufacture of shoe pads
Cohen Enterprises Inc.	British Virgin Islands	**50%**	50%	Manufacture and sales of leather products for shoes
Din Tsun Holding Co., Ltd.	British Virgin Islands	**50%**	50%	Manufacture of apparel in Vietnam
Great Skill Industrial Limited	British Virgin Islands	**50%**	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of plastic shoe injection in the PRC and Indonesia
Harbin Shenge Sports Chain Company Limited	PRC**	**25.06%+**	45%	Retailing of sportswear

50. 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 2008	2007	Principal activities
Hua Jian Industrial Holding Co., Ltd.	British Virgin Islands	**50%**	50%	Manufacture and sale of ladies shoes
Hubei Jiezhixing Clothing and Accessories Company Limited	PRC**	**27.85%+**	50%	Retailing of sportswear
Jilin Lingpao Sports Goods Company Limited	PRC**	**27.85%+**	50%	Retailing of sportswear
Ka Yuen Rubber Factory Limited	British Virgin Islands	**50%**	50%	Manufacture and sale of rubber soles in the PRC
Smart Shine Industries Limited	British Virgin Islands	**50%**	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of footwear
Topmost Industries Limited	British Virgin Islands	**50%**	50%	Manufacture of counters for shoes
Twinways Investments Limited	British Virgin Islands	**50%**	50%	Manufacture of injection moulds for shoe components
Well Success Investment Limited	British Virgin Islands	**40%**	40%	Investment holding
Yuen Thai Industrial Company Limited	Hong Kong	**50%**	50%	Manufacture and trading of sports and active wear
Zhejiang Jinguan Enterprise Development Company Limited	PRC**	**27.85%+**	50%	Retailing of sportswear
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC**	**27.85%+**	50%	Retailing of sportswear

\+ *These companies were jointly controlled entities of Pou Sheng International (Holdings) Limited as at 30th September, 2008.*

** *These companies established in the PRC are sino-foreign enterprises.*

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.

Financial Summary

	Year ended 30th September,				
	2004 US$'000	2005 US$'000	2006 US$'000	2007 US$'000	**2008** **US$'000**
RESULTS					
Turnover	2,720,027	3,154,835	3,657,379	4,114,090	**4,919,937**
Profit before taxation	300,005	307,616	375,604	386,647	**515,429**
Income tax expense	(1,931)	(4,284)	(9,257)	(17,715)	**(24,685)**
Profit for the year	298,074	303,332	366,347	368,932	**490,744**
Attributable to:					
Equity holders of the Company	293,766	297,912	353,591	359,432	**468,664**
Minority interests	4,308	5,420	12,756	9,500	**22,080**
	298,074	303,332	366,347	368,932	**490,744**

	As at 30th September,				
	2004 US$'000	2005 US$'000	2006 US$'000	2007 US$'000	**2008** **US$'000**
ASSETS AND LIABILITIES					
Total assets	2,920,010	3,127,058	3,378,792	4,120,772	**4,968,675**
Total liabilities	(1,123,143)	(1,182,021)	(1,242,223)	(1,626,968)	**(1,860,126)**
	1,796,867	1,945,037	2,136,569	2,493,804	**3,108,549**
Equity attributable to:					
Equity holders of the Company	1,782,322	1,927,050	2,091,320	2,419,378	**2,779,897**
Other reserve of a listed subsidiary	–	–	–	–	**706**
Minority interests	14,545	17,987	45,249	74,426	**327,946**
	1,796,867	1,945,037	2,136,569	2,493,804	**3,108,549**

Corporate Social Responsibility
企業社會責任

商界展關懷
caringcompany 2008/09
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Corporate Social Responsibility (CSR) programs are an integral part of the Group's corporate strategy. Many people feel that CSR programs should be recognized as obligations of the 21st century corporation to its stakeholders. CSR is supported at the highest levels of the organization and is recognized as one of the key success factors that helps the Group to maintain it's market-leading position. The Group's commitment to following industry best-practices in the area of CSR also strengthens the relationships it has with its key brand name customers. Furthermore, many sophisticated investors demand that the companies they invest in appreciate the importance of CSR and demonstrate a willingness to implement programs that uphold good CSR standards.

企業社會責任計劃是本集團企業策略不可或缺的一環。很多人認為企業社會責任計劃應該被視為二十一世紀企業對股東的一項責任。企業社會責任得到本集團最高管理層鼎力支持，並被視為其中一項取勝之道，令本集團在市場上奠定翹楚地位。本集團致力緊貼業內於企業社會責任範疇的最佳常規，而有關工作亦有助鞏固本集團與其主要品牌客戶的關係。另外，不少資深投資者亦要求其投資的公司，掌握企業社會責任的重要性，並且需要表明有意實施計劃奉行良好的企業社會責任標準。

The Group believes its CSR programs should adhere to certain principles. Workers should be fairly treated and their rights recognized. They should be hired under proper contract terms and receive appropriate wages. Pollution from operations should be reduced where ever possible. Whenever possible, waste emissions should be recycled to protect the environment. Techniques that lead to a reduction in energy consumption should be adopted as much as possible. Technologies that focus on using solar power should be chosen where feasible. The Group has worked closely with its key brand name customers, municipal and provincial governments to uphold these principles.

本集團相信企業社會責任計劃須奉行若干原則，包括工人須獲平等對待，而其權利亦須得到重視；工人應根據恰當合約條款受聘，並且獲得適當工資；應盡量減少營運產生的污染；在可能情況下，排出的廢物應循環再造以保護環境；盡量選取可節省能源消耗的技術；應在可行情況下選用可應用太陽能的技術。本集團已經與其主要品牌客戶、省市政府緊密合作，以奉行該等原則。

The Group undertook many CSR initiatives in Fiscal Year 2008. The Group partnered with its athletic footwear customers to respond to the Play Fair Alliance report released to the public on 21st April, 2008. This report made various claims about the international sports wear industry's shortcomings in safeguarding workers' rights. The Group and its customers together examined in detail the contents of the report and addressed the various concerns raised. Going forward the Group will continue to work closely with its athletic footwear customers to address concerns raised by various labour unions and nonprofit organizations regarding wages and working conditions in the global sportswear industry. In November 2008 the Group sent representatives to attend the PUMA Stakeholders' Meeting held at Banz Nuremberg Germany to learn about the most current issues involving CSR and let participants know of the initiatives taken by the Group to address CSR issues.

本集團在二零零八年財政年度舉辦多項企業社會責任活動。本集團與其運動鞋客戶合作，對Play Fair Alliance在二零零八年四月二十一日向公眾發出的報告作出回應。該報告指出國際運動服行業在保障工人權利方面的缺失。本集團與其客戶攜手深入檢討報告內容，並已處理在報告中所提出的若干關注。日後，本集團將繼續與其運動鞋客戶緊密合作，處理各工會以及非牟利組織對全球運動服行業的工資及工作環境所提出的關注。二零零八年十一月，本集團派代表出席PUMA在德國Banz Nuremberg舉行之利益關係者研討會(Stakeholders Meeting)，以掌握最近期涉及企業社會責任的問題，並且讓參與者得悉本集團在處理企業社會責任方面所採取的措施。

The earthquake that hit the Sichuan province on 12th May, 2008 caused great injury and damage. The board of directors and senior management of the Group were perturbed and felt obligated so that in accordance with the Group's CSR philosophy, the Group should try as much as possible to help to the victims. First the Group through its operating companies in the PRC donated RMB13.5 million to the earthquake victims in Sichuan Province. Further more for those employees whose families were affected by the earthquake, the Group provided emergency assistance to help to those families. Various members of senior management also initiated fund raising campaigns whereby they made donations in their capacity as private citizens to bring more relief to the victims.

二零零八年五月十二日四川省發生的地震，造成重大傷亡及破壞。本集團董事會及高級管理層深感哀慟，並認為本集團應根據其企業社會責任哲學，盡力幫助受災者。首先，本集團透過其在中國的營運公司向四川省地震災民捐助人民幣13,500,000元。此外，本集團亦向其家人受地震影響的僱員提供緊急援助。不少高級管理層成員亦發起募捐活動，並以個人身份捐款，為災民帶來更多捐助。

This year the Group was able through its CSR programs to help students better understand the supply chain for the athletic footwear industry. In May 2008, the Group participated in a program called "Other Learning Experience" in which students participated in an essay competition expressing their thoughts concerning athletic footwear. 28 Schools in Hong Kong participated in this competition and a total of 140 essays were submitted. The five winning essays were from the Shun Tak Fraternal Association Yung Yau College. To honour the winners of the competition, we have reprinted one of the winners' essays in our annual report by the name of "Liu Chang's running shoes". This program was created by EdExchange and was completed with the Group hosting a tour in July 2008 for 30 students to see the Group's Nike factory facilities in Dongguan City, Guangdong Province, China. Students were able to gain an appreciation of the different aspects of the manufacturing process and insight as to how a person may pursue a career in manufacturing.

本集團亦於年內透過企業社會責任計劃，協助學生更深入了解運動鞋行業的供應鏈。二零零八年五月，本集團參與一項名為「其他學習經歷」的計劃，其中，學生參與了一項內容有關對運動鞋想法的徵文比賽，並一共收到140篇來自28間學校的參賽文章。五份得獎作品均來自順德聯誼總會翁祐中學。我們已經在年報中，刊印題為「劉翔的運動鞋」的其中一篇得獎作品，以表揚比賽的得獎者。計劃由「教融易」舉辦，而本集團則於二零零八年七月舉辦一個參觀團，帶領30名學生參觀本集團位於中國廣東省東莞市的Nike 廠房設施。學生有機會了解各生產程序，以及如何在製造業發展事業。

An award given to the Pou Chen Group by the PRC Central Government for its RMB20 million donation (including Yue Yuen's RMB13.5 million donation) to the victims of the Sichuan earthquake.
寶成集團捐贈四川地震賑災捐款人民幣二千萬元（包括裕元捐款一千三百五十萬元），獲北京中央政府頒獎。

Corporate Social Responsibility (continued)
企業社會責任(續)

商界展關懷
caringcompany 2008/09
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

The new labour law in the PRC was effective from 1st January, 2008. This law stipulates a number of new requirements regarding compensation benefits. Management has devoted much attention to following these new requirements. Employments contracts have been vetted and amended to conform to the new standards. Manuals have been distributed to workers to let them know of their rights and obligations under the new laws. All supervisors have been updated on the new requirements. Management will continue to monitor compliance with the new laws. Overall the Group has only seen a very slight increase in labour costs arising from the implementation of the new laws. The Group's compliance with the CSR standards as required by its five biggest customers means in many instances it has attained the standards required by the new labour laws.

Since the majority of our production capacity is based in the PRC, a large number of the Group's CSR team members are based in the PRC. Within the PRC, Guangdong Province has most of the Group's factories and the largest factories are based in Gao Bu Town, Dongguan City. The Group has implemented many CSR initiatives in the PRC during the past year. Some of the key CSR events in the PRC are as follows.

In January 2008, the department heads of physical education at the Louisiana State University, University of Colorado, University of Florida and University of Washington together with our brand name customer toured the Group's facilities to learn about footwear product development and the manufacturing processes for athletic footwear.

In March 2008, The Financial Times, The Wall Street Journal, The New York Times, The China Daily, Caijing Magazine, Le Monde, The Economist and The South China Morning Post together with our brand name customer visited the Group's facilities to gather information regarding the CSR programs run by the Group and the brand name customer.

In March 2008, the CSR staff from one the largest factories ran a month long program to educate factory workers on the different health aspects individuals needed observe to lead a happy healthy life including matters such as workers' rights, adult intimacy and reproduction health, old age and aging, and the prevention of AIDS. The goal of this program was to help factory workers make informed decisions in the course of their daily activities.

In April 2008, the board of directors and the CEO of the largest athletics brand name visited the factory premises of the Group to applaud the Group for its CSR programs and to learn of the future CSR initiatives envisaged by the Group.

中國的新勞動法於二零零八年一月一日生效。新法例施加多項有關薪酬福利的新規定。管理層已投放不少精力以使本集團能遵守有關新規定，包括審閱並修訂僱傭合約，以遵守新標準。本集團已向工人分派手冊，讓工人認識新法例賦予他們的權利及責任，並且已經向所有主管講解新規例。管理層將繼續監察本集團遵守新法例的情況。整體而言，本集團的勞工成本因實施新法例而出現的升幅屬非常輕微。本集團遵守五大客戶所規定的企業社會責任標準，已等同在不少範疇上達致新勞動法的標準。

由於本集團大部份生產設施均位於中國，本集團大部份企業社會責任團隊成員均駐於中國。本集團大部份廠房均位於中國廣東省，而最大的廠房則位於東莞市高埗鎮。本集團已於去年在中國推出多項企業社會責任計劃，部份在中國主要的企業社會責任事項如下：

二零零八年一月，路易斯安那州大學、科羅拉多大學、佛羅里達大學及華盛頓大學體育系系主任聯同本集團的品牌客戶參觀本集團的設施，了解鞋履產品發展以及運動鞋的製作程序。

二零零八年三月，金融時報、華爾街日報、紐約時報、中國日報、財經雜誌、Le Monde、經濟學人以及南華早報聯同本集團的品牌客戶參觀本集團的設施，收集本集團及品牌客戶推行的企業社會責任計劃的資料。

二零零八年三月，其中一間大型工廠的企業社會責任員工舉行了一個為期一月的課程，教育工廠工人不同方面的健康知識，好讓工人享受愉快健康的生活，有關內容包括工人權利、健康性行為及生育、年邁及老化以及預防愛滋病等。課程的目標是讓工廠工人對日常生活有更深入的認識。

二零零八年四月，最大型運動品牌的董事會及行政總裁到訪本集團的廠房，並讚揚本集團的企業社會責任計劃，以及了解本集團所擬定的未來企業社會責任計劃。

Shortly after the 12th May, 2008 Sichuan Earthquake, many of the larger factories held charity events to raise funds for the victims of the natural disaster. These events had the direct participation and donations of various members of senior management.

二零零八年五月十二日發生四川地震後不久，不少大型工廠舉辦慈善活動，為天災受害者籌款。不少高級管理層成員直接參與有關活動和捐款。

In the months of July and August 2008, one of our largest factories held two sports galas for approximately 10,000 factory workers as extra curricular activities to enhance employee spirits and encourage family activities. The sporting competitions held during these galas focused on the themes of group participation and team work.

二零零八年七月及八月，本集團其中一間最大型的工廠為約10,000名工廠工人舉辦兩次大型運動會，作為提升僱員士氣及鼓勵僱員參加家庭活動的工餘活動。在這些運動會中舉辦的比賽主要以團隊參與及團隊工作為主題。

In July 2008, one of the Group's largest brand name customers invited a leading academic authority from Germany to host an "Energy Efficiency Workshop" for the benefit of certain factory managers to educate them on the leading concepts and techniques for saving energy and protecting the environment. Some of the finer points touched upon also included reducing electricity consumption, effective temperature control, use of renewable energy and reduction or waste emissions.

二零零八年七月，本集團最大品牌客戶邀請德國一間主要學術機構，為若干廠長舉辦「Energy Efficiency Workshop（能源效益工作坊）」，以教導彼等有關節能及環保的最新概念及技術。這次活動的主題還包括減少耗電、有效溫度控制、利用可再生能源以及減排等。

In December 2008, in conjunction with the UK based charity, Marie Stopes International, and the Gao Bu Town government, one of the largest factories helped organize and sponsor a full day gala to increase the awareness of the local residents towards a healthy life style and a greater awareness of AIDS prevention. The event was a success and the Group was commended by the local government authority for its efforts.

二零零八年十二月，本集團其中一間最大型的工廠與英國慈善團體Mari Stopes International及高埗鎮政府攜手統籌及贊助一項為期一日的活動，使當地居民更加注意健康生活模式以及預防愛滋病。該項活動反應理想，而本集團更獲當地政府機關表揚所付出的努力。

The Group has also undertaken various CSR activities for its factories based in Vietnam. There are in total three factory locations encompassing production for all the Group's leading brand name customers.

本集團亦已為其越南的工廠舉行多項企業社會責任活動。當地三間工廠負責本集團主要品牌客戶的生產工作。

In one factory location, the key CSR activities were as follows. In March 2008, factory management held a line dance competition for the factory workers. The event was well received and each assembly line was represented by a team of dancers. In May, management held a football knockout competition. Similar to the dance competition, the workforce was enthusiastic to participate in the competition. In September, a Mid-Autumn festival lantern competition was held. The theme required factory workers to create lanterns using recycled or environmentally friendly materials. Each assembly line designed its own lantern to participate in this competition.

本集團在其中一間工廠舉辦的主要企業社會責任活動如下：二零零八年三月，工廠管理層為工廠工人舉辦一項排排舞比賽。比賽反應熱烈，各生產線均派隊參賽。五月，管理層舉辦足球淘汰賽，一如跳舞比賽，工人亦積極參賽。本集團另於九月舉辦中秋節花燈比賽，比賽主題規定工廠工人利用循環再造或環保物料製作花燈。各生產線均設計花燈參賽。

In another factory location, the activities were as follows. In July 2008, the Social Environmental Affairs department arranged for the benefit of the factory workers a sailing trip. Over 350 workers participated in the event. In August, in partnership with the leading brand name that sponsored the apparel for the Beijing Olympics and other manufacturers, the factory sponsored a mini athletics competition for the factory workers. Different sports were included in the competition ranging from soccer to badminton. The factory workers spent one month preparing for the competition and five teams took part to represent the factory. In September, a Mid-Autumn festival group dance competition was held by the factory. Nine teams consisting of 132 dancers participated in this event.

在另一間工廠舉辦的活動如下：二零零八年七月，社會環境事務部為工廠工人舉辦航海旅程，超過350名工人參與。八月，工廠與贊助北京奧運會服飾的主要品牌，聯同其他製造商贊助一項為工廠工人舉辦的小型運動會。比賽包括足球以至羽毛球等各類型運動。工廠工人為比賽籌備一個月，並有五支工廠代表隊伍參賽。九月，工廠舉辦中秋節團體舞蹈比賽，有九隊共132名舞蹈員參賽。

In our third factory location, the notable CSR activities were as follows. In July 2008, the Group held a CSR conference for all units bringing together CSR managers, human resources staff and senior management to discuss current issues and future developments for CSR programs of the Group. In August, senior management held a ceremony to award scholarships to children of factory staff who had achieved strong academic performance. Just over 200 people participated in this worthwhile cause. In September, the factory held a Mid-Autumn festival gala bringing together employees at all levels. Many different competitions took place and many employees participated in this gala event.

在第三間工廠舉辦的重要企業社會責任活動如下：二零零八年七月，本集團為各單位舉辦企業社會責任會議，讓企業社會責任經理、人力資源員工及高級管理層成員討論本集團企業社會責任計劃的當前事務及未來發展。八月，高級管理層舉辦一項頒獎禮，向學業成績驕人的工廠員工子女頒發獎學金，有超過200人參加。九月，工廠舉辦中秋節盛會，讓各級員工聚首一堂。盛會中舉行多項不同比賽，許多僱員參與其中。

The Group has also undertaken various CSR activities for its factories based in Indonesia. There are in total three factory locations encompassing production for all the Group's leading brand name customers.

本集團亦於其於印尼之工廠舉辦不同企業社會責任活動，在該處合共設有三間工廠負責本集團主要品牌客戶的生產工作。

For the factory serving the leading brand name, notable CSR program achievements are as follows. The factory was able to continue its trend of saving on electricity costs through effective factory management despite the overall trend of rising energy costs for the industry. A new technique was developed for drying the PU mould after the chemical cleaning process. This technique has resulted in less noise pollution and reduced the overall noise level in the drying procedure by 20%. Another benefit from the new technique is the reduction in energy consumption. Finally the factory medical clinic received an Occupational Health-ISOS rating of 1, the top level rating. The clinic provides free medical service to factory workers and keeps all medical records on a computer database system. Annually the clinic also provides a three-day free medical service to local residents near the factory.

就為主要品牌服務的工廠而言，其透過企業社會責任計劃取得的重大成績如下：儘管業內能源成本有普遍上升的趨勢，然而，該工廠透過有效的工廠管理成功貫徹其節省電力成本的方針。一種在進行化學清理程序後弄乾PU鞋模的新技術已被開發，此技術產生較少的噪音污染，並將有關程序的整體噪音水平減少20%。新技術的另一優點為減少能源消耗。此外，工廠的醫療中心取得最高等級的1級職業健康－ISOS認證。該醫療中心為工廠工人提供免費醫療服務，並以電腦數據庫系統保存所有醫療記錄。該中心每年為工廠附近的居民提供免費醫療服務，為期三日。

In the other factory, the major CSR program achievements were as follows. Senior management defrayed the cost of using 140 large buses to send 7,800 workers back to their home districts for the Idul Fitri holidays. Senior management also paid the costs of providing refreshments to workers during the bus trip. The factory sponsored an event to celebrate the Ramadan festival. All members of senior management participated and a high priest was invited to bless the factory so that operations would run smoothly, workers would have good health and all employee families would safe. Finally in accordance with the goals of the brand name customer and the Group to save energy, the factory implemented 20 new procedures to reduce energy consumption.

另一間工廠透過社會責任計劃取得的重大成績如下：高級管理層為讓工人於開齋節假期期間與家人團聚，支付以140輛大型巴士將7,800送返家鄉的費用，並且承擔於旅途期間為工人提供食物和飲料的成本。工廠亦贊助慶祝齋月的活動。所有高級管理層成員亦有出席活動，而廠方亦邀請一名高僧為工廠祝禱，祈求工廠運作順利，工人身體健康及所有僱員闔家平安。此外，為達成品牌客戶及本集團節省能源的目標，該工廠實施了20項減少能源消耗的新程序。

In the third factory, the key CSR program changes were as follows. New lighting and ventilation systems were installed to reduce energy consumption. Fluorescent lights were installed in various locations. New insulation materials were deployed to reduce the temperature in the factory. New procedures to reduce waste and be environmentally friendly were implemented. In particular the recycling of polyurethane to make polyurethane bags was adopted. A new code of conduct was applied to the worker canteens to raise the standard of hygiene and reduce the level of waste.

第三間工廠的主要社會責任計劃轉變如下：安裝新的照明及通風系統以減少能源消耗，並於不同地點安裝日光燈。該工廠亦使用新隔熱物料以降低工廠的溫度以及引入新的環保程序以減少污染物，特別值得一提的是該工廠採用了循環使用聚氨酯的方法生產聚氨酯袋。食堂工人亦須遵守新的行為守則以提高衛生標準及減少廢物。

In Hong Kong, we continued to support EdExchange and its Community Leaders of Tomorrow program. We were also proud to be awarded the Caring Company logo for 2009.

在香港，本集團繼續支持「教融易」及其推行之「今日公益，明日領袖」計劃。本集團更喜獲頒二零零九年「商界展關懷」標誌。

徵文比賽的參賽作品
Essay Contest

劉翔的運動鞋
Liu Xiang's Running shoes

夜已深沉，我被跑手踏在腳下，成雙地飛奔着。那幾口啞銀色的釘與暗紅色的橡膠跑道碰觸的一瞬間，還未及感受跑手的重量，旋即又騰空，跨過高達一米的欄。我日以繼夜、夜以繼日地伴着跑手－劉翔。

劉翔與我在上海體院邂逅。我的誕生，彷彿就是為迎接這個從跳高轉到跨欄的小子。見他昂藏六尺，初踏上來時我真有一刻喘不過氣，幸好我是專為劉翔度「足」訂造的，我才不致窒息。但害我從此失去簇新之軀，逃不掉運動鞋一定走向殘舊的命運。

起初我們練習，是非常的不合拍，老實説我不很願意跟他合作，一想到他對跳高半途而廢而轉戰跨欄，心中就不是味兒，彷彿我們被看次一級，遭他瞧不起。有次在國家運動場練習，當他跨至第三個欄，我故意把鞋帶鬆開，害他狠狠摔了一跤，跌破膝蓋，令暗紅跑道染上一片鮮紅，我還滿足地笑了，當然他聽不到。在我得意之時，一股重量壓在我身上，才發覺劉翔緩緩站起，要繼續練習。我呆住了，原來他對跨欄有莫大的執着。原來一直不尊重跨欄的是我，我對自己的愚昧非常懊悔不安。

自此我倆朝夕相對，每每跑至深夜方休。漸漸的，一種默契暗中形成，這種默契，引領我們在無數比賽獲勝，征服每條跑道，揚威每項賽事。

努力八年，劉翔終名揚奧運，那是零四年悉尼奧運，我倆果真配合得天衣無縫，那瞬間的情景我仍歷歷在目：槍聲一鳴，幾乎同一時間，劉翔彈出，我緊箍其足踝，不容一點空位漏入；鞋釘甫一觸地，就敏捷騰空，順其跑勢，熟練地跨過十個欄。十二秒九一後，劉翔跑畢百一米，平世界紀錄！成為第一位在奧運徑項奪金的華人！記得他揮舞着中國國旗，躍上頒獎台，我與他，他與我，一同接受來自四面八方的祝賀。

人類被踩會感到恥辱，反之運動鞋被踩會感光榮，有幸能裹着英雄雙腳，我感到無比驕傲。劉翔成名後，不斷有國外廠家找他代言運動鞋，但他仍不肯把我放棄，算這小子有良心！

這夜我們又在跑道上向前狂奔，準備迎戰零八北京奧運。

商界展關懷
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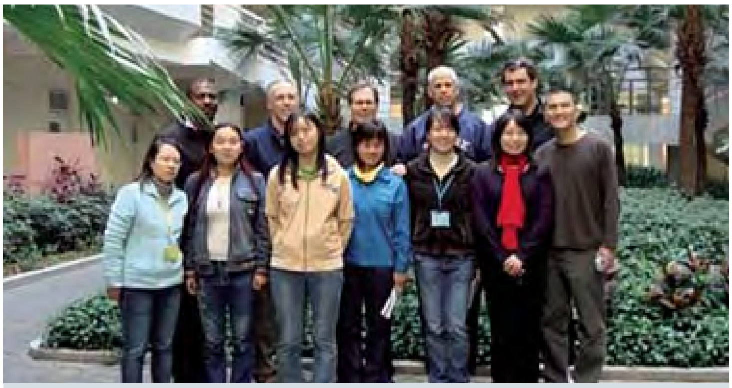
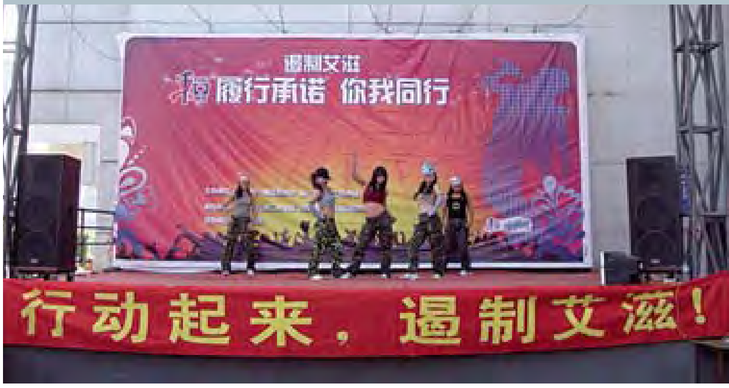
香港社會服務聯會頒發

China 中國



American University teachers visiting the Gao Bu Factory.
美國大學教師到訪高埗廠房。

A gala day to raise the awareness of local residents towards healthy life style.
提高當地居民對健康生活意識的活動日。



Reporters of leading newspapers visiting the Factory.
主要報章記者到訪工廠。

Extracurricular activities for the children of factory employees.
工廠工人子女課餘活動。

A factory event to mourn for the victims of the Sichuan earthquake.
工廠舉辦悼念四川地震遇害者活動。

Athletics gala for factory workers.
工廠工人運動會。

Energy efficiency workshop sponsored by a brand name customer.
品牌客戶贊助的能源研討會。

Newly installed fire safety equipment to protect factory workers and equipment.
新安裝防火設備，保障工廠工人及設備。

Renovated recreation centre for factory employees.
翻新後的工廠僱員活動中心。

Newly installed temperature control equipment to counter heat emitted by machines.
新安裝控溫設備，以降低機器排放的熱力。

Students of the secondary school from HK winning the essay competition took a picture after visiting Nike factory in Dongguan, Guangdong province.
徵文比賽得獎之香港中學生參觀廣東省東莞市Nike工廠後合照。

New equipment installed to further automate outer sole manufacturing process to improve safety.
新安裝設備將鞋底外部生產程序進一步自動化，提升安全。

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Vietnam 越南

Factory holding event with students to celebrate Mid-Autumn festival.
工廠與學生舉辦活動，慶祝中秋節。

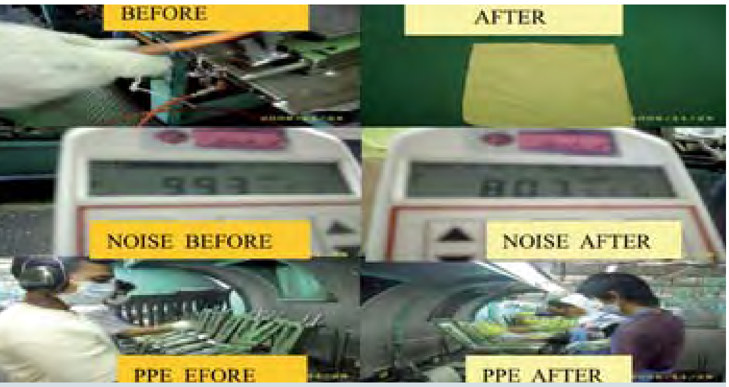
Mini-athletics competition held for factory workers by one of the leading brandnames.
其中一間主要品牌為工廠工人舉辦小型運動會。

Lantern competition for creating lanterns from recycled materials.
用循環再造物料製作花燈比賽。

CSR convention for factory CSR managers, human resources and senior management.
為企業社會責任經理、人力資源及高級管理層舉辦企業社會責任會議。

Specially designed chair to help pregnant staff work comfortably at the assembly line.
特設座位讓懷孕員工能在生產線舒適工作。

Senior management awarding scholarships to students with good academic performance.
高級管理層向學業成績優異的學生頒發獎學金。



New procedure for cleaning shoe mold that reduces noise pollution.
清潔鞋模新程序，可減低污染。

Better equipment management as a result improved procedure for cleaning shoe mold.
改善清潔鞋模後，令設備管理得以改善。

Celebrating the end of Ramadan.
慶祝齋月結束。

Celebrating the end of Idul Fitri holidays.
慶祝開齋節假期結束。

Installation of new ventilation and lighting in canteen to reduce temperature and energy consumption.
在飯堂安裝新通風及照明設施，降低溫度及減少能源消耗。

New equipment to keep and chemicals at work stations to avoid environmental pollution and worker allergies.
在工場安裝新設備保存膠水及化學品，避免環境污染及工人敏感。

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