裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

Stock Code 股份代號：551

A Team Player In
The Global
Supply Chain

盡顯全球供應鏈中
之一團隊角色

Annual Report 2009 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

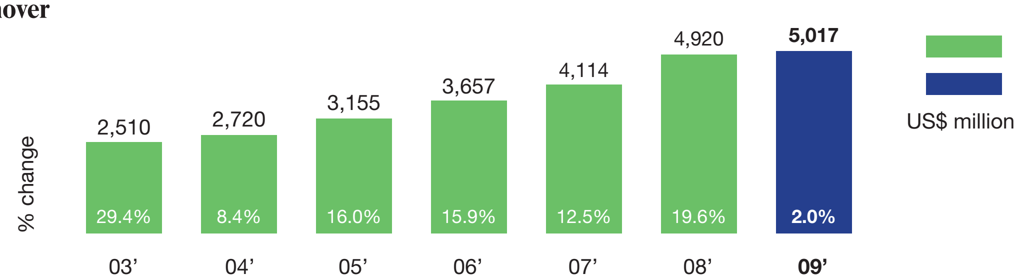
Corporate Overview

Financial and Operating Highlights for the year ended 30th September

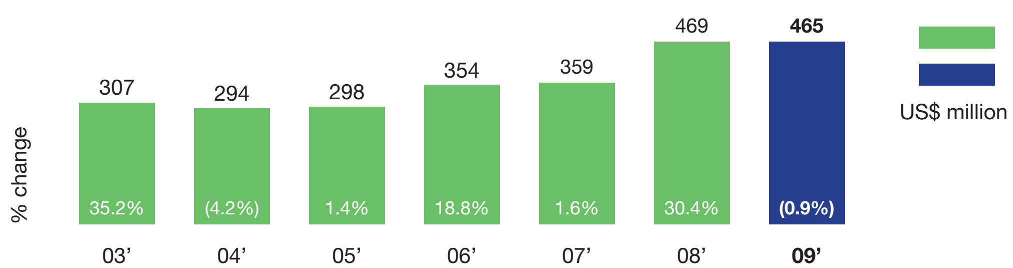
(US$ millions, except where otherwise stated)	2009	2008	% change
Total Production Volume (million pairs)	**246.2**	255.1	(3.5)
Turnover	**5,016.9**	4,919.9	2.0
Profit from Operations	**445.3**	512.6	(13.1)
Net Profit to Equity Holders of the Company	**464.7**	468.7	(0.9)
Recurrent Net Profit attributable to Equity Holders	**465.1**	392.2	18.6
Total Assets	**5,758.8**	4,968.7	15.9
Capital Expenditure	**260.6**	385.4	(32.4)
EBITDA	**628.3**	577.5	8.8
Basic Earnings Per Share (US$)	**0.2815**	0.2817	(0.1)
Dividend Per Share			
Interim	**HK$0.34**	HK$0.34	-
Final	**(proposed) HK$0.55**	HK$0.55	-
Full Year	**(proposed) HK$0.89**	HK$0.89	-
Total Equity	**3,421.4**	3,108.5	10.1
Return on Total Equity (%)	**13.5**	15.8	(14.6)
Gearing Ratio (%)	**44.0**	37.0	18.9
Net Debt to Equity Ratio (%)	**10.0**	22.0	(54.6)
Number of Outstanding Issued Shares (30/9)	**1,648,928,486**	1,663,628,986	(0.9)

Key Shareholder Value Indices

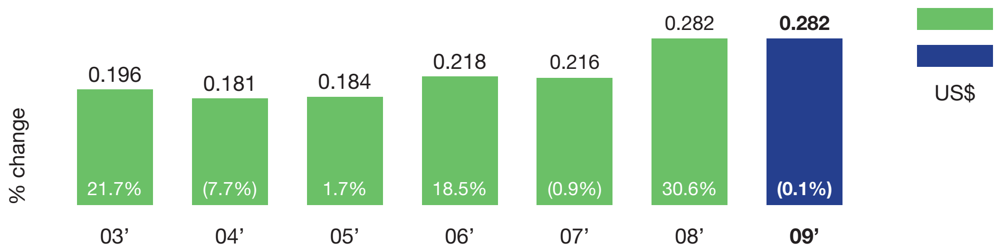
Consolidated Turnover
US$ million



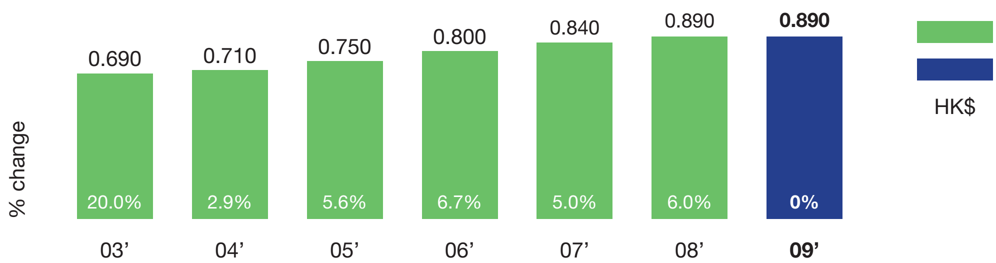
Net Profit Attributable to Equity Holders of the Company
US$ million



Earnings Per Share
US$

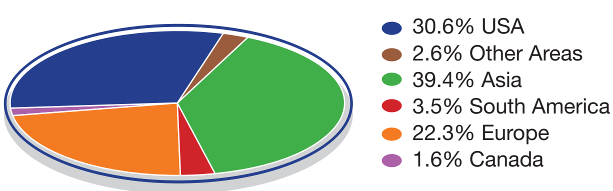


Dividend Per Share
HK$

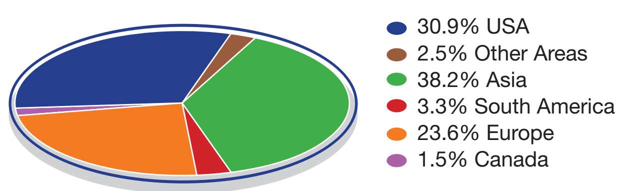


Diversified Market Distribution

2009 Turnover by Geographical Market



2008 Turnover by Geographical Market



Corporate Overview


Production facilities in Dongguan, China


Production plant in Dongguan, China


Production facilities in Huangjiang, China


Production plant in Zhongshan, China


Production facilities in Indonesia


Production plant in Vietnam


Administrative building in Vietnam

Executive Directors
Tsai Chi Neng *(Chairman)*
David N. F. Tsai *(Managing Director)*
Edward Y. Ku[3] *(deceased on 30th March, 2009)*
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty
Kuo Li Lien *(appointed on 19th June, 2009)*

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]
(resigned on 15th April, 2009)
Liu Len Yu[1, 3]
Leung Yee Sik[1, 2, 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

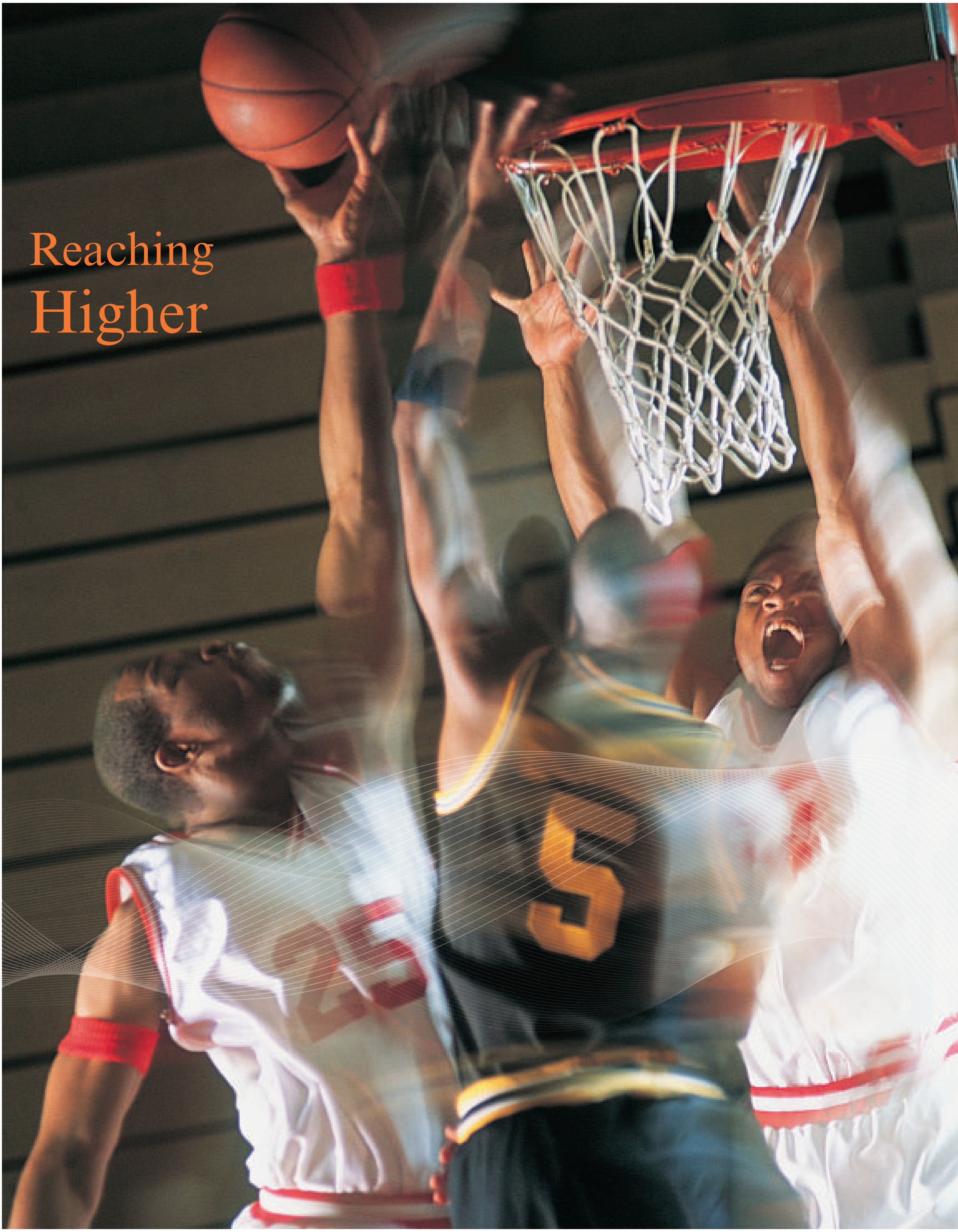
Auditors
Deloitte Touche Tohmatsu

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

Principal Bankers
- Bank of America Merrill Lynch
- Bank of China (Hong Kong) Limited
- Bank of Taiwan
- Bank SinoPac
- BNP Paribas
- CALYON
- Cathay Bank
- Changhwa Commercial Bank Ltd.
- China Construction Bank Corporation
- 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

Website
www.yueyuen.com


Reaching
Higher

I am pleased to report that the Group had firm performance in the fiscal year ended 30th September, 2009. For the 17th year in a row, after its listing on the Stock Exchange of Hong Kong, on the back of a solid foundation turnover grew compared to the previous year, rising 2.0% to US$5,016.9 million in the year under review. This level of activity was achieved due to further consolidation in the footwear manufacturing business as well as the sales growth experienced by the Greater China wholesale and retail sales operations,. The Group's net profit attributable to equity holders fell 0.9% year-on-year to US$464.7 million for the fiscal year due the high base comparison for fiscal 2008 which included the gain from the listing of Pou Sheng International (Holdings) Limited ("Pou Sheng") on the Stock Exchange of Hong Kong.

During the year, the Group produced 246.2 million pairs of shoes, representing a decrease of 3.5% compared to the previous year.

Operations during the year were dependable for the Group, despite the slight decline in manufacturing turnover, due to the more favourable environment for manufacturing activities and the Group's solid financial position. During this operating year, the decline in the global economy curtailed demand in various areas which in turn greatly reduced the inflation momentum for input prices related to manufacturing activities. The reduced level of inflation and volatility had allowed the Group to better manage its costs within its manufacturing operations. During the year, bank loan departments increased the credit standards to be met by their customers. This had an adverse impact on small and medium sized manufacturers. In some instances, these smaller companies found it necessary to terminate their operations. International brand name customers cautiously observed the ongoing viability of these small and medium sized manufacturers. In some cases, these customers decided to place more of their orders with larger manufacturers who were less affected by the tightening of bank credit. The Group has been in existence for more than twenty years and is a reputable listed company. The Group has relationships with many banks in the international banking community.

Although the operating environment has been difficult, the Group has kept a close watch of customer needs in the various product categories. This vigilance has helped the Group strengthen the relationship with its existing customers. This attention to customer needs has allowed the Group to keep its position as the leader in the footwear manufacturing business

Reaching
US$5,000,000,000
in Sales

and to further grow its market share. The Group has seen its market share grow gradually over the past decade. The percentage rate of decline in the Group's turnover attributable to footwear manufacturing, was lower than the percentage rate of contraction experienced by the global footwear market.

The Group consistently looks for ways to improve production efficiency and to introduce new cost- saving measures so that its operations will be competitive compared to other industry players. The Group's management team is attentive to the business and the factory workforce is industrious. Both together strive for the common goal of providing value-added services to the Group's customers regardless of the challenges in the operating environment. Continuous investment in product development and in maintaining production capacity means that the Group can operate its footwear manufacturing with the highest level of efficiency. Cost savings from the supply chain are realized through the simplification of complex procedures and the identification of components or materials that can be standardized within the manufacturing process.

For the financial year wholesale and retail sales operations in the Greater China region continued to experience strong growth. Turnover in this area grew 19.6% year-on-year to US$1,015.5 million. By the end of September 2009, the Group operated about 2,377 self-run stores/counters under subsidiaries and about 2,206 stores/counters under joint ventures in mainland China.

In the wholesale operation, the total number of distribution points for our two exclusive licensee brands – Hush Puppies and Wolverine – was about 1,245 in the Greater China region. On the whole major companies selling athletic footwear and apparel in the Greater China region experienced sales growth during the year. The international athletic brands continued to expand their advertising campaigns to elevate their profile in the Greater China region. The Group maintained its standing as one of the leaders in wholesale and retail sales of athletic footwear and apparel in the Greater China region.

When compared to previous reported years, Pou Sheng, the company holding the retail operations in the Greater China region, experienced a mild deceleration in activity due to the slow down in domestic demand after the Olympics and the moderation in global consumer demand triggered by the global downturn. These challenges have slowed the growth trend for turnover and profit as observed in previous years. However given the size and infant state of the athletic footwear and apparel market in the Greater China region, senior management believes that Pou Sheng will soon return to a trend of strong growth and continue to serve as the key driver for the Group's turnover and earnings growth in the future.

Due to the restructuring and careful planning implemented by the Group's associate companies and jointly controlled entities in the previous year, the profit contribution from these business entities for the current year had increased compared to last year. The restructuring and planning was particularly effective for those entities involved in manufacturing and selling apparel and those entities selling into the North American market. Consistent with past practice, the Group is not involved in the day to day management of these investments. No further investments were made in these two asset categories during the year.

Looking Ahead

Turnover declined in the first quarter of fiscal year 2010 due to the exceptionally strong order flow for the same period last year. For the three months ended December 2009, the Group turnover declined by 3.4% year-on-year to approximately US$1,312.8 million.

On the manufacturing side, the Group expects order flow from its brand name customers to be stable for the rest of the financial year. When looking at research on consumer spending, it appears that consumers still have a strong desire to purchase athletic or casual shoes. With World Cup South Africa taking place in June and July of this year, consumers of athletic footwear and apparel may be reinvigorated. Historically leading athletic brand names have been able to attract attention to their apparel and footwear goods during major sports competitions.

Input cost pressures continue to exist as commodity prices and minimum wages for factory workers across Asia, trend upwards. Governments in the developed world want the PRC government to allow its currency, the Renminbi, to appreciate further. Since July 2005, the Renminbi has appreciated by 21%. Further appreciation of the currency will hurt export related manufacturing in the PRC.

Turnover from the China wholesale and retail sales operations will grow at a steady rate, as management has spent the past year fine tuning operating efficiency and refining its relationships with the various regional joint venture partners operating throughout China. The Group owns one of largest distribution networks of athletic apparel and footwear in the mainland, selling both international athletic brands as well as local brands. The Group's network encompasses around 10,000 points of sale across China and is also a valuable platform that can help other international brand names sell their apparel or footwear to consumers in China.

Global demand for athletic footwear is likely to strengthen in the coming year given the improving economic outlook and sports events like World Cup South Africa. Sales of sportswear products in China will continue to benefit from the strong consumer spending in China and the trend of growing consumer interest in athletic apparel and footwear.

Being a manufacturer in the shoe manufacturing industry is challenging. Major brand name customers prefer to give their orders to factories that have a sound financial position. Major brand name customers also require these factories to make a commitment to recycle, reuse or reduce waste emissions to protect the environment. These factories are also expected to meet Corporate Social Responsibility ("CSR") needs. The Group has a dedicated department of experienced individuals to address CSR and environment issues with its brand name customers at all the different factory locations across Asia.

We will continue to play a leading role in the global supply chain for the athletic and casual footwear industry. The Group will continue to be a leader in the Greater China region for the retail distribution of athletic footwear and apparel.

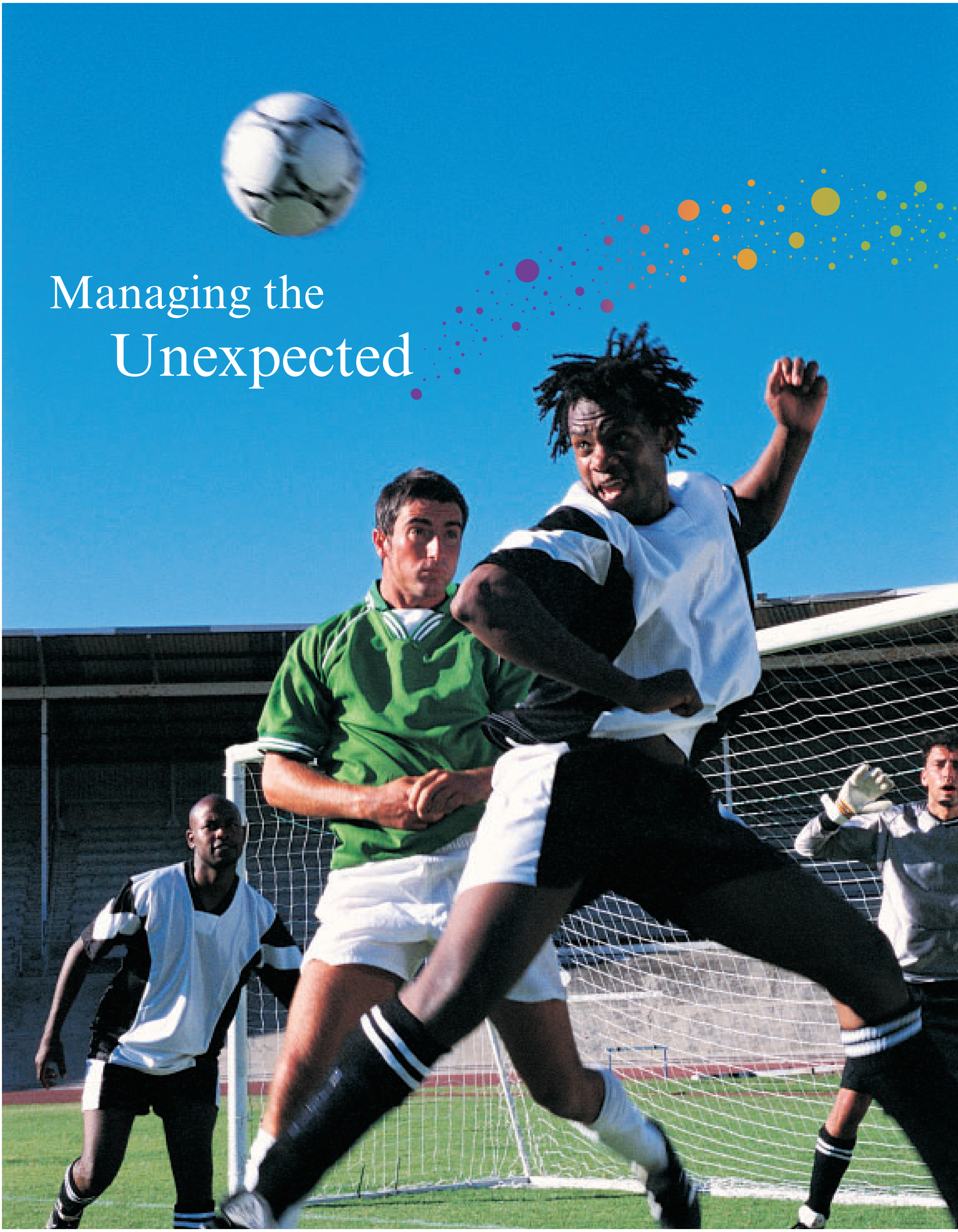
Acknowledgements

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
20th January, 2010

Managing the Unexpected



Review Of Operations

General Overview

For the year ended 30th September, 2009, the Group recorded turnover of US$5,016.9 million, representing year-on-year growth of 2.0%, while net profit attributable to equity holders declined somewhat by 0.9% year-on-year to US$464.7 million. Basic earnings per share decreased slightly by 0.1% year-on-year to US$0.2815 as shares outstanding remained stable.

Excluding non-recurrent operating items, recurrent net profit amounted to US$465.1 million, an increase of 18.6% as compared with the previous year.

The Group maintained steady business growth during the year despite the downtown in the global economy and the volatility in financial markets. The contraction of bank lending globally and the changes in consumption patterns directly impacted factories in the footwear manufacturing supply chain. Given the Group's financial profile and history, the Group was able to maintain its leading position in the footwear manufacturing supply chain. The Group looks forward to more favourable business conditions for shoe manufacturing in the coming year as consumer demand picks up and the Group's customers adjust their inventory planning accordingly.

Due to the occurrence of the Beijing Olympics and the buoyancy of the economy for the PRC last year, retail sales in the Greater China region for the year were challenged by a high base comparison. Retail sales growth in fiscal 2009 was up a modest 19.6% to US$1,015.5 million. Sales for existing stores were better than the previous year and new stores opened during the year continued to enjoy double-digit sales growth. The acquisition of Farsighted International Limited, effective July 2009, provided a decent contribution to retail sales for the year. However the net profit contribution from the retail business was impacted by the rapidly changing environment. The Group believes the most difficult times for the retail business in China have past and that the new leadership in Pou Sheng will be able to guide the retail business back to a trend of attractive growth in the near term.

Throughout the years, the Group has made various investments through a number of associates and jointly controlled entities engaging in activities such as material supplies, the production of sports wear, ladies shoes, safety shoes and components. The Group has actively participated in the management in order to achieve the optimal results in the investments.

Production Review

During the period under review, the Group produced a total of 246.2 million pairs of shoes,

Artificial lake inside factory premises in Huangjiang Dongguan PRC

Pou Sheng Flagship store in Dongguan PRC

Staff quarters in Huangjiang Dongguan PRC

Reading room in recreational center in GaoBu Dongguan PRC

a decrease of 3.5% compared with the previous year. Regular order flows from the Group's existing customers ensured that production volume was similar to last year's level. The average selling price for shoes increased by a small increment compared to last year. From a geographical angle, high growth markets such as Asia, Europe and South America saw a slowdown in sales growth. On the other hand sales in North America were resilient despite the economic challenges in the USA.

Revenue from athletic shoes fell year-on-year by 2.6% for the year ended 30th September, 2009. Revenue from casual/outdoor shoes and sports sandals grew by 9.9% and 21.7% respectively year-on year. Athletic shoes remained the Group's major product category, accounting for 54% of the Group's total sales. Meanwhile, the Group reduced production capacity slightly so that at year end there were 423 production lines. The geographical allocation of production was similar to previous years with 211 lines in mainland China, 112 in Vietnam and 100 in Indonesia.

External demand from medium and small sized shoe manufacturers for soles and components continued to decline, but a restructuring program to shrink the Group's operating capacity for this line of business was able to lower the break even point for this operation. Even though turnover declined to US$390.0 million for the soles and components division, the division was able to generate a respectable net profit for the year.

The Group continued to invest in machinery to improve productivity as well as to ensure workplace safety. Following the Group's policy, investments were also made to enhance environmental protection. The team responsible for corporate social responsibility (CSR), held courses and programs to strengthen the bonds between the management and employees, and the results of these initiatives have been good.

Total Turnover by Product Category
For the year ended 30th September

	2009 US$ millions	2009 %	2008 US$ millions	2008 %	y-o-y % change
Athletic Shoes	**2,709.7**	**54.0**	2,781.4	56.5	(2.6)
Casual/Outdoor Shoes	**781.8**	**15.6**	711.6	14.5	9.9
Sports Sandals	**71.8**	**1.4**	59.0	1.2	21.7
Soles & Components	**390.0**	**7.8**	466.9	9.5	(16.5)
Retail Sales					
– Shoes & Apparel	**1,015.5**	**20.2**	849.0	17.3	19.6
Others	**48.1**	**1.0**	52.0	1.0	(7.5)
Total Turnover	**5,016.9**	**100.0**	4,919.9	100.0	2.0

Retail sales of the Group grew by 19.6% year-on-year to US$1,015.5 million, supported by the continuing strength of consumer spending in the Greater China region. The total number of directly operated counters/stores in China under the Group stood at about 4,583 by the end of September 2009. In addition, there were approximately 1,245 distributors in the Greater China region for the Group's wholesale operations for the two licensee brands.

Total Turnover by Geographical Market
For the year ended 30th September

	2009 US$ millions	2009 %	2008 US$ millions	2008 %	y-o-y % change
U.S.A.	**1,534.1**	**30.6**	1,521.8	30.9	0.8
Canada	**81.5**	**1.6**	73.7	1.5	10.6
Europe	**1,117.9**	**22.3**	1,160.1	23.6	(3.6)
South America	**174.0**	**3.5**	163.5	3.3	6.4
Asia	**1,976.7**	**39.4**	1,876.9	38.2	5.3
Other Areas	**132.7**	**2.6**	123.9	2.5	7.1
Total Turnover	**5,016.9**	**100.0**	4,919.9	100.0	2.0

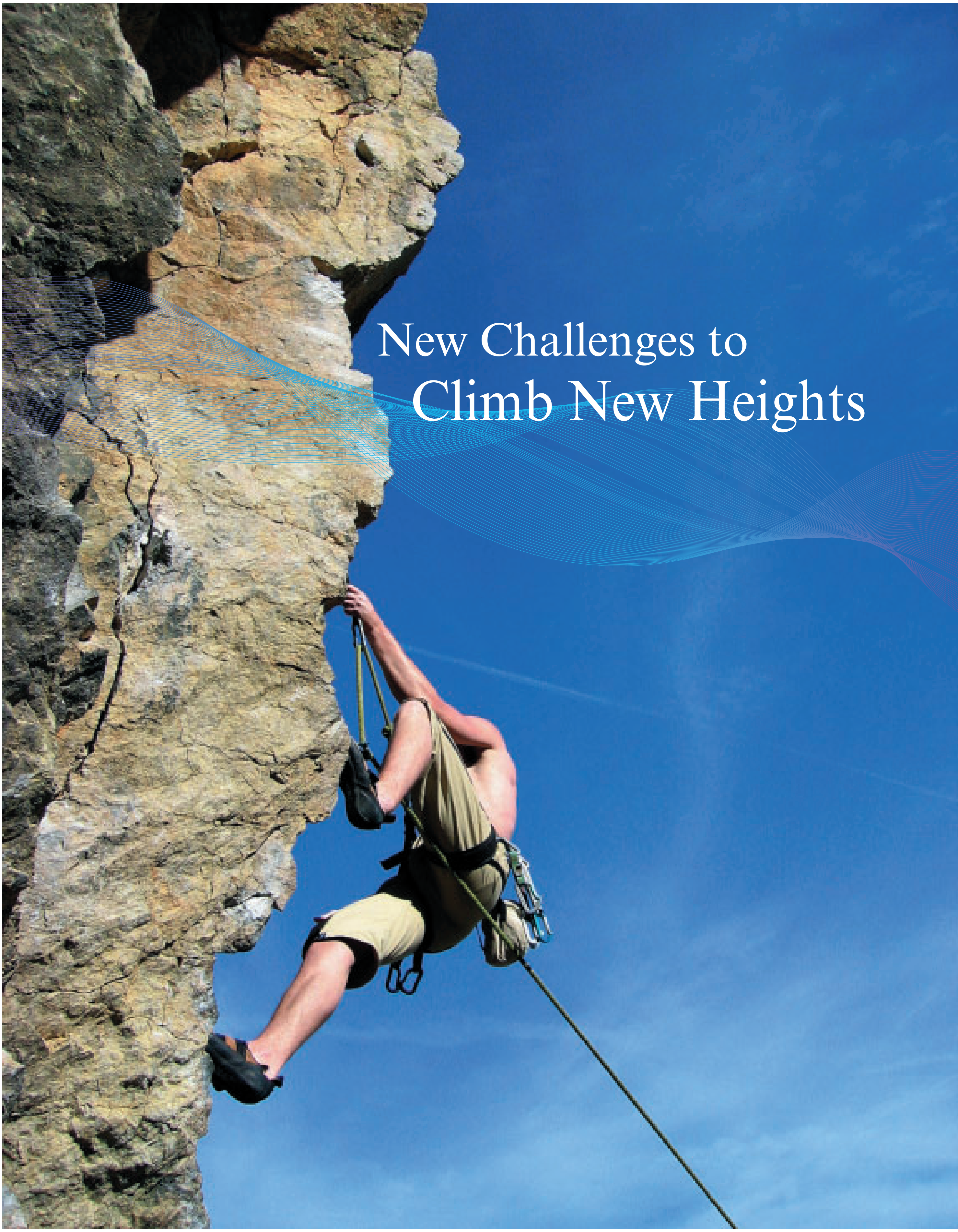
From a geographic view, sales to the U.S.A. were surprisingly resilient given the drastic slowdown in economic activity for that region. Regions that in previous years exhibited high sales growth were also affected by the global economic slowdown. The sluggish sales growth rate for the Asia region also encompasses the moderation of retail sales growth for the Greater China region. The sales growth rate for South America fell to mid-single digit compared to the rate in previous years of high double digits.


Factory clinic in Serang Indonesia


Water reservoir for factory in Huangjiang Dongguan PRC


Factory hospital in Huangjiang Dongguan PRC


Yue Sheng factory in ShangGao Jiangxi PRC


New Challenges to
Climb New Heights

Although the slowdown in the global economy has affected demand at all levels, the Group has continued to maintain its standing on the back of: 1) its strength in manufacturing activities; 2) the ongoing consolidation in the manufacturing industry; and 3) its broad based retail and wholesale operations in the Greater China region. Many of the associate companies and jointly controlled entities have been successful in their efforts to restructure their operations so that their profit contributions were higher this period compared to last year.

Cost review

Total operating costs increased 1.3% year-on-year to US$4,717 million, while cost of sales were almost the same at US$3,734 million for the year ended 30th September, 2009. A slower rate of increase in government mandated minimum wages led to a slight increase in the percentage of direct labor costs to ODM/OEM sales, while as a consequence of consolidation in the shoe manufacturing sector and efficient management, direct material costs were 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 refinement in manufacturing procedures to keep up efficiency. Selling and distribution expenses for the ODM/OEM business were similar to last year due to effective cost management. For a review of the retail operations in China, please refer to Pou Sheng's annual report.

Product development

During the period under review, the Group spent US$115.5 million in product development (P&D), a decline of 11.3% over fiscal 2008. Certain customers changed their product line strategy compared to previous years. These expenditures were mainly for production of prototype, sample development and preparation work for the technical development package. The Group maintained separate product development teams to serve the product development centers of the different brand customers. New techniques were implemented to better control production lead times and to develop advanced high-quality footwear.

Financial Review

Liquidity

The Group's financial position remained stable. As at 30th September, 2009, the Group had cash and cash equivalents of US$1,196 million (2008: US$ 464 million) and total borrowings of US$ 1,522 million (2008: US$ 1,158 million). The gearing ratio (total borrowings to total equity) was 44 % (2008: 37%) and the net debt to equity ratio (total borrowings net of

US$ million 116

spent on product development, 2.9% of manufacturing turnover

Ready to Overcome Obstacles Ahead

cash on hand to total equity) stood at 10% (2008: 22%). The decrease in the net debt to equity ratio was primarily due to better management of inventories and accounts receivable.

Capital expenditure

Capital expenditure reduced to US$ 260.6 million (2008: US$ 385.4 million), as the focused on improving operating efficiency and production techniques. The Group spent about US$ 79.5 million on constructing new factory buildings and ancillary facilities, mainly in Indonesia and mainland China. Meanwhile, US$130.5 million went into plant and equipment and leasehold improvements for production facility expansion, and US$ 50.6 million was spent on acquiring new land and buildings.

Dividends

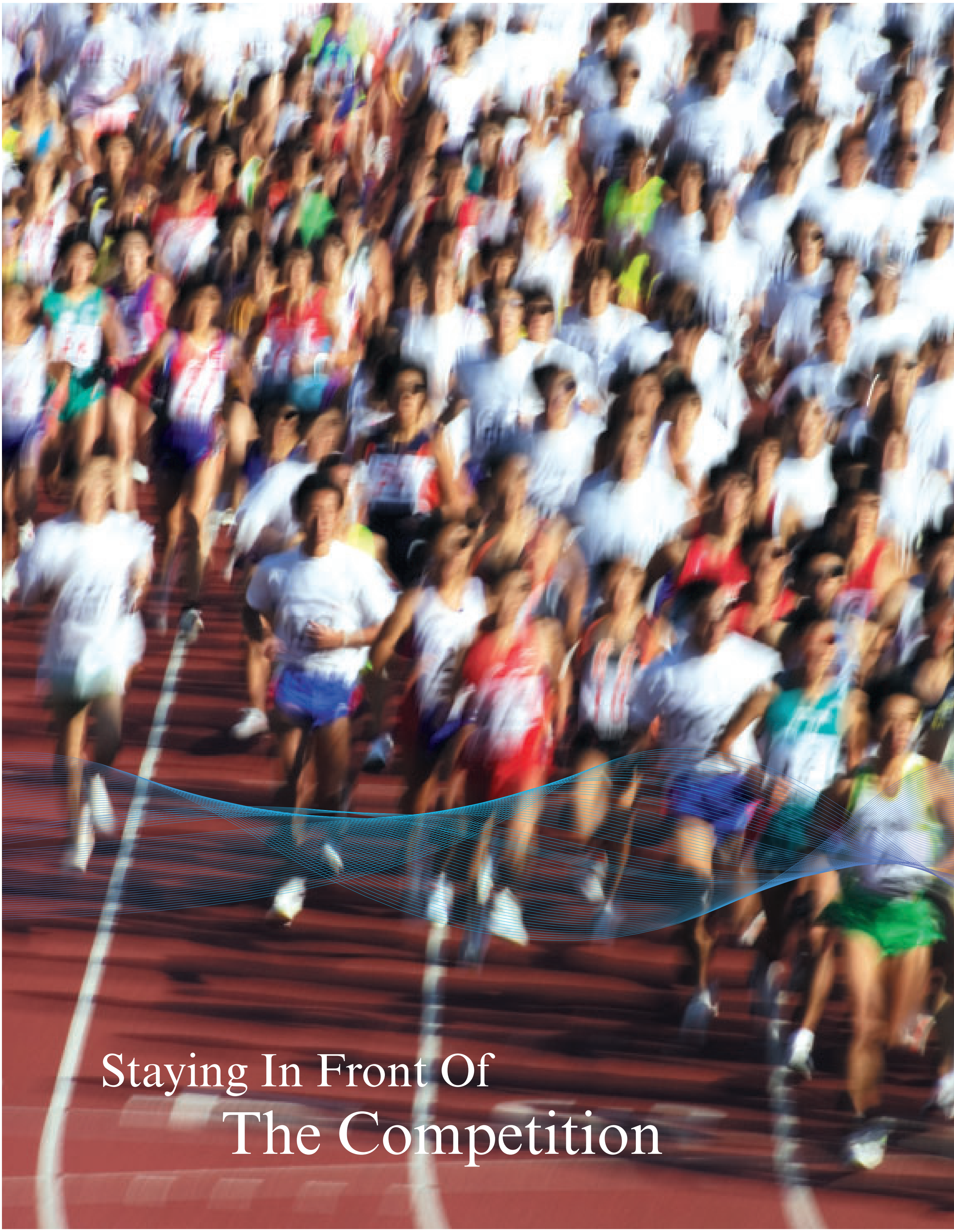
A final dividend of HK$0.55 per share (2008: HK$0.55) has been recommended, making the full-year dividend per share HK$0.89 (2008: HK$0.89). The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The policy of upholding steady growth in the normal dividend payment each year remains intact. The dividend payout ratio for 2009 is 41%, which is higher than 40% in 2008.

Employees

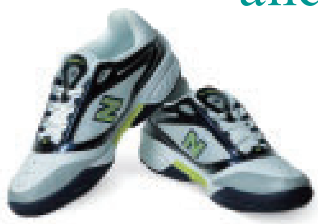
As at 30th September, 2009, the Group had about 310,000 staff which is a decrease of roughly 3.1% compared to the number in 2008. The Group adopts a remuneration system based on an employee's performance throughout the year, and offers equal opportunities to all staff. There are incentives in the form of discretionary performance bonuses to those who make creative suggestions that improve productivity.

10%

Net Debt to Equity



Staying In Front Of The Competition



Executive Directors

Tsai Chi Neng, aged 61, 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. Mr. Tsai is also a director of certain subsidiaries of the Company.

David, N.F. Tsai, aged 59, is the Group's Managing Director. Prior to taking up this position in 1997, he was Chairman of Pou Yuen Industrial (Holdings) Limited. 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 high level sales and marketing activities. Mr. Tsai is also a director of Pou Chen Corporation ("PCC"), whose shares are listed on the Taiwan Stock Exchange ("TSE"), as well as Pou Sheng, a non-wholly owned subsidiary of the Company, whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Elite Group Computer System Co. Ltd., whose shares are listed on the TSE, and certain subsidiaries of the Company. Mr. Tsai is a nephew of Mr. Tsai Chi Neng, Chairman of the Company and also a cousin of Ms. Tsai Pei Chun, Patty, an executive director of the Company. Mr. Tsai personally held 3,037,000 shares in Pou Sheng as at 30th September, 2009.

Kuo Tai Yu, aged 59, is a 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. Mr. Kuo is also a director of PCC, Eagle Nice (International) Holdings Limited, whose shares are listed on Stock Exchange,

14%

Return on Equity

Biographical Data of Directors and Senior Management

and certain subsidiaries of the Company.

Lu Chin Chu, aged 56, is a General Manager of one of the three manufacturing groups. He has over 30 years of experience in the manufacturing of footwear and related components, and is a college graduate. Mr. Lu is also a director of San Fang Chemical Industry Co. Ltd, Global Brands Manufacture Limited ("Global Brands") and Evermore Chemical Industry Co., Ltd., companies listed on the TSE. Besides, Mr. Lu also acts as a non-executive director of Luen Thai Holdings Limited with its shares listed on the Stock Exchange. Mr. Lu is also a director of certain subsidiaries of the Company.

Kung Sung Yen, aged 55, is a General Manager of one of the three manufacturing groups. He has over 30 years of experience in the footwear industry. Mr. Kung is also a director of PCC and certain subsidiaries of the Company.

Chan Lu Min, aged 55, 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. Mr. Chan is also a director of PCC, and Symphony Holdings Limited ("Symphony"), a company listed on the Stock Exchange, and certain subsidiaries of the Company. Mr. Chan personally held 45,000 shares and 681,000 shares in the Company and Pou Sheng as at 30th September, 2009 respectively.

Li I Nan, Steve, aged 68, 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. Mr. Li is also a non-executive director of Symphony, and a director of certain subsidiaries of the Company.

Tsai Pei Chun, Patty, aged 30, graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science in Economics with a concentration in Finance and a College Minor in Psychology. She joined the Group in 2002 and serves as a director of the Company from 2005 with focus on the Group financial and corporate developments. Ms. Tsai currently also serves as a non-executive director of Pou Sheng. She previously served as a board director of Mega Financial Holding Company Limited, a company listed on the TSE. Ms. Tsai is a daughter of Mr. Tsai Chi Jui, who is a deemed substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tsai is a niece of Mr. Tsai Chi Neng, Chairman of the Company and also a cousin of Mr. David N.F. Tsai, managing director of the Company. Ms. Tsai personally held 4,460,000 shares in Pou Sheng as at 30th September, 2009.

Kuo Li Lien, aged 53, holds a bachelor degree granted by the School of Law of Soochow University. Ms. Kuo was a senior counselor of Lee and Li, attorneys-at-law, in Taiwan (1997-2008) before she joined PCC in January 2009. Ms. Kuo is the Chief Legal Counsel of PCC. Apart from being an executive director of the Company, Ms. Kuo is a non-executive director of Pou Sheng, and also a director in a number of subsidiaries of the Company.

Non-executive Director

John, J.D. Sy, aged 63, 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 Chengchi University in Taiwan.

Independent Non-executive Directors

So Kwan Lok, aged 76, 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. He has a 20-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.

Liu Len Yu, aged 49, is a law professor in the Department of Laws at National Chengchi University, a director of the Securities and Futures Investors Protection Center in Taiwan and a supervisory member of the Public Interest Fund for Studying the New Trend of Economic and Financial Law in Taiwan. Dr. Liu was formerly a commissioner at the Taiwan Fair Trade Commission, Taiwan listing review committee for the TSE and GreTai Securities Market (the OTC market) respectively. He is currently an independent director of Global Brands, an associate of PCC. 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.

Biographical Data of Directors and Senior Management

Leung Yee Sik, aged 48, 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 59, 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 27 years of experience in the footwear industry. He graduated from National Taiwan University, where he majored in Business Administration.

Hsiu Wen Bin, aged 53, 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 54, 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 54, 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 28 years of experience in the footwear sector.

Lin Pin Huang, aged 53, joined the Group in 1989 and is an Executive Vice President in charge of certain brand customers' business in China, Vietnam and Indonesia. He is a graduate of Tung Hai University and has over 16 years of experience in the footwear business.

Tsai Nai Chi, aged 53, is a Vice President of the Group and is in charge of certain marketing activities and production operations in Zhongshan. He has 26 years of experience in the footwear business.

Lin Cheng Tien, Jerry, aged 50, joined the Group in 1990 and is a Vice President responsible for the sales and marketing of certain brand customers. He has more than 14 years of experience in sales and marketing of footwear.

Liu Juei Chung, aged 54, is a Vice President of the Group in charge of certain production operations in shoe and component factories. He is a college graduate and has over 28 years of experience in the sports and casual shoes business.

Chiang Ching Po, aged 62, joined the Group in 1975 and is a Vice President in charge of Group's administration centres in China, Vietnam and Indonesia.

Huang Chin Yuan, aged 51, joined the Group in 1988 and is a Vice President, responsible for a brand customer manufacturing business in China.

Shao Wen Hsien, aged 58, is a Vice President in charge of certain production operations in Vietnam. He has over 30 years of experience in footwear manufacturing.

Chen Hsin Chien, aged 53, joined the Group in 1984 and is a Vice President in charge of a production operation for a major customer in China.

Chen Teng, aged 57, joined the Group in 1991 and is a Senior Executive Manager in charge of certain production operations in the Group's Indonesia factories.

Tsai Nai Yun, aged 54, joined the Group in 1992 and is a Senior Executive Manager in charge of mold production.

Wu Tien Tzu, aged 54, 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 54, is a Senior Executive Manager in charge of a joint-venture division in China. He joined the Group in 1982.

Lai Chang Li, aged 50, 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 Chengchi University in Taiwan and holds a Bachelors in Business Administration.

Chao Chih Wen, aged 54, joined the Group in 1984 and is a Senior Executive Manager in charge of production operations in China.

Chin Te Shan, aged 53, 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.

Hsu Yung Hung, aged 49, 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 50, joined the Group in 1981 and is a Senior Executive Manager in charge of certain plants operating in Vietnam.

Lee Cheng Chuan, aged 46, joined the Group in 1989 and is a Senior Executive Manager, responsible for a name-brand production in Vietnam.

Chou Tsung Ming, aged 54, 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 52, 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.

Biographical Data of Directors and Senior Management

Chin Chine Huei, aged 50, 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 54, joined the Group in 1998 and is a Senior Executive Manager, in charge of a name-brand production in Indonesia.

Cheng Shu Hua, aged 48, joined the Group in 1992 and is an Senior Executive Manager, responsible for a brand customer manufacturing business in Vietnam.

Chau Chi Ming, Dickens, aged 46, 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 58, 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 29 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 37, 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 later a 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 44, 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.

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30th September, 2009.

Principal Activities

Yue Yuen Industrial (Holdings) Limited (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (hereafter collectively refer to 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, 2009 are set out in the consolidated income statement on page 62 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 3rd March, 2010, 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, 2009 are set out in Notes 49, 50 and 51 to the consolidated financial statements, respectively.

Share Capital

Details of the share capital of the Company are set out in Note 35 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$79.5 million for construction of new factory, dormitories, staff quarters and accommodation facilities, mainly in the People's Republic of China ("PRC") and Vietnam. The Group also invested approximately US$27.2 million in land and buildings and hotel properties and approximately US$109.5 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$1.2 million.

Distributable Reserves of the Company

As at 30th September, 2009, the Company's reserves available for distribution to shareholders were US$596,795,000 (2008: US$517,167,000), which comprises the contributed surplus of US$38,126,000 (2008: US$38,126,000) and retained profits of US$558,669,000 (2008: US$479,041,000) 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] *(deceased on 30th March, 2009)*
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty
Kuo Li Lien *(appointed on 19th June, 2009)*

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

Independent Non-executive Directors:
So Kwan Lok[1,3,4]
Poon Yiu Kin, Samuel[1,2,3] *(resigned on 15th April, 2009)*
Liu Len Yu[1,3]
Leung Yee Sik[1,2,3] *(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

Directors and Directors' Service Contracts (continued)

In accordance with Bye-Laws 86(2) and 87 of the Company's Bye-laws, Mr. Kuo Tai Yu, Mr. Chan Lu Min, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li Lien and Dr. Liu Len Yu 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.

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 (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, 2009, 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 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	–	–	–	–	–	–
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	–	–	–	–	–	–
Kuo Li Lien	–	–	–	–	–	–
John J.D. Sy	–	–	–	–	–	–
So Kwan Lok	–	–	–	–	–	–
Liu Len Yu	–	–	–	–	–	–
Leung Yee Sik	–	–	–	–	–	–

Directors' and Chief Executives' Interests in Securities (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	0.07%
Kuo Tai Yu	–	–	–	–	–	–
Lu Chin Chu	–	–	–	–	–	–
Kung Sung Yen	–	–	–	–	–	–
Chan Lu Min	681,000	–	–	–	681,000	0.01%
Li I Nan, Steve	–	–	–	–	–	–
Tsai Pei Chun, Patty	4,460,000	–	–	–	4,460,000	0.10%
Kuo Li Lien	–	–	–	–	–	–
John J.D. Sy	–	–	–	–	–	–
So Kwan Lok	–	–	–	–	–	–
Liu Len Yu	–	–	–	–	–	–
Leung Yee Sik	–	–	–	–	–	–

Other than the interest disclosed above, none of the directors nor the chief executive 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, 2009.

Interests in Competing Businesses

The Company has a 56.13% 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 and its subsidiaries are the retail and wholesale sales of sportswear and footwear in the Greater China. Pou Sheng and its subsidiaries also manufactures footwear at its factory in Taicang, PRC.

There is potentially a little 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 would 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, 2009. A meeting of board of directors of the Company was held on 16th December, 2008 to approve Pou Sheng to engage in the business of manufacturing for two new brands, namely, Lotto and Diadora (the "New Business"), for which the Company confirmed that it would not wish to (except through Pou Sheng and its subsidiaries) take up the opportunity of the New Business between the period from 16th December, 2008 and up to and including 30th September, 2009.

As at 30th September, 2009, Mr. David N.F. Tsai, Ms. Tsai Pei Chun, Patty and Ms. Kuo Li Lien who are directors of the Company, 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 of the Company 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.

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 and its subsidiaries are the manufacturing and sales of footwear products. Symphony and its subsidiaries also engage in retail and wholesale business of apparel and footwear in the PRC. Mr. Chan Lu Min and Mr. Li I Nan, Steve, both of whom are the directors of the Company, are also directors of Symphony. As Symphony is operated under separate and independent management, the directors of the Company 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, 2009, none of the directors of the Company 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

(a) Share Option Scheme of the Company

The Company recognises the importance of attracting talents and retaining employees by providing them with incentives and rewards through granting share-based incentives. The Company believes that this will align their interests with that of the Company. In this connection, the Company has adopted a share option scheme, the details of which are stipulated as follows:

On 27th February, 2009, the Company adopted a share option scheme (the "Scheme") under which the Board may at its discretion grant any eligible participant share options, as it may determine appropriate. The Scheme is valid and effective for a period of ten years commencing on 27th February, 2009, after which no further options may be offered or granted.

No share options were granted under the Scheme since its adoption.

Further details of the Scheme are set out in Note 38 to the consolidated financial statements.

(b) Share Incentive Schemes of Pou Sheng

Pou Sheng operates a Pre-IPO share subscription plan (the "Plan") and a share option scheme, particulars of which are set out in Note 38 to the consolidated financial statements.

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

Details of the subscription right granted and outstanding immediately before termination 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 8th June, 2008.
(ii) 10% of the shares shall be subscribed after each anniversary of 8th June, 2008.
(iii) the subscription price is HK$2.14 per share.

Pursuant to the Plan, the latest date after the first anniversary of 8th June, 2008 for the grantees to subscribe for Pou Sheng's shares under the Plan was 8th June, 2009. As at 8th June, 2009, no subscription was made by any grantee and Pou Sheng decided not to enforce any of those subscriptions. Pou Sheng has also resolved to terminate the Plan in light of the then circumstances having regard to then performance of the price of Pou Sheng's shares.

Share Incentive Schemes (continued)

On 4th September, 2009, Pou Sheng and all grantees (except those who left Pou Sheng already and whose subscription rights were lapsed automatically) agreed to terminate all the existing outstanding subscription rights and to release each other from their respective obligations under the Plan so that Pou Sheng will not be required to issue new shares and the grantees will not be required to subscribe for new shares of Pou Sheng.

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, 2009, 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	49.98%
Wealthplus Holdings Limited ("Wealthplus")	(a)	767,707,605	46.55%
Max Creation Industrial Limited ("Max Creation")	(b)	149,065,500	9.04%
Quicksilver Profits Limited ("Quicksilver")	(b)	110,494,822	6.70%
World Future Investments Limited ("World Future")	(c)	149,065,500	9.04%
Mr. Tsai Chi Jui	(c)	149,385,500	9.05%
Merrill Lynch & Co. Inc.	(d)	99,315,703	5.97%
Short Position			
Merrill Lynch & Co. Inc.	(d)	109,341,792	6.57%

Substantial Shareholders (continued)

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 99.59% owned subsidiary of PCC. Mr. David N.F. Tsai, Mr. Chan Lu Min, Mr. Kung Sung Yen and Mr. Kuo Tai Yu (who are directors of the Company) are also directors of PCC. Mr. Chan Lu Min, Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. David N.F. Tsai 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. Chan Lu Min and Mr. David N.F. Tsai are also directors of Top Score.

(b) Of the 149,065,500 ordinary shares beneficially owned by Max Creation, 110,494,822 ordinary shares were held by Quicksilver as listed above, 21,167,440 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 directors of Quicksilver, Red Hot and Moby Dick. Mr. Tsai Chi Neng and Mr. David N. F. Tsai (who are directors of the Company) are also directors of Max Creation.

(c) World Future is deemed to be interested in 149,065,500 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 149,065,500 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. and for 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 portion).

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.

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, 2009.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year are set out in Note 47(I) and (II) to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and the Company engaged the auditor 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 agreements 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 47(I) and (II):

(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 51% 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.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

During the year ended 30th September, 2009, Mr. Chan Lu Min, an executive director of the Company, has been appointed as a director of the subsidiaries of the Company, which are incorporated in Hong Kong, Macao and British Virgin Islands as follows:

Agenira Commercial Ideia, Limited
Aimful Investments Limited
All Right Properties Limited
Allied Hero International Limited
Bestful Properties Limited
Bortum Holdings Limited
Brightime Development Limited
Build Wealth Limited
Caring Team Holdings Limited
Champolian Investments Inc.
Chimmy Holdings Limited
Crown Empire Investments Limited
Crown Kit Industrial Limited
East Origin Holdings Limited
Eratime Trading Limited
Ettalon Investments Limited
Fantastic Enterprises Limited
Farquharson Holdings Corp.
Forearn Company Ltd.
Frensham Investments Limited
Full Impact Limited
Giacinto Investments Limited
Goal Properties Limited
Golden Chain Developments Limited
Goldlight Holdings Limited
Good Producer Investment Limited

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules (continued)

Great Pacific Investments Ltd.
Great Sunny Investments Limited
Hero Luck Group Limited
Honour Ever Investments Limited
Huge Crown Limited
Impressive Developments Limited
Luxury Palace Limited
Madi Avenue Limited
Multiform Enterprises Limited
Murata Profits Limited
Mutual Luck International Limited
Pou Chien Chemical (Holdings) Limited
Pou Yuen Fu Lien Limited
Pou Yuen Fu Lung Ltd.
Precious Full Investments Limited
Prodigy Management Limited
Profitfield Trading Limited
Proper Pace Limited
Real Grow Investments Limited
Sino Ocean Investments Limited
Sky Boom Limited
Sky Crown Investments Limited
Sourcetech Investments Limited
Stencil International Limited
Super Great International Limited
Surecrown Trading Limited
The Look Company Limited
The Look (Macao Commercial Offshore) Company Limited
Top Galaxy Group Limited
Treasure Source Investments Limited
Upturn Investments Limited
Wellspeed Trading Limited, incorporated in British Virgin Islands
Wellspeed Trading Limited, incorporated in Hong Kong
Wonder Villa Investments Limited

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules (continued)

During the year ended 30th September 2009, Ms. Kuo Li Lien, the executive director of the Company, has been appointed as directors of some of the subsidiaries of the Company, which are incorporated in Hong Kong, British Virgin Islands and Taiwan as follows:

A-Grade Holdings Limited
Brightup Group Limited
Dedicated Group Limited
Favour Mark Holdings Limited
Giant Power Management Limited
Gorgeous Time Limited
Great Sea Holdings Limited
Hillside Investments Limited
Major Focus Management Limited
Nice Palace Investments Limited
Nice Well Investments Limited
Pau Yuen Trading Corporation
Pau Zhi Trading Corporation
Precious Full Investments Limited
Rainbow Faith Investments Limited
Richwin Management Limited
Selangor Gold Limited
Technico Business Group Limited
Treasure Chain International Limited
Wellmax Business Group Limited
Yue Ming International Limited
YY Sports Holdings Limited

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

During the year, the Company repurchased 14,700,500 ordinary shares in the Company through the Stock Exchange for a consideration of HK$236,597,000 (equivalent to approximately US$30,366,000) pursuant to the general mandate granted to the directors of the Company at its annual general meeting, details of which are set out in Note 35 to the consolidated financial statements. The repurchase were effected by the directors for the enhancement of shareholders' value.

The shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 40 to 60.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30th September, 2009.

Post Balance Sheet Event

Details of significant event occurring after the balance sheet date are set out in Note 48 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, 20th January, 2010

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, 2009, 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 four non-executive directors (of whom three are independent non-executive directors), whose biographical details are set out in "Biographical Data of Directors and Senior Management" section on pages 19 to 24. 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.

A. Directors (continued)

A.1 The Board (continued)

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.

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. Directors (continued)

A.1 The Board (continued)

Code Provisions	Compliance	Actions by the Company
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.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 who have no material interest in the transaction 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. Directors (continued)

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.

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.

A. Directors (continued)

A.2 Chairman and Chief Executive Officer (continued)

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 in a timely manner.

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 ensure that changes to its composition can be managed without undue disruption. 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 caliber 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.

Compliance with Recommended Best Practices
The Company has maintained on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.

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 appointed to fill a casual vacancy is subject to election by shareholders at the first annual general meeting ("AGM") after the appointment. 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, 8 Board meetings, 5 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	5/8	N/A	N/A
David N.F. Tsai	8/8	N/A	N/A
Edward Y. Ku[3] (deceased on 30th March, 2009)	1/4	N/A	N/A
Kuo Tai Yu	3/8	N/A	N/A
Lu Chin Chu	3/8	N/A	N/A
Kung Sung Yen	3/8	N/A	N/A
Chan Lu Min	7/8	N/A	N/A
Li I Nan, Steve	8/8	N/A	N/A
Tsai Pei Chun, Patty	7/8	N/A	N/A
Kuo Li Lien (appointed on 19th June, 2009)	2/3	N/A	N/A
Non-executive Director			
John J.D. Sy[1, 3]	5/8	5/5	1/1
Independent Non-executive Directors			
So Kwan Lok[1, 3, 4]	5/8	5/5	1/1
Poon Yiu Kin, Samuel[1, 2, 3] (resigned on 15th April, 2009)	4/5	3/3	N/A
Liu Len Yu[1, 3]	5/8	4/5	1/1
Leung Yee Sik[1,2,3] (appointed on 13th January, 2009)	4/5	3/3	1/1

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 has been provided to new directors upon their appointment. They could also elect to receive briefing from the Company Secretary or Company's legal advisor on the content of the information package as mentioned in A.5.1 of the Code.
A.5.2 The functions of non-executive directors should include: – bring an independent judgement at the board meetings; – 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, and monitor the reporting of 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 and attention 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. Directors (continued)

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. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

The Remuneration Committee currently comprises Mr. So Kwan Lok, Mr. John J. D. Sy, Dr. Liu Len Yu and Mr. Leung Yee Sik. 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. Three out of four directors in the Remuneration Committee are independence non-executive directors.
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. Remuneration of Directors and Senior Management (continued)

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

Code Provisions	Compliance	Actions by 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. Accountability and Audit (continued)

C.1 Financial Reporting (continued)

Code Provisions	Compliance	Actions by the Company
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 page 61 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 and 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.2 Internal controls (continued)

Code Provisions	Compliance	Actions by the Company
C.2.2 The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	Yes	The board's annual review has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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. Leung Yee Sik, Mr. So Kwan Lok, Dr. Liu Len Yu and Mr. John J.D. Sy. The Chairman of Audit Committee is Mr. Leung Yee Sik, 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 5 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. Accountability and Audit (continued)

C.3 Audit Committee (continued)

Code Provisions	Compliance	Actions by the Company
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.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.

C. Accountability and Audit (continued)

C.3 Audit Committee (continued)

Compliance with Recommended Best Practices

The terms of reference of the Audit Committee have been included 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 AGM of the Company.

E. Communication with Shareholders (continued)

E.1 Effective communication (continued)

Code Provisions	Compliance	Actions by the Company
E.1.3 The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	Yes	To comply with the revised Listing Rules which became effective on 1 January 2009, all notices of general meetings dispatched by the Company to its shareholders for meetings held on or after 1 January 2009 have been sent in the case of general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings, if any. All resolutions put to the vote of a general meeting have been by way of a poll.

E.2 Voting by poll

Principle
The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Code Provisions	Compliance	Actions by the Company
E.2.1 The chairman of a meeting should at the commencement of the meeting ensure that the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	Yes	The chairman of a meeting has at the commencement of the meeting ensured that the procedures for conducting a poll and then answer questions from shareholders regarding voting by way of a poll. The results of the poll have been published on the websites of The Stock Exchange and the Company respectively.

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 auditor, Messrs. Deloitte Touche Tohmatsu is set out as follows:

	US$'000
Audit services	1,957
Non-audit services	1,065
	3,022

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.

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 62 to 180, which comprise the consolidated balance sheet as at 30th September, 2009, 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, 2009 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
20th January, 2010

Consolidated Income Statement

For the Year Ended 30th September, 2009

	NOTES	2009 US$'000	2008 US$'000
Turnover	5	**5,016,902**	4,919,937
Cost of sales		**(3,734,456)**	(3,729,539)
Gross profit		**1,282,446**	1,190,398
Other income		**158,003**	170,733
Net gain on deemed disposal of partial interest of subsidiaries	6	**–**	123,459
Fair value changes on investment properties	14	**(7,193)**	2,477
Fair value changes on derivative financial instruments	7	**25,117**	(25,221)
Impairment loss on available-for-sale investments		**(8,527)**	(23,264)
Selling and distribution expenses		**(390,914)**	(344,486)
Administrative expenses		**(426,806)**	(404,550)
Other expenses		**(165,022)**	(176,255)
Equity-settled share-based payments of a listed subsidiary		**(12,521)**	(706)
Impairment loss on investments in jointly controlled entities	22	**(9,294)**	–
Finance costs	8	**(52,360)**	(63,696)
Share of results of associates		**41,365**	37,199
Share of results of jointly controlled entities		**35,799**	29,341
Profit before taxation		**470,093**	515,429
Income tax expense	9	**(8,131)**	(24,685)
Profit for the year	10	**461,962**	490,744
Attributable to:			
Equity holders of the Company		**464,730**	468,664
Minority interests		**(2,768)**	22,080
		461,962	490,744
Dividends	12	**189,294**	185,481
		US cents	US cents
Earnings per share	13		
– Basic		**28.15**	28.17
– Diluted		**24.88**	27.07

Consolidated Balance Sheet

At 30th September, 2009

	NOTES	2009 US$'000	2008 US$'000 (restated)
Non-current assets			
Investment properties	14	**59,103**	66,296
Property, plant and equipment	15(a)	**1,592,418**	1,536,824
Deposits paid for acquisition of property, plant and equipment	15(b)	**4,436**	22,447
Prepaid lease payments	16	**168,040**	133,853
Intangible assets	17	**73,756**	–
Goodwill	18	**218,607**	193,086
Investments in associates	20	**335,076**	310,717
Amounts due from associates	21	**10,728**	10,335
Investments in jointly controlled entities	22	**316,607**	319,370
Amounts due from jointly controlled entities	23	**159,739**	136,238
Available-for-sale investments	24	**15,481**	29,218
Rental deposits and prepayments		**29,455**	35,408
Derivative financial instruments	25	**55,321**	59,744
Deferred tax assets	34	**1,252**	1,908
		3,040,019	2,855,444
Current assets			
Inventories	26	**668,356**	728,522
Trade and other receivables	27	**792,771**	897,503
Prepaid lease payments	16	**3,806**	2,659
Taxation recoverable		**4,510**	3,451
Derivative financial instruments	25	**13,950**	14,568
Deposits placed with a financial institution	28	**–**	24,000
Structured bank deposit	28	**39,824**	–
Pledged bank deposits	29	**–**	2,337
Bank balances and cash	29	**1,195,566**	440,191
		2,718,783	2,113,231
Current liabilities			
Trade and other payables	30	**758,256**	637,749
Taxation payable		**16,965**	11,514
Derivative financial instruments	25	**11,302**	41,632
Short-term bank borrowings	31	**570,201**	344,278
Convertible bonds	32	**271,337**	262,131
Bank overdrafts	29	**–**	188
		1,628,061	1,297,492
Net current assets		**1,090,722**	815,739
Total assets less current liabilities		**4,130,741**	3,671,183

Consolidated Balance Sheet

At 30th September, 2009

	NOTES	2009 US$'000	2008 US$'000 (restated)
Non-current liabilities			
Convertible bonds	32	–	255,479
Long-term bank borrowings	33	**680,207**	296,014
Deferred taxation	34	**29,154**	11,141
		709,361	562,634
Net assets		**3,421,380**	3,108,549
Capital and reserves			
Share capital	35	**53,211**	53,682
Reserves		**2,984,016**	2,726,215
Equity attributable to equity holders of the Company		**3,037,227**	2,779,897
Other reserve of a listed subsidiary		–	706
Minority interests		**384,153**	327,946
Total equity		**3,421,380**	3,108,549

The consolidated financial statements on pages 62 to 180 were approved and authorised for issue by the Board of Directors on 20th January, 2010 and are signed on its behalf by:

David N.F. Tsai
MANAGING DIRECTOR

Li I Nan, Steve
DIRECTOR

For the Year Ended 30th September, 2009

	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)	Other revaluation reserve US$'000 (note c)	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Other reserve of a listed subsidiary US$'000 (note e)	Total equity US$'000
At 1st October, 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 equity-settled 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 subsidiary (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

Consolidated Statement of Changes in Equity

For the Year Ended 30th September, 2009

	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)	Other revaluation reserve US$'000 (note c)	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Other reserve of a listed subsidiary US$'000 (note e)	Total equity US$'000
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	(1,840)	–	(1,840)	(259)	–	(2,099)
Gain on fair value changes of investments	–	–	2,125	–	–	–	–	–	–	–	2,125	–	–	2,125
Revaluation increase upon acquisition of a subsidiary	–	–	–	–	–	–	4,551	–	–	–	4,551	3,557	–	8,108
Net income recognised directly in equity	–	–	2,125	–	–	–	4,551	–	(1,840)	–	4,836	3,298	–	8,134
Profit for the year	–	–	–	–	–	–	–	–	–	464,730	464,730	(2,768)	–	461,962
Total recognised income for the year	–	–	2,125	–	–	–	4,551	–	(1,840)	464,730	469,566	530	–	470,096
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	12,521	12,521
Cancellation of Pre-IPO Share Subscription Plan	–	–	–	–	–	–	–	–	–	7,424	7,424	5,803	(13,227)	–
Shares repurchased and cancelled	(471)	(29,895)	–	–	–	–	–	–	–	–	(30,366)	–	–	(30,366)
Redemption of convertible bonds	–	–	–	–	(18,118)	–	–	–	–	18,118	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	5,901	–	5,901
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	2,246	–	2,246
Arising from Farsighted Acquisition and Yue Yuen Subscription (as defined in Note 41)	–	–	–	–	–	–	–	–	–	–	–	37,596	–	37,596
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(477)	–	(477)
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(262)	–	(262)
Deemed disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7,663	–	7,663
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(189,294)	(189,294)	–	–	(189,294)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(2,793)	–	(2,793)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	1,942	–	(1,942)	–	–	–	–
At 30th September, 2009	**53,211**	**695,536**	**2,125**	**(16,688)**	**–**	**25,394**	**4,551**	**15,275**	**54,871**	**2,202,952**	**3,037,227**	**384,153**	**–**	**3,421,380**

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 of Hong Kong Limited 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 is recognised as equity and is presented in reserve as "other reserve".

Up to 30th September, 2009, the holder of the USD Call Option had not exercised any of its right thereof.

(c) The other revaluation reserve represents fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the other revaluation reserve will be transferred to retained earnings upon disposal of these subsidiaries or the relevant assets, whichever is earlier.

(d) 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.

(e) This reserve represents the amounts recognised in respect of share options granted under share-based payment arrangement of a non-wholly-owned subsidiary.

Consolidated Cash Flow Statement

For the Year Ended 30th September, 2009

	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**470,093**	515,429
Adjustments for:		
Release of prepaid lease payments	**4,080**	3,246
Depreciation of property, plant and equipment	**174,360**	153,401
Allowance for inventories	**9,795**	2,776
Amortisation of intangible assets	**1,152**	–
Net gain on deemed disposal of partial interests of subsidiaries	**–**	(123,459)
Discount on acquisition of additional interest in a subsidiary	**(4,776)**	–
Dividend income from available-for-sale investments	**(237)**	(911)
Finance costs	**52,360**	63,696
Fair value changes on investment properties	**7,193**	(2,477)
Interest income	**(8,957)**	(15,015)
Impairment loss on available-for-sale investments	**8,527**	23,264
Impairment loss on trade receivables	**316**	1,711
Impairment loss on investments in jointly controlled entities	**9,294**	–
Impairment loss on amount due from a jointly controlled entity	**–**	10,000
Write back of impairment loss on trade receivables	**(1,595)**	(1,591)
Recognition of share-based payment expense	**12,521**	706
Loss on disposal of associates	**1,044**	572
Loss on deregistration of a jointly controlled entity	**1,521**	590
Loss on disposal of property, plant and equipment	**10,312**	11,106
Gain on disposal of land leases	**(5,830)**	–
Fair value changes on derivative financial instruments	**(25,117)**	25,221
Share of results of associates	**(41,365)**	(37,199)
Share of results of jointly controlled entities	**(35,799)**	(29,341)
Operating cash flow before movements in working capital	**638,892**	601,725
Decrease (increase) in inventories	**127,299**	(221,773)
Decrease (increase) in trade and other receivables	**172,229**	(100,805)
Decrease (increase) in rental deposits and prepayments	**6,046**	(11,178)
Increase in trade and other payables	**47,285**	12,386
Cash generated from operations	**991,751**	280,355
Hong Kong Profits Tax paid	**(66)**	(81)
Other jurisdictions taxation paid	**(11,443)**	(24,488)
Refund of other jurisdictions taxation	**161**	26
Purchase of tax reserve certificates	**–**	(8,751)
NET CASH FROM OPERATING ACTIVITIES	**980,403**	247,061

	NOTE	2009 US$'000	2008 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(214,769)**	(334,759)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	41	**(43,987)**	–
Prepaid land leases		**(41,433)**	(29,467)
Increase in structured bank deposit		**(40,000)**	–
Advance to jointly controlled entities		**(34,497)**	(49,167)
Investments in associates		**(9,138)**	(2,205)
Purchase of available-for-sale investments		**(7,898)**	(27,985)
Advance to associates		**(7,696)**	(7,534)
Deposit paid for acquisition of property, plant and equipment		**(4,436)**	(21,166)
Acquisition of additional interests in subsidiaries		**(1,500)**	(1,362)
Dividends received from jointly controlled entities		**18,113**	8,125
Dividends received from associates		**14,944**	14,459
Proceeds from disposal of property, plant and equipment		**11,167**	9,180
Interest received		**8,856**	15,015
Proceeds from deemed disposal of partial interest in a subsidiary		**8,585**	–
Proceeds from early termination of land leases		**7,929**	6,879
Repayment from associates		**7,303**	–
Proceeds from disposal of associates		**6,274**	11,478
Proceeds from disposal of available-for-sale investments		**4,601**	5,946
Repayment from jointly controlled entities		**2,669**	–
Decrease (increase) in pledged bank deposits		**2,337**	(2,337)
Refund of investment cost in an associate		**250**	776
Dividends received from available-for-sale investments		**237**	911
Refund of investment cost in a jointly controlled entity		**199**	–
Cash payments for call option premium		**–**	(44,098)
Investments in jointly controlled entities		**–**	(27,448)
Net proceed from deemed disposal of partial interest of subsidiaries		**–**	316,414
Proceeds from deregistration of a jointly controlled entity		**–**	3,325
NET CASH USED IN INVESTING ACTIVITIES		**(311,890)**	(155,020)

Consolidated Cash Flow Statement

For the Year Ended 30th September, 2009

	2009 US$'000	2008 US$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**2,958,365**	3,117,825
Contribution from a minority shareholder	**2,246**	852
Repayment of bank borrowings	**(2,374,766)**	(2,955,839)
Redemption of convertible bonds	**(264,829)**	–
Dividends paid	**(189,294)**	(185,481)
Interest paid on bank borrowings	**(34,488)**	(40,041)
Shares repurchased	**(30,366)**	–
Dividends paid to minority shareholders of subsidiaries	**(2,793)**	(1,228)
Premium received on USD Call Option	**–**	25,394
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**64,075**	(38,518)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**732,588**	53,523
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,025)**	8,280
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**464,003**	402,200
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**1,195,566**	464,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**1,195,566**	440,191
Bank overdrafts	**–**	(188)
Deposits placed with a financial institution	**–**	24,000
	1,195,566	464,003

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 of 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

In addition, the Group has already early adopted the amendments to HKAS 1 issued by HKICPA in 2008 as part of the Improvements to HKFRSs. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies described as below:

As part of Improvements to HKFRSs (2008), HKAS 1 "Presentation of Financial Statements" has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purposes to be presented as current regardless of their maturity dates.
In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their expected settlement dates. Prior to the amendment, the Group presented the derivative financial instruments for acquisition of additional interests in subsidiaries, associates and jointly controlled entities (the JV Call Option as defined and with details set out in Note 25) as current. The amendment shall be applied retrospectively and has resulted in these derivative financial instruments with an aggregate carrying amount of approximately US$59,744,000 as at 30th September, 2008 being reclassified from current to non-current. The amendment has had no impact on the Group's results for the reported periods.

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

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

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

HKFRSs (Amendments)[1A]	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 (Amendment)	Classification of Rights Issues[6]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

1 Effective for annual periods beginning on or after 1st January, 2009 except for HKFRS 5, which is effective for annual periods beginning on or after 1st July, 2009
1A Except for the amendment to HKAS 1, which has been early adopted during the year
2 Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2009
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st July, 2009
6 Effective for annual periods beginning on or after 1st February, 2010
7 Effective for annual periods beginning on or after 1st January, 2010
8 Effective for annual periods beginning on or after 1st January, 2013
9 Effective for annual periods beginning on or after 1st July, 2010

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

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st October, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on how the results and financial position of the Group are prepared.

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.

3. Significant Accounting Policies (continued)

Business combinations (continued)

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.

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.

3. Significant Accounting Policies (continued)

Goodwill (continued)

Goodwill arising on acquisitions on or after 1st January, 2005 (continued)

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.

Acquisition of additional interests in subsidiaries are measured at the carrying amounts of identified assets and liabilities of the subsidiary. Any excess of the consideration over the book value of net assets attributable to the additional interest acquired are accounted for as goodwill.

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.

3. Significant Accounting Policies (continued)

Joint ventures

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the 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.

Revenue recognition

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

Revenue from sale of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

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.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

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 and 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.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset 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 and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

3. Significant Accounting Policies (continued)

Impairment losses other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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 and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

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

Financial instruments

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 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.

Interest 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, amounts due from associates and jointly controlled entities, deposits placed with a financial institution, loan component of structured bank deposit, 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

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 affected.

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 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

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 carried at fair value 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method (continued)

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, debt component of convertible bonds and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

(a) Convertible bonds containing only 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds (continued)

(b) Convertible bonds 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 embedded derivatives 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 derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component 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.

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 shares under the Group's 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.

At the time when the rights/options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in equity will be transferred to retained earnings upon cancellation.

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 retranslation 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.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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.

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 recognised 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 Judgments 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 judgments, 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 judgments in applying the entity's accounting policies

The following are the critical judgments, 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 consolidated financial statements.

(i) Property interest in land

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.

(ii) Intangible assets

The directors of the Company considered that the brandname of a carrying amount of approximately US$31,731,000 as detailed in Note 17, for all practical purposes has an indefinite useful life and is therefore not amortised until their useful life is determined to be finite. They will be tested for impairment annually.

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) Taxation

As stated in Note 9, the Hong Kong Inland Revenue Department ("HKIRD") have issued protective assessments in aggregate of approximately US$166.3 million relating to certain years of assessment and the Group has purchased tax reserve certificate (the "TRC") of approximately US$40,586,000 and in May 2009, filed an application to High Court for a judicial review of the years of assessment 1997/1998 to 2002/2003. 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.

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

Key sources of estimation uncertainty (continued)

(ii) 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, 2009, the carrying amount of goodwill is approximately US$218,607,000. Details of the recoverable amount calculation are disclosed in Note 19.

(iii) Estimated impairment of intangible assets

The Group tests whether intangible assets have suffered any impairment. The recoverable amounts of intangible assets have been determined based on their value in use, which have been estimated using discounted cash flow method. The directors consider that the recoverable amount exceeded the carrying amount of the intangible assets and no impairment was recognised during the year. Where the actual future cash flows is different from the original estimate, an impairment loss may arise. As at 30th September, 2009, the carrying amount of intangible assets is approximately US$73,756,000.

(iv) Fair value of derivative financial instruments

The directors of the Company use their judgment 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 statistics and adjusted for specific features of the instrument. Measurements of the fair value of the JV Call Options (as defined in Note 25) require the use of variables and assumptions about future events including (i) the profitability of Pou Sheng International (Holdings) Limited ("Pou Sheng") and the Relevant Companies (as defined in Note 25); and (ii) the share price of Pou Sheng. Details of the assumptions used are disclosed in Note 25.

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 market based on location of its customers, irrespective of the origin of the goods. 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, 2009

	United States of America US$'000	Europe US$'000	PRC US$'000	Rest of Asia US$'000	Others US$'000	Total US$'000
TURNOVER	1,534,083	1,117,945	1,422,020	554,632	388,222	5,016,902
RESULTS						
Segment results	208,834	152,195	71,791	65,022	52,692	550,534
Unallocated income						140,026
Unallocated expenses						(232,853)
Fair value changes on investment properties						(7,193)
Fair value changes on derivative financial instruments						25,117
Impairment loss on available-for-sale investments						(8,527)
Equity-settled share-based payments of a listed subsidiary						(12,521)
Impairment loss on investments in jointly controlled entities						(9,294)
Finance costs						(52,360)
Share of results of associates						41,365
Share of results of jointly controlled entities						35,799
Profit before taxation						470,093
Income tax expense						(8,131)
Profit for the year						461,962

5. Turnover and Segmental Information (continued)

Geographical segments (continued)
For the year ended 30th September, 2009 (continued)

	United States of America US$'000	Europe US$'000	PRC US$'000	Rest of Asia US$'000	Others US$'000	Total US$'000
ASSETS						
Segment assets	305,336	222,469	523,905	141,854	77,934	1,271,498
Investments in associates						335,076
Amounts due from associates						10,728
Investments in jointly controlled entities						316,607
Amounts due from jointly controlled entities						159,739
Unallocated corporate assets						3,665,154
Consolidated total assets						5,758,802
LIABILITIES						
Segment liabilities	93,577	68,191	148,045	37,667	23,711	371,191
Unallocated corporate liabilities						1,966,231
Consolidated total liabilities						2,337,422
OTHER INFORMATION						
Allowance for inventories	2,376	1,731	4,137	950	601	9,795
Impairment loss on trade receivables	111	81	57	38	29	316
Write back of impairment loss on trade receivables	632	460	136	207	160	1,595

5. Turnover and Segmental Information (continued)

Geographical segments (continued)

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						(187,239)
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 on available-for-sale investments						(23,264)
Equity-settled share-based payments of a listed subsidiary						(706)
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

5. Turnover and Segmental Information (continued)

Geographical segments (continued)

For the year ended 30th September, 2008 (continued)

	United States of America US$'000	Europe US$'000	PRC US$'000	Rest of Asia US$'000	Others US$'000	Total US$'000
ASSETS						
Segment assets	347,315	264,115	481,714	181,191	82,432	1,356,767
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						2,835,248
Consolidated total assets						4,968,675
LIABILITIES						
Segment liabilities	100,578	76,741	118,799	40,679	23,859	360,656
Unallocated corporate liabilities						1,499,470
Consolidated total liabilities						1,860,126
OTHER INFORMATION						
Allowance for inventories	953	726	507	364	226	2,776
Impairment loss on trade receivables	625	476	230	232	148	1,711
Write back of impairment loss on trade receivables	611	466	147	221	146	1,591

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

5. Turnover and Segmental Information (continued)

Geographical segments (continued)

Save as disclosed above, 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, intangible assets and other operating assets.

	Carrying amounts of total assets		Capital additions	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
PRC	**2,176,702**	2,036,849	**293,949**	252,872
Vietnam	**489,533**	619,249	**27,787**	48,728
Indonesia	**355,618**	382,384	**45,233**	62,749
Others (note)	**47,800**	49,476	**1,530**	1,807
Segment total	**3,069,653**	3,087,958	**368,499**	366,156
Unallocated corporate assets	**2,689,149**	1,880,717	**–**	–
	5,758,802	4,968,675	**368,499**	366,156

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

Business segments

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, intangible assets and other operating assets that are directly attributable to the business segment.

5. Turnover and Segmental Information (continued)

Business segments (continued)

	Revenue US$'000	Carrying amount of total assets US$'000	Capital additions US$'000
2009			
Manufacture and sale of footwear products	3,995,119	2,487,628	220,895
Retailing business	1,015,539	462,474	110,978
Others	6,244	119,551	36,626
	5,016,902	3,069,653	368,499
Unallocated corporate assets		2,689,149	–
		5,758,802	368,499
2008			
Manufacture and sale of footwear products	4,068,224	2,520,380	301,319
Retailing business	848,991	464,433	54,788
Others	2,722	103,145	10,049
	4,919,937	3,087,958	366,156
Unallocated corporate assets		1,880,717	–
		4,968,675	366,156

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

During the year ended 30th September, 2008, the Group restructured and injected its retailing, distribution and property management business ("Retail Operations") into Pou Sheng. Upon completion of the restructuring, the carrying amounts of the net assets of the Retail Operations attributable to the Group's interests remained 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 25) 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 during the year ended 30th September, 2008, 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

	2009 US$'000	2008 US$'000
Gain (loss) on changes in fair value of:		
– HKD Call Option (Note 25)	**(869)**	(14,978)
– derivatives embedded in convertible bonds (Note 32)	**28,995**	(15,675)
– derivatives embedded in structured bank deposit (Note 28)	**60**	–
– JV Call Options (Note 25)	**(4,423)**	8,945
– other derivative financial instruments (Note 25)	**1,354**	(3,513)
	25,117	(25,221)

8. Finance Costs

	2009 US$'000	2008 US$'000
Interest on bank borrowings		
– wholly repayable within five years	**33,910**	39,441
– not wholly repayable within five years	**578**	600
Effective interest expense on convertible bonds	**17,872**	25,585
	52,360	65,626
Less: amount capitalised in property, plant and equipment	**–**	(1,930)
	52,360	63,696

9. Income Tax Expense

	2009 US$'000	2008 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current Tax		
Hong Kong Profits Tax (note i)		
– current year	**399**	783
– overprovision in prior years	**–**	(3)
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	**4,007**	20,287
– under(over)provision in prior years	**220**	(3,032)
Other jurisdictions (note iii)		
– current year	**5,538**	5,567
	10,164	23,602
Deferred tax (credit) charge (Note 34)	**(2,033)**	1,083
	8,131	24,685

9. Income Tax Expense (continued)

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

From March 2004 to March 2008, the HKIRD issued protective profits tax assessments of approximately HK$1,051,943,000 (equivalent to approximately US$135,742,000) in aggregate relating to the years of assessment 1997/1998 to 2001/2002, that is, for the financial years ended 30th September, 1997 to 2001, 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$314,526,000 (equivalent to approximately US$40,586,000) for those five years of assessment. These TRC were purchased.

In March 2009, the HKIRD further issued a protective profits tax assessment of approximately HK$236,777,000 (equivalent to approximately US$30,553,000) relating to the year of assessment 2002/2003, that is, for the financial year ended 30th September, 2002. The Group lodged objections with the HKIRD against these protective assessments. The HKIRD agreed to hold over the tax claimed subject to the purchasing of TRC of HK$118,389,000 (equivalent to approximately US$15,277,000). The Group has not purchased these TRC and, in May 2009, filed an application to High Court for a judicial review on the protective assessments and holdover notices relating to the years of assessment 1997/1998 to 2002/2003. The directors of the Company consider that the judicial review is in the best interest of the Group.

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.

The Group has been advised that it has a good case to argue that the tax claimed is not in fact payable. Nevertheless, the directors are also considering various approaches in the best interest of the Group to resolve the dispute with the HKIRD. If the above dispute is not resolved and the courts subsequently uphold the assessments against certain members of the Group, this may affect the Group's financial conditions and results of its operations.

(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. Subsequent to 31st December, 2007, PRC EIT was calculated based on the statutory rate of 25% 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 following:

(a) 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 expire between 2008 and 2010.

(b) Pursuant to《國家稅務局關於落實西部大開發有關稅收政策具體實施意見的通知》, the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific encouraged industry are subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeds 70% of its total revenue in a fiscal year

(c) Pursuant to Income Tax Law of the PRC, Yue Sheng (Kunshan) Sports Goods Co. Ltd. ("Yue Sheng (Kunshan)"), a subsidiary of the Company operating in an approved economic and technology development zone of the PRC, was entitled to a preferential income tax rate of 15% before year 2008 and is exempted from 3% local income tax, when its annual revenue from manufacturing business exceeds 50% of its total revenue in a fiscal year.

9. Income Tax Expense (continued)

notes: (continued)

(ii) PRC (continued)

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 (c) above is to be increased progressively to 25% over a five year period. The tax holiday and concession from EIT entitled as set out in (a) above continued to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "New Law"). The preferential treatment set out in (b) above continues on the implementation of the New Law.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holidays are allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards.

(iii) Other 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.

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

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

	2009 US$'000	2008 US$'000
Profit before taxation	**470,093**	515,429
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**106,894**	106,030
Tax effect of share of results of associates and jointly controlled entities	**(17,305)**	(15,599)
Tax effect of expenses not deductible for tax purpose	**18,630**	10,995
Tax effect of income not taxable for tax purpose	**(74,134)**	(59,889)
Tax effect of tax losses not recognised	**7,734**	3,139
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	**(33,330)**	(20,693)
Effect of tax concessions or preferential tax rates	**–**	(7)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(358)
Deferred tax relating to dividend withholding tax	**(578)**	3,044
Under(over)provision in prior years	**220**	(3,035)
Tax charge for the year	**8,131**	24,685

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

	2009 US$'000	2008 US$'000
Profit for the year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	**981,510**	997,094
– retirement benefit scheme contributions	**21,707**	16,865
– share-based payment	**12,521**	706
	1,015,738	1,014,665
Release of prepaid lease payments	**4,080**	3,246
Allowance for inventories	**9,795**	2,776
Auditor's remuneration	**1,957**	1,686
Amortisation of intangible assets	**1,152**	–
Depreciation of property, plant and equipment	**174,360**	153,401
Loss on disposal of property, plant and equipment	**10,312**	11,106
Loss on disposal of associates	**1,044**	572
Loss on deregistration of a jointly controlled entity	**1,521**	590
Impairment loss on trade receivables	**316**	1,711
Impairment loss on amount due from a jointly controlled entity	**–**	10,000
Research and development expenditure (included in other expenses)	**115,546**	130,210
Share of taxation of associates (included in share of results of associates)	**3,779**	4,670
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**9,661**	9,049
Listing expense on the Spin-off	**–**	6,631
and after crediting to other income:		
Interest income	**8,957**	15,015
Discount on acquisition of additional interest in a subsidiary	**4,776**	–
Dividend income from available-for-sale investments	**237**	911
Net exchange gain	**8,550**	29,601
Write back of impairment loss on trade receivables	**1,595**	1,591
Gain on disposal of prepaid lease payments	**5,830**	–
Cash discounts from suppliers	**17,977**	25,784
Utility income from provision of electricity and water supply	**6,003**	10,338
Subcontracting income	**44,049**	23,070
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$125,000 (2008: US$110,000)	**8,017**	6,426

note: For the years ended 30th September, 2009 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

(a) Directors' emoluments

The emoluments paid or payable to each of the 15 (2008: 13) directors were as follows:

	Tsai Chi Neng US$'000	David N.F. Tsai US$'000	Edward Y. Ku (note i) 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$'000	Kuo Li Lien (note ii) US$'000	John J.D. Sy US$'000	So Kwan Lok US$'000	Poon Yiu Kin, Samuel (note iii) US$'000	Liu Len Yu US$'000	Leung Yee Sik (note iv) US$'000	Total US$'000
2009																
Directors' fees:																
Executive	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executive	–	–	–	–	–	–	–	–	–	–	45	–	–	–	–	45
Independent non-executive	–	–	–	–	–	–	–	–	–	–	–	31	23	29	21	104
Other emoluments of executive directors:																
Salaries and other benefits	253	320	124	100	109	143	18	193	101	11	–	–	–	–	–	1,372
Bonus	1,070	977	–	957	875	956	181	59	34	19	–	–	–	–	–	5,128
Retirement benefit schemes	–	–	1	–	–	–	–	1	–	–	–	–	–	–	–	2
Other emoluments of non-executive directors:																
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–	120	–	–	–	–	120
Bonus	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total directors' emoluments	1,323	1,297	125	1,057	984	1,099	199	253	135	30	165	31	23	29	21	6,771

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

(a) Directors' emoluments (continued)

	Tsai Chi Neng US$'000	David N.F. Tsai US$'000	Edward Y. Ku (note i) 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$'000	Poon Yiu Kin, Samuel (note iii) US$'000	Liu Len Yu US$'000	Total US$'000
2008														
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

Notes:

(i) Mr. Edward Y. Ku deceased on 30th March, 2009.

(ii) Ms. Kuo Li Lien was appointed as an executive director on 19th June, 2009.

(iii) Mr. Poon Yin Kin, Samuel resigned as an independent non-executive director on 15th April, 2009.

(iv) Mr. Leung Yee Sik was appointed as an independent non-executive director on 13th January, 2009.

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

(a) Directors' emoluments (continued)

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group for the year ended 30th September, 2009, one (2008: five) were directors of the Company whose emoluments are set out above. The emoluments of the remaining four (2008: Nil) individuals were as follows:

	2009 US$'000	2008 US$'000
Basic salaries and other allowances	1,176	–
Bonus	579	–
Retirement benefit scheme contributions	2	–
Share-based payments	7,523	–
	9,280	–

Their emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
US$1,500,001 to US$2,000,000	1	–
US$2,000,001 to US$2,500,000	2	–
US$2,500,001 to US$3,000,000	1	–
	4	–

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) 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 both years.

12. Dividends

	2009 US$'000	2008 US$'000
Dividends recognised as distribution during the year:		
2009 Interim dividend of HK$0.34 per share (2008: 2008 Interim dividend of HK$0.34 per share)	**72,337**	72,447
2008 Final dividend of HK$0.55 per share (2008: 2007 Final dividend of HK$0.53 per share)	**116,957**	113,034
	189,294	185,481

The directors recommend the payment of a final dividend of HK$0.55 per share for the year ended 30th September, 2009. The proposed dividend of approximately HK$906,911,000 will be paid on or about 12th March, 2010 to those shareholders whose names appear on the Company's register of members on 3rd March, 2010.

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

13. Earnings Per Share

(i) Earnings per share – financial reporting

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

	2009 US$'000	2008 US$'000
Earnings:		
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	**464,730**	468,664
Effect of dilutive potential ordinary shares:		
Fair value changes on derivatives embedded in convertible bonds (note a)	**(28,995)**	–
Finance costs on convertible bonds (note a)	**17,872**	11,339
Profit for the year attributable to equity holders of the Company for the purpose of diluted earnings per share	**453,607**	480,003

13. Earnings Per Share (continued)

(i) Earnings per share – financial reporting (continued)

	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**1,651,143,630**	1,663,628,986
Effect of dilutive potential ordinary shares:		
USD Call Option	**78,504,672**	44,091,665
Convertible bonds (note a)	**93,634,233**	65,741,545
Number of ordinary shares for the purpose of diluted earnings per share	**1,823,282,535**	1,773,462,196

(ii) Earnings per share – management reporting`

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:

	2009 US cents	2008 US cents
Basic	**28.17**	23.58
Diluted	**26.49**	22.76

13. Earnings Per Share (continued)

(ii) Earnings per share – management reporting (continued)

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:

	2009 US$'000	2008 US$'000
Earnings:		
Profit for the year attributable to equity holders of the Company	**464,730**	468,664
Adjusted for (after minority interest):		
Net gain on deemed disposal of partial interest of subsidiaries	**–**	(123,459)
Fair value changes on investment properties	**5,395**	(1,858)
Fair value changes on derivative financial instruments	**(27,047)**	25,221
Equity-settled share-based payments of a listed subsidiary	**7,028**	393
Impairment loss on investments in jointly controlled entities	**6,442**	–
Impairment loss on available-for-sale investments	**8,527**	23,264
Adjusted profit for the year attributable to equity holder of the Company for the purpose of other basic earnings per share	**465,075**	392,225
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (note a)	**17,872**	11,339
Adjusted profit for the year attributable to equity holders of the Company for the purpose of other diluted earnings per share	**482,947**	403,564

	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of other basic earnings per share	**1,651,143,630**	1,663,628,986
Effect of dilutive potential ordinary shares:		
USD Call Option	**78,504,672**	44,091,665
Convertible bonds (note a)	**93,634,233**	65,741,545
Number of ordinary shares for the purpose of other diluted earnings per share	**1,823,282,535**	1,773,462,196

13. Earnings Per Share (continued)

notes:

(a) 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 32) since their exercise would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the year ended 30th September, 2009 does not assume the exercise of Pou Sheng's outstanding Plan Shares (as defined in Note 38) under the Pre-IPO share subscription plan as the subscription price of those Plan Shares are higher than the average market price of Pou Sheng for the year prior to its termination on 4th September, 2009.

14. Investment Properties

	US$'000
FAIR VALUE	
At 1st October, 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
Fair value changes recognised in the consolidated income statement	(7,193)
At 30th September, 2009	**59,103**

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$47,603,000 at 30th September, 2009 (2008: US$52,803,000) 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, 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$11,500,000 as at 30th September, 2009 (2008: US$13,493,000) has been determined by the directors of the Company by reference to recent market prices for similar properties. No valuation has been performed by independent qualified professional valuers.

14. Investment Properties (continued)

	2009 US$'000	2008 US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term leases or land use rights in the PRC	**1,010**	1,395
– medium-term land use rights in the PRC	**46,593**	51,408
– freehold land in the United States of America	**11,500**	13,493
	59,103	66,296

As at 30th September, 2009, 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$37.9 million (2008: US$41.8 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 US$'000 (note i)	Freehold land US$'000	Land and buildings US$'000 (notes i, ii & iii)	Hotel properties US$'000	Construction in progress US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST OR VALUATION										
At 1st October, 2007	733,194	4,496	85,377	12,015	75,257	975,460	225,911	130,126	25,399	2,267,235
Exchange realignment	3,208	–	773	–	1,095	1,440	2,787	1,328	135	10,766
Additions	20,339	–	–	992	110,848	112,834	64,104	24,491	3,081	336,689
Reclassification	59,865	–	–	–	(61,858)	1,536	548	(91)	–	–
Transfer to investment properties	(756)	–	–	–	(1,081)	–	–	–	–	(1,837)
Disposals	(2,103)	–	–	(68)	(350)	(27,675)	(25,140)	(11,084)	(1,203)	(67,623)
At 30th September, 2008	813,747	4,496	86,150	12,939	123,911	1,063,595	268,210	144,770	27,412	2,545,230
Exchange realignment	176	–	24	–	22	169	66	70	15	542
Additions	25,818	–	–	1,352	79,470	59,550	49,986	18,783	2,257	237,216
Acquired on acquisition of subsidiaries	–	–	–	–	182	6,612	6,122	1,810	282	15,008
Reclassification	106,729	–	–	–	(131,289)	3,911	19,632	1,017	–	–
Disposal of a subsidiary	–	–	–	–	–	(2,109)	(177)	(25)	(25)	(2,336)
Disposals	(496)	–	(388)	–	–	(39,923)	(23,729)	(7,251)	(1,357)	(73,144)
At 30th September, 2009	**945,974**	**4,496**	**85,786**	**14,291**	**72,296**	**1,091,805**	**320,110**	**159,174**	**28,584**	**2,722,516**
Comprising:										
At cost	945,974	4,496	50,273	14,291	72,296	1,091,805	320,110	159,174	28,584	2,687,003
At valuation – 1995	–	–	35,513	–	–	–	–	–	–	35,513
	945,974	4,496	85,786	14,291	72,296	1,091,805	320,110	159,174	28,584	2,722,516
DEPRECIATION										
At 1st October, 2007	151,948	–	13,927	5,414	–	530,640	96,154	84,444	16,965	899,492
Exchange realignment	474	–	18	–	–	396	1,554	341	67	2,850
Provided for the year	28,313	–	2,365	843	–	79,358	26,058	14,044	2,420	153,401
Eliminated on disposals	(362)	–	–	(7)	–	(19,798)	(16,864)	(9,280)	(1,026)	(47,337)
At 30th September, 2008	180,373	–	16,310	6,250	–	590,596	106,902	89,549	18,426	1,008,406
Exchange realignment	5	–	1	–	–	3	64	12	13	98
Provided for the year	34,262	–	1,834	597	–	79,209	39,599	16,047	2,812	174,360
Eliminated on disposal of a subsidiary	–	–	–	–	–	(967)	(101)	(17)	(16)	(1,101)
Eliminated on disposals	(317)	–	(118)	–	–	(32,403)	(11,527)	(6,135)	(1,165)	(51,665)
At 30th September, 2009	**214,323**	**–**	**18,027**	**6,847**	**–**	**636,438**	**134,937**	**99,456**	**20,070**	**1,130,098**
CARRYING VALUE										
At 30th September, 2009	**731,651**	**4,496**	**67,759**	**7,444**	**72,296**	**455,367**	**185,173**	**59,718**	**8,514**	**1,592,418**
At 30th September, 2008	633,374	4,496	69,840	6,689	123,911	472,999	161,308	55,221	8,986	1,536,824

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

(a) Property, plant and equipment (continued)

notes:

(i) As at 30th September, 2009, the Group had not obtained the formal land use rights for certain of the properties included in buildings and land and buildings above, the carrying values of which at that date were approximately US$217.4 million (2008: US$251.8 million) and US$28.4 million (2008: US$29.3 million), respectively. 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.

(ii) At 30th September, 2009, 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$26,059,000 (2008: US$26,770,000) instead of US$25,569,000 (2008: US$26,280,000).

(iii) 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, 2009, the carrying value of such properties situated in the PRC was approximately US$67,759,000 (2008: US$69,840,000).

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% – 50%	(reducing balance method or shorter of the lease term)
Furniture, fixtures and equipment	20% – 30%	(reducing balance method)
Motor vehicles	20% – 30%	(reducing balance method)

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

(a) Property, plant and equipment (continued)

	2009 US$'000	2008 US$'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	**1,418**	1,476
– Indonesia	**129,086**	110,872
Land or land use rights under medium-term leases in		
– Hong Kong	**2,590**	3,154
– the PRC	**465,214**	399,005
– Vietnam	**201,102**	188,707
Freehold land in Mexico	**4,496**	4,496
Hotel properties under medium-term land use rights in the PRC	**7,444**	6,689
	811,350	714,399

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

Details of the related capital commitments are set out in Note 44.

16. Prepaid Lease Payments

	2009 US$'000	2008 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– the PRC	**2,681**	2,733
– Indonesia	**29,148**	22,377
Medium-term leases or land use rights in		
– the PRC	**113,382**	85,119
– Vietnam	**26,635**	26,283
	171,846	136,512
Analysed for reporting purposes as:		
Current asset	**3,806**	2,659
Non-current asset	**168,040**	133,853
	171,846	136,512

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As of 30th September, 2009, 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$50.9 million (2008: US$63.7 million). In the opinion of the directors, the absence of formal title to these land interest 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.

17. Intangible Assets

	Customer relationship US$'000	Non-compete agreement US$'000	Brandname US$'000	Total US$'000
COST				
At 1st October, 2007 and 30th September, 2008	–	–	–	–
Acquired on acquisition of subsidiaries	4,332	38,808	31,702	74,842
Exchange realignment	4	35	29	68
At 30th September, 2009	**4,336**	**38,843**	**31,731**	**74,910**
AMORTISATION				
At 1st October, 2007 and 30th September, 2008	–	–	–	–
Provided for the year	132	1,020	–	1,152
Exchange realignment	–	2	–	2
At 30th September, 2009	**132**	**1,022**	**–**	**1,154**
CARRYING VALUE				
At 30th September, 2009	**4,204**	**37,821**	**31,731**	**73,756**
At 30th September, 2008	–	–	–	–

Customer relationship and non-compete agreement have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer relationship	8 years
Non-compete agreement	10 years

17. Intangible Assets (continued)

All of the Group's intangible assets were arising from the acquisition of Farsighted International Limited ("Farsighted") during the year and were valued on the date of exchange for control of Farsighted by American Appraisal China Limited, a firm of independent professional valuers, on the following basis:

Customer relationship	The Excess Earnings method under the Income Approach
Non-compete agreement	The "With and Without" method under the Income Approach
Brandname	The Relief from Royalty method under the Income Approach

The fair values of each of the intangible assets identified equal to the present value of the net cash flows attributable to the intangible assets using cost of equity of 14% and cost of debt of 6%. Other key assumptions used in the calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on past performance of Farsighted and its subsidiaries and management's expectations for the market development.

The brandname is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. It has been tested for impairment annually and whenever there is an indication that it may have been impaired. Particulars of the impairment testing are disclosed in Note 19.

18. Goodwill

	US$'000
COST	
At 1st October, 2007	190,636
Arising on acquisition of additional interest in a subsidiary	2,450
At 30th September, 2008	193,086
Transfer (Note 20)	3,003
Arising on acquisition of subsidiaries (Note 41)	22,518
At 30th September, 2009	**218,607**

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

19. Impairment Testing on Goodwill and Brandname with Indefinite Useful Lives

For the purposes of impairment testing, the carrying value of goodwill and brandname with indefinite useful lives as detailed in Notes 17 and 18 have been allocated to three groups of cash generating units ("CGUs"), as follows:

	Goodwill		Brandname	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'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")	30,756	5,235	31,731	–
	218,607	193,086	31,731	–

Management of the Group was determined that there were no impairments of any of its CGUs containing goodwill and brandname during the year ended 30th September, 2009.

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 a five-year period, and discount rates of 18%, 15% and 14% for Unit A, Unit B and Unit C, respectively. The cash flows for the next five years are extrapolated using a steady growth rate of 4%, 4% and 3% for Unit A, Unit B and Unit C, respectively. These growth rates are based on the forecasts of the relevant industries and do 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.

20. Investments in Associates

	2009 US$'000	2008 US$'000
Cost of investments in associates (note):		
Listed in Hong Kong	**52,647**	52,647
Listed in Taiwan	**88,053**	88,053
Unlisted	**108,194**	100,141
Share of post-acquisition profits and reserves, net of dividends received	**86,182**	69,876
	335,076	310,717
Fair value of listed investments	**184,729**	116,413

Details of the Group's principal associates at 30th September, 2009 and 2008 are set out in Note 50.

note: Included in cost of investments is goodwill of approximately US$80,242,000 (2008: US$83,245,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2007	83,888
Arising on acquisition of an associate	133
Adjustment to cost of acquisition (note)	(776)
At 30th September, 2008	83,245
Transfer when an associate became a subsidiary (Note 18)	(3,003)
At 30th September, 2009	**80,242**

note: This represented 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.

20. Investments in Associates (continued)

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

	2009 US$'000	2008 US$'000
Total assets	**1,656,163**	1,565,540
Total liabilities	**(739,759)**	(760,533)
Net assets	**916,404**	805,007
The Group's share of net assets of associates	**254,834**	227,472
Turnover	**2,332,255**	2,539,218
Profit for the year	**123,483**	110,351
The Group's share of results of associates for the year	**41,365**	37,199

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:

	2009 US$'000	2008 US$'000
Unrecognised share of losses of associates for the year	**89**	509
Accumulated unrecognised share of losses of associates	**6,269**	6,180

21. Amounts due from Associates

Included in the balance are loans of US$7,499,000 (2008: US$7,304,000) receivable from associates which are secured over the equity interests in relevant associates held by the other majority shareholders. These loans have no fixed repayment terms and they carry interest at the quoted lending rate quoted by the People's Bank of China ("PBOC").

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.

22. Investments in Jointly Controlled Entities

	2009 US$'000	2008 US$'000
Cost of unlisted investments in jointly controlled entities (notes i & ii)	**195,644**	205,777
Share of post-acquisition profits and reserves, net of dividends received	**130,257**	113,593
Impairment losses (note iii)	**(9,294)**	–
	316,607	319,370

Details of the Group's principal jointly controlled entities at 30th September, 2009 and 2008 are set out in Note 51.

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, expired on 31st December, 2008 or expired on 31st August, 2010, as appropriate. If the financial performance of the 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 (2008: US$11,322,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2007	10,669
Arising on acquisition of a jointly controlled entity	653
At 30th September, 2008 and 2009	11,322

iii. During the year ended 30th September, 2009, an impairment loss of approximately US$9,294,000 was recognised in respect of the Group's interest in certain jointly controlled entities due to the estimated loss arising from their anticipated disposal after the balance sheet date.

22. Investments in Jointly Controlled Entities (continued)

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

	2009 US$'000	2008 US$'000
Current assets	**609,211**	572,301
Non-current assets	**210,479**	199,748
Current liabilities	**(385,203)**	(394,467)
Non-current liabilities	**(80,685)**	(26,991)
Minority interests	**(39,223)**	(42,543)
Income	**1,050,178**	1,056,066
Expenses	**(1,014,379)**	(1,026,725)
Profit for the year	**35,799**	29,341

23. Amounts due from Jointly Controlled Entities

Included in the balance are loans of US$73,613,000 (2008: US$75,604,000) 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 balance as at 30th September, 2008 also included an aggregated amount of US$35,000,000 receivables from a jointly controlled entity, which were unsecured, had no fixed repayment terms and carried at fixed interest rates of 6% to 8% per annum.

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.

24. Available-for-sale Investments

Available-for-sale investments comprise:

	2009 US$'000	2008 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	3,685	2,551
– Equity securities listed overseas	4,628	3,637
	8,313	6,188
Unlisted overseas equity securities	7,168	23,030
	15,481	29,218

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.

During the year, the Group acquired further interest of 2.76% in Nan Pao Resins Chemical Co., Ltd. ("Nan Pao Resins") and subsequently became an associate of the Group. Upon the acquisition, an amount of approximately US$10,741,000 is transferred to investments in associates.

During the year, the Group disposed of certain unlisted equity securities with carrying amount of US$4,601,000, which have been carried at cost less impairment before the disposal. No gain or loss on such disposal was resulted. As at the balance sheet date, the management considers the remaining available-for-sale investments are held for strategic purpose and does not intend to dispose of in a foreseeable future.

In addition, an impairment loss of approximately US$8,527,000 was recognised in respect of an unlisted overseas securities during the year ended 30th September, 2009. In the opinion of the directors, the estimated future cash flows of this available-for-sale investment was expected to be minimal, thus the investment cost was fully impaired.

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

	2009 US$'000	2008 US$'000
Renminbi ("RMB")	–	1,195
Hong Kong dollars ("HKD")	3,685	2,551
New Taiwan dollars ("NTD")	9,527	16,945
	13,212	20,691

25. Derivative Financial Instruments

	notes	2009 Assets US$'000	2009 Liabilities US$'000	2008 Assets US$'000	2008 Liabilities US$'000
Derivatives:					
Non-current:					
JV Call Options	(a)	**55,321**	**–**	59,744	–
Current:					
HKD Call Option	(b)	**12,147**	**–**	13,016	–
Foreign currency derivatives	(c)	**1,466**	**734**	1,552	2,174
Embedded derivative in structured bank deposit	28	**337**	**–**	–	–
Embedded derivative in convertible bonds	32	**–**	**10,568**	–	39,458
		13,950	**11,302**	14,568	41,632
		69,271	**11,302**	74,312	41,632

notes:

(a) JV Call Options

	2009 US$'000	2008 US$'000
Financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	**55,321**	59,744

In October, 2007, the Group entered into call option agreements with the other shareholders (the "Relevant Partners") of certain subsidiaries, associates and jointly controlled entities (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 6th December, 2008, the expiry of the first six months after dealing in the shares of Pou Sheng on the Stock Exchange commenced and upon the mutual agreements between Pou Sheng and the Relevant Partners on certain conditions stipulated in the respective agreements in respect of the performances of the Relevant Companies during the pre-determined evaluation periods. As at the balance sheet date, the conditions for the JV Call Options to be exercisable were not yet fulfilled. 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.

25. Derivative Financial Instruments (continued)

notes: (continued)

(a) JV Call Options (continued)

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 value of each of the JV Call Options at 30th September, 2009 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, 2009	At 30th September, 2008
Derivative financial assets – JV Call Options:		
Expected price earning ratio – Pou Sheng	**35**	5
Expected volatility – Pou Sheng	**56%**	48%
Expected volatility – the Relevant Companies	**37%**	31%
Risk free rate	**2.73%**	3.53%
Exercisable period	**4.2 years**	5.0 years
Expected dividend yield	**–**	–

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

(b) 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 approximately 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 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.

25. Derivative Financial Instruments (continued)

notes: (continued)

(b) HKD Call Option (continued)

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 Option 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 HKD Call Option Issuer 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 amount of the HKD Call Option.

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 granted to the directors of the Company at its annual general meeting, on the exercise of the HKD Call Option by the Company. Under the mandate as approved at the annual general meeting of the Company on 27th February, 2009, the Company may repurchase up to 164,892,848 shares of the Company.

Up to 30th September, 2009, the HKD Call Option remained unexercised.

At the issue of the HKD Call Option, the initial premium paid of US$27,994,000 was recognised as a derivative financial asset. At the balance sheet date, the HKD Call Option was fair valued at approximately US12,147,000 (2008: US$13,016,000). The change in fair value of approximately US$869,000 (2008: US$14,978,000) has been charged to the consolidated income statement for the year ended 30th September, 2009.

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

	2009	2008
Share price	**HK$21.50**	HK$21.00
Exercise price	**HK$26.75**	HK$26.75
Expected dividend yield	**4.1%**	4.2%
Volatility	**39%**	35%

25. Derivative Financial Instruments (continued)

notes: (continued)

(c) Foreign currency derivatives

	notes	2009 Assets US$'000	2009 Liabilities US$'000	2008 Assets US$'000	2008 Liabilities US$'000
Foreign currency derivatives:					
Forward contracts	(i)	**1,207**	**51**	1,552	364
Currency structured forward contracts	(ii)	**259**	**683**	–	1,810
		1,466	**734**	1,552	2,174

notes:

(i) Forward contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rates
As at 30th September, 2009		
US$44 million	From October 2009 to December 2009	Sell USD/buy RMB at 6.7790 to 7.2980
As at 30th September, 2008		
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 the balance sheet dates, the fair values of the above forward contracts were determined based on valuations provided by counterparty banks using valuation techniques.

(ii) Currency structured forward contracts

The Group has entered into two USD/HKD structured forward contracts which give the Group the opportunities to receive fixed or variable USD amounts per month if the market exchange rate is at or over 7.7030 or 7.7495 respectively on the fixing date. However, the Group is obliged to buy USD/sell HKD at a fixed exchange rate of 7.7030 or 7.7495 if the market exchange rate falls below the level specified under the respective contracts for a maximum of US$7 million or US$12.5 million per month for the relevant contract for a maximum period of 18 months. As of 30th September, 2009, the remaining tenors of the outstanding contracts were 1 month and 16 months respectively, the latter of which is however subject to a knock out feature under which the contract will terminate if the accumulative gains to the Group have exceeded a specified amount.

In addition, during the year ended 30th September, 2009, the Group also entered into several net settled USD/RMB structured forward contracts which give the Group the opportunities to sell USD/buy RMB at rates which are better than the market plain forward rates prevailing on the trade dates of the transactions. However, the Group is obliged to sell USD/buy RMB for certain specified amounts at rates less favorable than the then prevailing market spot rates under the scenario of depreciation of RMB against USD beyond certain levels ranging from 6.900 to 6.971. As of 30th September, 2009, the potential maximum total notional amounts (only under the RMB depreciation scenario as mentioned above) of the outstanding USD/RMB structured forward contracts were US$298 million covering monthly settlements up to August 2011, which is less than the Group's forecast RMB needs for the period. There is also knock out feature for certain contracts under which the contracts will terminate if the accumulative gains to the Group exceed certain specified amounts.

At the balance sheet date, the fair values of the above currency structured forward contracts were determined based on valuation provided by the counterparty banks using valuation techniques.

25. Derivative Financial Instruments (continued)

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

	2009		2008	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
HKD	–	10,568	–	39,458

26. Inventories

	2009 US$'000	2008 US$'000
Raw materials	159,825	229,160
Work in progress	97,092	110,699
Finished goods	411,439	388,663
	668,356	728,522

27. Trade and Other Receivables

	2009 US$'000	2008 US$'000
Trade and bills receivables	495,513	593,830
Less: allowance for doubtful debts	(3,952)	(5,231)
	491,561	588,599
Other receivables	301,210	308,904
	792,771	897,503

Included in the other receivables are mainly prepayments of various natures of approximately US$75,857,000 (2008: US$90,069,000), TRC of approximately US$40,586,000 (2008: US$40,478,000), deposits paid to certain suppliers of approximately US$37,825,000 (2008: US$39,646,000) and value-added tax recoverable of approximately US$20,558,000 (2008: US$24,670,000).

27. Trade and Other Receivables (continued)

The Group allows a 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$491,561,000 (2008: US$588,599,000) and an aged analysis is as follows:

	2009 US$'000	2008 US$'000
0-30 days	381,314	423,127
31-90 days	101,244	154,528
Over 90 days	9,003	10,944
	491,561	588,599

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$13,907,000 (2008: US$35,739,000) which were past due at the balance sheet 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 (2008: 90 days).

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

	2009 US$'000	2008 US$'000
Balance at beginning of the year	5,231	5,111
Impairment losses recognised on receivables	316	1,711
Amounts recovered during the year	(1,595)	(1,591)
Balance at end of the year	3,952	5,231

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$3,952,000 (2008: US$5,231,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised 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.

27. 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:

	2009 US$'000	2008 US$'000
USD	925	541
RMB	3,723	17,259
HKD	4,076	5,678
NTD	1,061	555
Vietnamese Dong ("VND")	14,010	12,851
Indonesian Rupiah ("IDR")	8,651	8,495
	32,446	45,379

28. Deposits Placed with a Financial Institution/Structured Bank Deposit

Deposits placed with a financial institution

The deposits placed with a financial institution carried interest at prevailing market rate of 3.5% per annum during the year ended 30th September, 2008.

The deposits were withdrawn during the year.

Structured bank deposit

On 22nd July, 2009, the Company entered into a structured contract with a bank with a principal sum of US$40,000,000. The structured bank deposit is a principal-protected yield enhancement bank deposit and contains an embedded derivative, which represents the return varying with prevailing market exchange rate of RMB/USD and accounted for separately in Note 25.

The structured bank deposit carries a minimum interest rate at 0.5% per annum plus a maximum additional interest rate of 1.5% per annum which will be determined by reference to the market exchange rate of RMB/USD at certain pre-determined dates.

The principal amount together with its return will be repaid on the maturity date of 24th May, 2010 and therefore, both the host contract and embedded derivative are classified as current assets.

28. Deposits Placed with a Financial Institution/Structured Bank Deposit (continued)

Structured bank deposit (continued)

Derivative financial instrument

	2009 US$'000
Derivative embedded in the structured bank deposit:	
At the beginning of the year	–
Initial fair value embedded in the structured bank deposit	277
Changes in fair value	60
At the end of the year	337

The change in fair value of US$60,000 was credited to the consolidated income statement for the year ended 30th September, 2009.

On 22nd July, 2009 and at the balance sheet date, the fair values of the embedded derivative in the structured bank deposit were determined based on valuation provided by the counterparty bank using valuation techniques.

29. 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 0.01% to 0.41% (2008: 0.10% to 4.80%) per annum during the year.

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

	2009 US$'000	2008 US$'000
USD	34,742	103,245
RMB	82,846	60,095
HKD	88,644	5,802
NTD	8,924	853
VND	2,616	3,323
IDR	1,122	1,427
	218,894	174,745

29. Bank Balances and Cash/Pledged Bank Deposits/Bank Overdrafts (continued)

Pledged bank deposits

As at 30th September, 2008, pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to US$2,337,000 had been pledged to secure bank overdrafts, short-term bank loans and undrawn facilities, and were therefore classified as current assets.

The pledged bank deposits carried interest at rates ranged from 5.73% to 5.99% per annum during the year ended 30th September, 2008 and were released upon the settlement of relevant bank borrowings during the year.

Bank overdrafts

Bank overdrafts carried interest at market rates which ranged from 7.25% to 9.00% per annum during the year ended 30th September, 2008 and were settled during the year.

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

	2009 US$'000	2008 US$'000
HKD	–	188

30. Trade and Other Payables

	2009 US$'000	2008 US$'000
Trade and bills payables	349,415	341,041
Other payables	408,841	296,708
	758,256	637,749

Included in other payables are accruals of various nature of approximately US$232,810,000 (2008: US$150,472,000), receipts in advance from customers of approximately US$21,776,000 (2008: US$19,615,000), royalty payables of approximately US$1,099,000 (2008: US$7,494,000).

30. Trade and Other Payables (continued)

Included in trade and other payables are trade and bills payables of US$349,415,000 (2008: US$341,041,000) and an aged analysis is as follows:

	2009 US$'000	2008 US$'000
0 to 30 days	272,993	243,536
31 to 90 days	64,251	74,054
Over 90 days	12,171	23,451
	349,415	341,041

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 currency of the relevant group entities are set out below:

	2009 US$'000	2008 US$'000
USD	187	156
RMB	29,950	42,167
HKD	18,091	9,954
NTD	20,735	31,993
VND	4,010	2,577
IDR	3,498	4,962
	76,471	91,809

31. Short-term Bank Borrowings

	2009 US$'000	2008 US$'000
Current portion of long-term bank borrowings (Note 33)	**284,678**	192
Short-term bank borrowings	**285,523**	344,038
Trust receipt and import loans	**–**	48
	570,201	344,278
Analysed as:		
Secured	**–**	192
Unsecured	**570,201**	344,086
	570,201	344,278

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

	2009 US$'000	2008 US$'000
Fixed rate borrowings	**15,450**	12,017
Variable rate borrowings	**554,751**	332,261
	570,201	344,278

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:

	2009	2008
Effective interest rate:		
Fixed rate borrowings	**4.62% to 6.25%**	5.99% to 7.25%
Variable rate borrowings	**1.20% to 7.20%**	2.72% to 7.47%

31. Short-term Bank Borrowings (continued)

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

	2009 US$'000	2008 US$'000
USD	**44,500**	–
RMB	**9,374**	–
HKD	**280,213**	–
	334,087	–

32. Convertible Bonds

(i) Convertible bonds

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

These relate to the convertible bonds issued on 23rd December, 2003 and on 12th January, 2004 which were listed on the Luxembourg Stock Exchange. The CB 2008 did not bear interest.

On 23rd December, 2008, the outstanding balance of CB 2008 was redeemed in full on its maturity date by the Company at an aggregate consideration of US$264,829,000. There was no impact to the consolidated income statement on redemption.

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 approximately US$270 million) which are listed on the Stock Exchange. The CB 2011 do not bear interest.

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 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. Accordingly, the liability component of CB 2011 is classified as current liability as at 30th September, 2009.

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

32. Convertible Bonds (continued)

(i) Convertible bonds (continued)

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

In addition, 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.

At 30th September, 2009, the liability component of CB 2011 with a carrying amount of US$271,337,000 (2008: US$255,479,000) and principal amount of HK$2,100 million (2008: HK$2,100 million), equivalent to approximately US$270 million (2008: US$270 million) remained outstanding.

At 30th September, 2009, the fair value based on quoted ask price of the CB 2011 was US$297,240,000 (2008: US$267,561,000).

The movement of the liability component of the CB 2008 and CB 2011 for the year ended 30th September, 2009 is set out below:

	2009			
	CB 2008 US$'000	CB 2011 US$'000	Total US$'000	2008 US$'000
At the beginning of the year	262,131	255,479	517,610	492,135
Effective interest expenses	2,698	15,174	17,872	25,585
Redemption of CB 2008	(264,829)	–	(264,829)	–
Exchange difference	–	684	684	(110)
At the end of the year	–	271,337	271,337	517,610
Less: amount included in current liabilities	–	(271,337)	(271,337)	(262,131)
Amount due after one year	–	–	–	255,479

During the year ended 30th September, 2009, the effective interest rates of CB 2008 and CB 2011 were 4.52% (2008: 4.52%) and 5.93% (2008: 5.93%), respectively.

32. Convertible Bonds (continued)

(ii) Derivative financial instruments

	2009 US$'000	2008 US$'000
Derivatives embedded in the CB 2011:		
At the beginning of the year	**39,458**	23,798
Exchange realignment	**105**	(15)
Changes in fair value	**(28,995)**	15,675
At the end of the year	**10,568**	39,458

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.

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

	2009	2008
Share price	**HK$21.50**	HK$21.00
Exercise price	**HK$26.75**	HK$26.75
Expected dividend yield	**4.1%**	4.2%
Volatility	**39%**	35%

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

	2009 US$'000	2008 US$'000
HKD	**271,337**	255,479

33. Long-term Bank Borrowings

	2009 US$'000	2008 US$'000
The long-term bank borrowings are repayable:		
Within one year	**284,678**	192
In more than one year, but not exceeding two years	**6,382**	282,384
In more than two years, but not exceeding three years	**553,064**	2,554
In more than three years, but not exceeding four years	**75,262**	2,567
In more than four years, but not exceeding five years	**37,780**	218
In more than five years	**7,719**	8,291
	964,885	296,206
Less: Amount due within one year included in current liabilities (Note 31)	**(284,678)**	(192)
Amount due after one year	**680,207**	296,014
Analysed as:		
Secured	**8,738**	9,160
Unsecured	**671,469**	286,854
	680,207	296,014

At 30th September, 2009, the above secured borrowings were secured by certain investment properties of the Group with a carrying value of approximately US$11,500,000 (2008: US$13,493,000).

As at 30th September, 2008, included in the long-term bank borrowings was an amount of US$280 million drawn under a syndicated loan facility of 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. As at 30th September, 2009, since the loan is matured in May 2010, it is classified as current liability.

At 30th September, 2009 and 2008, the Group had undrawn syndicated loans facilities of US$140 million (2008: US$140 million). The syndicated loan facility will expire in May 2010.

33. Long-term Bank Borrowings (continued)

On 21st April, 2009, the Group obtained a three years loan facility of US$500 million, comprising a US$371 million facility in USD and a US$129 million facility in HKD, which have been fully drawn in August 2009, and included in long-term bank borrowings. Pursuant to the loan agreement, certain substantial shareholders of the Company, namely, the family of Tsai and PCC, are obliged to maintain an aggregate shareholding of not less than 51% of the issued share capital of the Company. The loan was raised in meeting its expected funding requirement of CB2011 and syndicated loan.

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

	2009 US$'000	2008 US$'000
USD	–	2,314
HKD	129,818	280,213
	129,818	282,527

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

	2009 US$'000	2008 US$'000
Fixed rate borrowings	8,738	9,160
Variable rate borrowings	671,469	286,854
	680,207	296,014

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:

	2009	2008
Effective interest rate:		
Fixed rate borrowings	6.25%	6.08% to 6.25%
Variable rate borrowings	1.20% to 7.20%	5.23% to 5.63%

34. 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$'000 (note)	Fair value adjustments on business combination US$'000	Tax losses US$'000	Total US$'000
At 1st October, 2007	3,814	4,336	–	–	–	8,150
(Credited) 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
Acquired on acquisition of subsidiaries	–	–	1,992	18,710	–	20,702
(Credited) charged to the consolidated income statement	(62)	(1,798)	(578)	(288)	693	(2,033)
At 30th September, 2009	**3,495**	**2,742**	**4,458**	**18,422**	**(1,215)**	**27,902**

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

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

	2009 US$'000	2008 US$'000
Deferred tax assets	**1,252**	1,908
Deferred tax liabilities	**(29,154)**	(11,141)
	(27,902)	(9,233)

At the balance sheet date, the Group had unused tax losses of approximately US$73.9 million (2008: US$48.6 million). A deferred tax asset has been recognised in respect of such tax losses approximately US$4.9 million (2008: US$7.6 million). No deferred tax asset has been recognised in respect of the remaining tax losses of US$69.0 million (2008: US$41.0 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$5.1 million (2008: US$2.5 million) and US$22.7 million (2008: Nil) that will expire between 2012 and 2013, respectively. Other tax losses may be carried forward indefinitely.

34. Deferred Taxation (continued)

Deferred taxation has not been provided in respect of the undistributed earnings of the Group's PRC subsidiaries arising since 1st January, 2008, 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$166.0 million (2008: US$59.9 million).

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

35. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2007, 30th September, 2008 and 30th September, 2009	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At 1st October, 2007 and 30th September, 2008	1,663,628,986	415,907
Cancellation upon share repurchase	(14,700,500)	(3,675)
At 30th September, 2009	**1,648,928,486**	**412,232**

	US$'000
Shown in the consolidated financial statements as at:	
30th September, 2009	**53,211**
30th September, 2008	53,682

In October 2008, the Company repurchased 14,700,500 own shares on the Stock Exchange at an aggregate consideration of approximately HK$236,597,000 (equivalent to approximately US$30,366,000) pursuant to the general mandate granted to the directors at its annual general meeting. The highest and lowest price paid for the repurchased shares were HK$17.46 and HK$13.88, respectively.

The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

36. Balance Sheet Information of the Company

	2009 US$'000	2008 US$'000
Total assets	**3,065,047**	2,314,799
Total liabilities	**(1,694,111)**	(975,007)
	1,370,936	1,339,792
Capital and reserves		
Share capital	**53,211**	53,682
Reserves (Note 37)	**1,317,725**	1,286,110
	1,370,936	1,339,792

37. 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, 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
Profit for the year	–	–	–	–	250,804	250,804
Cancellation upon share repurchase	(29,895)	–	–	–	–	(29,895)
Redemption of convertible bonds	–	–	(18,118)	–	18,118	–
Dividends (Note 12)	–	–	–	–	(189,294)	(189,294)
At 30th September, 2009	**695,536**	**38,126**	**–**	**25,394**	**558,669**	**1,317,725**

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.

38. Share-based Payment Transactions

The Company and Pou Sheng, a listed subsidiary of the Company, operate share incentive schemes, particulars of which are set out below.

(i) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27th February, 2009 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on 26th February, 2019. Under the Scheme, the board of directors of the Company may at its discretion grant any eligible participant, including inter alia, directors and employees of the Company and its subsidiaries, share options, as it may determine appropriate.

Without prior approval from the Company's shareholders,

(i) 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 the Company in issue at any point in time;

(ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company'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 Company's shareholders.

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

No options were granted, exercised nor lapsed under the Scheme since its adoption.

38. Share-based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng

Pou Sheng's share option scheme (the "Pou Sheng Scheme") was adopted pursuant to a resolution passed on 14th May, 2008 for the primary purpose to 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 Pou Sheng 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.

Without prior approval from the Pou Sheng's shareholders,

(i) the total number of shares in respect of which options may be granted under the Pou Sheng Scheme is not permitted to exceed 10% of the shares of Pou Sheng in issue at any point in time;

(ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors 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.

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

No options were granted, exercised or lapsed under the Pou Sheng Scheme since its adoption.

38. Share-based Payment Transactions (continued)

(iii) Pre-IPO share subscription plan of Pou Sheng

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 a discount of 30% below Pou Sheng's IPO price (the "Plan Shares"), for the primary purpose to recognise contributions of eligible persons, to seek to retain them for the continued operation and development of the Pou Sheng and to attract suitable personnel for the Pou Sheng's further development. The Plan is an one-off and close-end scheme. The Plan Shares to be subscribed under the Plan at the invitation date is as follows:

	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 was to be subscribed within 5 year period after each anniversary of 8th June, 2008.

(ii) 10% of the Plan Shares was to be subscribed within 10 year period after each anniversary of 8th June, 2008.

Pursuant to the Plan, the latest date for the grantees to subscribe for Plan Shares under the Plan was 8th June, 2009. As at 8th June, 2009, no subscription was made by any grantee and Pou Sheng decided not to enforce any of those subscriptions. Pou Sheng also resolved to terminate the Plan in light of the then circumstances having regard to then performance of the price of Pou Sheng's shares.

On 4th September, 2009, Pou Sheng and all grantees (except for those who left Pou Sheng or its subsidiaries already and whose subscription rights have been lapsed automatically) agreed to terminate all the existing outstanding subscriptions and agreed to release each other from their respective obligations under the Plan so that Pou Sheng will not be required to issue new shares and the relevant grantees will not be required to subscribe for new shares of Pou Sheng.

38. Share-based Payment Transactions (continued)

(iii) Pre-IPO share subscription plan of Pou Sheng (continued)

The fair value of the subscription right for the Plan Shares on the date of invitation was calculated using the binomial model. The inputs into the binomial model for the purpose of the estimation 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 subscription right per share	HK$0.99	HK$0.98

The binomial 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 the directors' best estimates. Such fair value varies when different assumptions, which are necessarily subjective.

The dividend yield is 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 as Pou Sheng's shares have been listed on the Stock Exchange with effect from 6th June, 2008.

The total fair value of the subscription right of the Plan Shares on the grant date was US$13,227,000, of which an amount of approximately US$706,000 was recognised as expense for the year ended 30th September, 2008 and the balance of US$12,521,000 recognised as an expense for the year ended 30th September, 2009 as a result of accelerated recognition following the effective cancellation of the Plan.

39. 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 associates 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.

40. Financial Instruments

40a. Categories of financial instruments

	2009 US$'000	2008 US$'000
Financial assets		
Derivative financial instruments	**69,271**	74,312
Loans and receivables (including cash and cash equivalents)	**2,002,537**	1,336,666
Available-for-sale financial assets	**15,481**	29,218
Financial liabilities		
Derivative financial instruments	**11,302**	41,632
Amortised cost	**1,978,299**	1,617,669

40b. Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, amounts due from associates, amounts due from jointly controlled entities, derivative financial instruments, trade and other receivables, deposits placed with a financial institution, structured bank deposit, pledged bank deposits, bank balances and cash, 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.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (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 forward and other foreign currency contracts to hedge USD against RMB and HKD. Details of the contracts are set out in Note 25(c). 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 balance sheet date are as follows:

	Assets		Liabilities	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
USD	**35,667**	103,786	**44,687**	2,470
RMB	**86,569**	78,549	**39,324**	42,167
NTD	**19,512**	18,353	**20,735**	31,993
VND	**16,626**	16,174	**4,010**	2,577
IDR	**9,773**	9,922	**3,498**	4,962
HKD	**96,405**	14,031	**710,027**	585,292

Sensitivity analysis

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

Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate. The management expects the movement in HKD against USD is 1% while the movement in other exchange rates against USD is 5%. 1% and 5% (2008: 1% and 5%) are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in HKD and other currencies exchange rates respectively.

If the HKD strengthen 1% (2008: 1%) against the functional currency of USD, the Group's profit for the year ended 30th September, 2009 would decrease by US$6,136,000 (2008: US$5,713,000). If the HKD weaken 1% (2008: 1%) against USD, there would be an equal and opposite impact on the profit for the year.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

Other than the sensitivity on the fluctuation of HKD against USD as presented above, the following table details the Group's sensitivity to a 5% (2008: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 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 currency below strengthen 5% against the functional currencies of the relevant group entities. For a 5% (2008: 5%) weakening of these currency against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit.

	notes	2009 US$'000	2008 US$'000
(Loss) gain in relation to:			
– USD	(i)	**(451)**	5,066
– RMB	(i)	**2,362**	1,819
– NTD	(ii)	**(61)**	(682)
– VND	(ii)	**631**	680
– IDR	(ii)	**314**	248

notes:

(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 NTD, VND and IDR.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(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, deposits placed with a financial institution, pledged bank deposits, bank balances and bank borrowings (see Notes 21, 23, 28, 29, 31 and 33 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 amount due from a jointly controlled entity, loan component of structured bank deposit and fixed-rate bank borrowings (see Notes 23, 28, 31 and 33 for details respectively). The management monitors interest rate exposure and will consider to repay the fixed-rate amount due from a jointly controlled entity and 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.

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 (2008: 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.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates on interest-bearing amounts due from associates and jointly controlled entities and bank borrowings had been 100 basis points (2008: 100 basis points) higher and all other variables were held constant, the Group's profit for the year ended 30th September, 2009 would decrease by US$11,451,000 (2008: decrease by US$5,362,000). If interest rates were lower by 100 basis points (2008: 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 variable-rate borrowing.

(iii) Other price risk

The Group's available-for-sale equity investments, embedded derivatives of CB 2011, HKD Call Option, JV Call Options, foreign currency derivatives and embedded derivative in structured bank deposit at each balance sheet date exposed the Group to other price risk. The Group's other price risk is mainly concentrated on equity instruments of companies which operate in footwear industry. Details of those are set out in Notes 24, 25 and 28.

Sensitivity analysis

(a) Available-for-sale investments

The Group is also exposed to equity price risk through its available-for-sale investments. For sensitivity analysis purpose, the sensitivity rate is decreased to 10% in the current year as a result of the stable financial market. If the market price of the listed investment had increased/decreased by 10% (2008: 20%), the Group's reserve would increase/decrease by approximately US$831,000 at 30th September, 2009 (2008: US$1,238,000).

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

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

For sensitivity analysis purpose, the sensitivity rate is decreased to 10% in the current year as a result of the stable financial market.

If the market price of the Company's shares had been 10% (2008: 20%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would (decrease)/increase as follows:

		2009 US$'000	2008 US$'000
(i)	Higher by 10% (2008: 20%)		
	Embedded derivatives of CB 2011	(5,420)	(11,351)
	HKD Call Options	6,991	17,024
(ii)	Lower by 10% (2008: 20%)		
	Embedded derivatives of CB 2011	3,523	2,703
	HKD Call Options	(4,523)	(10,165)

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

(c) JV Call Options

As set out in Note 25, 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 recognised in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

If one of these inputs, growth rate or expected price-earning rate – Pou Sheng, to the valuation model had been 10% (2008: 10%) higher/lower while all other variables were held constant, the profit for the year ended 30th September, 2009 and 2008 would have (decreased) increased as follows:

	2009		2008	
	Higher by 10% US$'000	**Lower by 10% US$'000**	Higher by 10% US$'000	Lower by 10% US$'000
Growth rate	**(1,892)**	**1,863**	(4,065)	2,924
Expected price-earning rate – Pou Sheng	**(1,781)**	**1,902**	(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.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

(d) Forward and other foreign currency derivatives and embedded derivative in structured bank deposit

For the outstanding forward and other foreign currency derivatives contracts, if the market forward exchange rate of USD against RMB and HKD had been 5% and 1% (2008: 5% and 1%) higher/lower, respectively, profit for the year ended 30th September, 2009 would decrease/increase by US$2,682,000 (2008: decrease/increase by US$8,923,000) as a result of the changes in the market foreign currency forward exchange rate of USD against RMB/HKD.

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.

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 45.

The Group has concentration of credit risk on certain individual customers. At the balance sheet date, the five largest receivable balances accounted for approximately 30% (2008: 24%) of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 11% (2008: 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 approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual 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.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 utilised 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 minimise its losses. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

The Group does not have concentration of credit risk on the advances to, and guarantees granted to banks in respect of banking facilities utilised by its associates and jointly controlled entities as these spread across a number of entities.

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 31%, 22% and 39% (2008: 29%, 22%, 41%, respectively), respectively, of the trade receivables at 30th September, 2009. 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 reputation.

Liquidity risk

The Group has net current assets of approximately US$1,090,722,000 (2008: US$815,739,000) as at 30th September, 2009. 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.

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 interest and principal cash flows.

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

For derivative instrument settled on a net basis, undiscounted net cash outflow 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 30.9.2009 US$'000
2009								
Non-derivative financial liabilities								
Trade and other payables	–	409,031	47,080	443	–	–	456,554	456,554
Bank borrowings								
– fixed rate	5.64	9,611	–	2,487	4,810	10,452	27,360	24,188
– variable rate	4.77	539,103	49	22,154	701,034	–	1,262,340	1,226,220
Convertible bonds	–	–	290,893	–	–	–	290,893	271,337
		957,745	338,022	25,084	705,844	10,452	2,037,147	1,978,299
Derivatives – net settlement								
Currency structured contracts								
– Forward contracts	–	35	71	325	278	–	709	683
Derivative gross settlement								
Foreign currency derivatives								
– inflow	–	–	(5,011)	–	–	–	(5,011)	N/A
– outflow	–	–	5,063	–	–	–	5,063	N/A
		–	52	–	–	–	52	51

40. Financial Instruments (continued)

40b. Financial risk management objectives and policies (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$'000	1-5 years US$'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	10,800	24,514	21,177
– variable rate	5.26	72,504	219,656	45,441	302,431	–	640,032	619,115
Convertible bonds	–	264,829	–	–	290,893	–	555,722	517,610
		746,320	283,033	45,642	594,240	10,800	1,680,035	1,617,669
Derivatives – net settlement								
Foreign currency derivatives:								
– Forward contracts	–	244	–	126	–	–	370	364
Derivative 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

In addition to the above contractual obligation, the Group is subject to make additional cash contribution to the jointly controlled entities determined by the price adjustment mechanism as set out in Note 22, should the financial performance of the jointly controlled entities exceeds certain benchmarks.

40. Financial Instruments (continued)

40c. 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 and dealer quotes for similar instruments as input;

- the fair value of the 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 the Pou Sheng; and

- the fair value of the foreign currency derivative and embedded derivative in structured bank deposit are determined using the prices provided by counter banks using valuation techniques.

Except convertible bonds as disclosed in Note 32, 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.

41. Acquisition of Subsidiaries

(i) On 10th July, 2009, the Group acquired 70% of the issued share capital of Farsighted not yet held by the Group (the "Farsighted Acquisition"). The principal activities of Farsighted are retailing of sportswear and sports footwear in the PRC.

The consideration consists of cash in the amount of approximately US$54,947,000 and the issuance of a maximum of 393,584,541 Pou Sheng's ordinary shares of HK$0.01 each, of which 301,314,541 Pou Sheng's shares were issued upon completion of the acquisition at the market price of HK$1.09 at the date of acquisition and the remaining 92,270,000 Pou Sheng shares will only be issued if the aggregate profits of Farsighted for the two years ending 30th September, 2010 reach certain predetermined levels.

In relation to the Farsighted Acquisition, the Group entered into a share subscription agreement with Pou Sheng for the subscription of 421,621,622 ordinary shares of HK$0.01 each in Pou Sheng at a subscription price of HK$0.925 per share for a total consideration of HK$390,000,000 (equivalent to approximately US$50,000,000) (the "Yue Yuen Subscription"). The subscription was completed on 10th July, 2009.

The Farsighted Acquisition and Yue Yuen Subscription were completed on the same date. As a result, the Group's interest in Pou Sheng has been changed from 55.69% to 56.13% but the net assets of Pou Sheng attributable to the Group increased by approximately US$54,776,000 and thus an amount of approximately US$4,776,000 of discount from acquisition of additional interest in Pou Sheng was credited to the consolidated income statement.

(ii) During the year ended 30th September, 2009, the Group also acquired 65.67% of issued capital of Business Network Holdings Limited for a consideration of approximately US$307,000.

In addition, on various dates during the year ended 30th September, 2009, the Group also acquired additional 20% and 5% of the issued capital of New Peak Services Limited (originally 50% held by the Group) and PT.GF Indonesia (originally 46% held by the Group) for an aggregate consideration of approximately US$6,806,000, respectively.

The principal activities of these companies are manufacturing and marketing of footwear.

The transactions have been accounted for using the purchase method of accounting.

41. Acquisition of Subsidiaries (continued)

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Farsighted			Others	
	Carrying amount before combination US$'000	Fair value adjustments US$'000	Fair value US$'000	Carrying amount/ fair value US$'000	Total US$'000
Net assets acquired:					
Property, plant and equipment	6,651	–	6,651	8,357	15,008
Intangible assets	–	74,842	74,842	–	74,842
Inventories	62,785	–	62,785	14,391	77,176
Trade and other receivables	30,081	–	30,081	21,724	51,805
Amounts due from related parties	4,885	–	4,885	–	4,885
Bank balances and cash	2,999	–	2,999	8,268	11,267
Trade and other payables	(21,380)	–	(21,380)	(21,273)	(42,653)
Taxation payable	(5,290)	–	(5,290)	–	(5,290)
Amounts due to related parties	(21,170)	–	(21,170)	(7,138)	(28,308)
Bank borrowings	(19,316)	–	(19,316)	(9,201)	(28,517)
Deferred tax liabilities	(1,992)	(18,710)	(20,702)	–	(20,702)
	38,253	56,132	94,385	15,128	109,513
Interest in associates – previously interest held before combination			(11,476)	–	(11,476)
Interest in jointly controlled entities – previously interest held before combination			–	(2,114)	(2,114)
Fair value adjustments attributable to the Group's interests in Farsighted before combination			(4,551)	–	(4,551)
Fair value adjustments attributable to minority interest in Farsighted before combination			(3,557)	–	(3,557)
Minority interests			–	(5,901)	(5,901)
			74,801	7,113	81,914
Goodwill			22,518	–	22,518
Consideration upon acquisition of subsidiaries			97,319	7,113	104,432
Satisfied by:					
Cash			54,947	307	55,254
Pou Sheng's shares issued			42,372	–	42,372
Amounts due from jointly controlled entities			–	6,806	6,806
			97,319	7,113	104,432
Net cash outflow arising on acquisition:					
Cash consideration paid			(54,947)	(307)	(55,254)
Bank balances and cash acquired			2,999	8,268	11,267
			(51,948)	7,961	(43,987)

41. Acquisition of Subsidiaries (continued)

The directors consider the goodwill arising on acquisition of Farsighted was attributable to the anticipated future operating synergies of the Group's retailing business of sportswear and sports footwear in the PRC.

During the year ended 30th September, 2009, the subsidiaries acquired contributed a profit of approximately US$1,593,000 to the Group's profit for the year between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st October, 2008, total group revenue for the year would have been approximately US$5,218,421,000, and profit for the year would have been a profit of approximately US$467,806,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st October, 2008, nor is it intended to be a projection of future results.

42. Major Non-cash Transactions

For the year ended 30th September, 2009, the major non-cash transactions are as follows:

1. Pou Sheng issued 301,314,541 shares at market price of HK$1.09 per share with an aggregate value of US$42,372,000 to acquire a subsidiary.

2. During the year ended 30th September, 2009, the Group capitalised amounts due from jointly controlled entities of approximately US$6,806,000 as consideration for acquisition of subsidiaries. Details of acquisition are set out in Note 41.

For the year ended 30th September, 2008, the major non-cash transactions were 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 Pou Sheng and US$17,277,000 was satisfied by cash.

2. Pou Sheng 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 interest in a subsidiary.

43. Operating Leases

The Group as lessee

	2009 US$'000	2008 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	33,614	57,626
– retail shops	49,433	35,065
– plant and machinery	2,703	4,030
	85,750	96,721
Contingent rentals:		
– Shops	85,537	72,751
	171,287	169,472

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:

	2009 US$'000	2008 US$'000
Within one year	54,520	54,680
In the second to fifth year inclusive	96,263	97,111
After five years	19,711	44,202
	170,494	195,993

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$6.7 million (2008: Nil) and US$6.4 million as at 30th September, 2009 which expire in 2010 and 2011, respectively, payable to related companies, Godalming Industries Limited and its subsidiaries, details of which are set out in Note 47(g).

43. Operating Leases (continued)

The Group as lessor

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

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

	2009 US$'000	2008 US$'000
Within one year	**4,782**	3,323
In the second to fifth year inclusive	**10,052**	7,910
After five years	**33,451**	26,442
	48,285	37,675

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 payable. Rental income received by the Group during the year amounted to US$8,017,000 (2008: US$6,426,000), included in which was rental income arising from contingent lease contacts of US$5,663,000 (2008: US$2,031,000).

44. Commitments

	2009 US$'000	2008 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	**30,863**	34,971
– acquisition of property, plant and equipment	**8,646**	26,195
	39,509	61,166
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– investment in available-for-sale investments	**3,772**	3,708
– investment in jointly controlled entities	**1,523**	–
	5,295	3,708
	44,804	64,874

In addition, the Group had contingent commitments in respect of further investments in jointly controlled entities as set out in Note 22.

45. Contingencies

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

	2009 US$'000	2008 US$'000
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	**119,798**	150,269
– amount utilised	**72,871**	103,959
(ii) associates		
– amount guaranteed	**31,269**	18,918
– amount utilised	**19,477**	10,205

46. 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.

47. 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	2009 US$'000	2008 US$'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)	795	1,100
	Costs and expenses reimbursed and services fee paid to PCC under the Services Agreements (note b)	302,991	362,035
	Tanning facilities and processing services fee paid (note c)	8,078	8,527
	Rental expenses under the Rental Agreements (note d)	1,153	1,248
	Leather splitting fees (note e)	414	–
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes (note a)	16,574	18,050
	Management services income received (note f)	5,918	27,687
	Balance due from/to at 30th September and included in:		
	– trade receivables	1,761	–
	– trade payables	38,118	27,803
	– other receivables (note i)	8,278	11,982
	– other payables (note i)	7,495	10,168

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

(I) CONNECTED AND RELATED PARTIES (continued)

Name of company	Nature of transactions/balances	2009 US$'000	2008 US$'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 f)	**1,151**	3,160
	Rental received on dormitories (note f)	**1,218**	1,847
	Balance due from/to at 30th September and included in:		
	– trade receivables	**–**	2,992
	– trade payables	**–**	166
	– other receivables (note i)	**3,553**	3,507
	– other payables (note i)	**158**	23
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings (note g)	**6,729**	6,698
	Balance due from/to at 30th September and included in:		
	– other receivables (note i)	**1,890**	5,662
	– other payables (note i)	**229**	48

(II) CONNECTED PARTIES

Name of company	Nature of transactions/balances	2009 US$'000	2008 US$'000
Minority shareholders of subsidiaries	Consideration for acquisition of additional interests in subsidiaries (note h)	**1,500**	4,991

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

(III) RELATED PARTIES, OTHER THAN CONNECTED PARTIES

Name of company	Nature of transactions/balances	2009 US$'000	2008 US$'000
Jointly controlled entities:	Purchase of raw materials	**108,766**	142,023
	Purchase of sportwear products	**685**	–
	Sales of shoe-related products	**1,824**	4,610
	Sales of sportswear products	**7,828**	11,589
	Management service income	**10,986**	8,037
	Interest income	**1,862**	171
	Balance due from/to at 30th September		
	– trade receivables	**7,043**	11,151
	– trade payables	**20,906**	19,496
	– other receivables (note i)	**16,843**	7,718
	– other payables (note i)	**385**	2,359
Associates:	Purchase of raw materials	**58,721**	74,786
	Purchase of sportwear products	**357**	–
	Sales of shoe-related products	**1,445**	1,401
	Sales of sportswear products	**3,250**	10,832
	Management service income	**4,738**	6,936
	Interest income	**49**	124
	Balance due from/to at 30th September		
	– trade receivables	**3,291**	3,941
	– trade payables	**9,403**	4,539
	– other receivables (note i)	**15,423**	16,677
	– other payables (note i)	**2,976**	417

(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.

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

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 23rd December, 2008. PCC is owned indirectly through Plantegenet Group Limited as to 12.03% by members of Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng and Mr. David N.F. Tsai and directly as to 7.09% by relatives of Mr. Tsai Chi Neng.

(b) Pursuant to services agreement dated 22nd February, 1997, first supplemental services agreement dated 9th January, 2007 and second supplemental services agreement dated 20th November, 2008 entered into between the Company and PCC (collectively the "Services Agreements"), 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 Agreements, 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, first supplemental production agreement dated 9th January, 2007 and second supplemental production agreement dated 20th November, 2008 (collectively the "Production Agreements") 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 Agreements, 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 29th August, 2008, 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.

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

notes: (continued)

(d) Certain subsidiaries of the Company, PCC and certain subsidiaries of the PCC Group entered into four lease agreements on 9th January, 2007 and the respective supplemental lease agreements on 20th November, 2008 (collectively the "Rental Agreements") for leasing of PCC Group's premises for a term of 3 years from 1st October, 2008. 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. (99.38% 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 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 20th November, 2008, Prima Asia China Leather Corporation ("Prima Asia China"), a wholly owned subsidiary of the Company, entered into a leather splitting agreement ("Leather Splitting Agreement") with Barits, under which Barits agreed to provide leather splitting services to Prime Asia China for a term of three years from 1st October, 2008 to 30th September, 2011.

In consideration of the services provided by Barits under the Leather Splitting Agreement, Prime Asia China shall pay Barits a monthly leather splitting fee based on the following:

(i) the market price for leather splitting fee for the service of splitting the wet blue leather into split and wet blue-split.

(ii) sales commission for the sale of the split for domestic and export sales on behalf of Prime Asia China charged at market rate based on the selling price of the split.

(iii) import and export charges incurred by Barits.

The fees for (i) and (ii) above are based on open market rates and are no less favourable that those offered by independent third parties and are subject to adjustment each quarter.

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

notes: (continued)

(f) Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into certain supplemental management service agreements with PCC and Golden Brands on 9th January, 2007 and 20th November, 2008 for the provision of management services to PCC and Golden Brands and their subsidiaries.

In addition, Highmark entered into a lease agreement and certain supplemental lease agreements on 9th January, 2007 and 20th November, 2008 respectively with Golden Brands to lease 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. In respect of electricity provided by the public sector, a service fee of RMB0.16 for each Kilowatt-hour unit of electricity is charged in addition to the price charged by the public sector;

(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.

(g) 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 20th November, 2008 for a lease term of 3 years from 1st October, 2008.

The prevailing rent is equivalent to the open market rental value at 30th September, 2008 as certified by Knight Frank, an independent firm of professional valuers.

(h) On 30th May, 2008, Great Pacific Investments Limited ("Great Pacific"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with the minority shareholder of EthoSport Development Corp. ("EthoSport"), which was then 60% owned subsidiary of the Company, to acquire an additional 40% equity interests in EthoSport for an aggregate 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 an additional 10% equity interest in 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.

On 31st July, 2009, Great Pacific entered into a sales and purchase agreement with the minority shareholder of Prodigy Management Limited ("Prodigy"), which was then 75% owned subsidiary of the Company, to acquire an additional 15% equity interest in Prodigy for an aggregate total consideration of approximately US$1,500,000.

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

48. Post Balance Sheet Event

On 17th November, 2009, as permitted by the terms of the CB2011, certain bondholders of CB2011 exercised their options to require the Company to redeem their CB2011 with an aggregate principal amount of HK$134,400,000 (equivalent to approximately US$17,343,000) at 107.738 per cent of the principal amount.

49. Principal Subsidiaries

Details of the Company's principal subsidiaries at 30th September, 2009 and 2008 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*
			2009	2008	
A-Grade Holdings Limited	British Virgin Islands	US$9,000	56.13%+	55.69%+	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited	PRC**	US$20,000,000	56.13%+	55.69%+	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited	PRC**	US$5,000,000	56.13%+	55.69%+	Retailing of sportswear
Baoyu (Chengdu) Trading Company Limited	PRC**	US$7,400,000	56.13%+	55.69%+	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	56.13%+	55.69%+	Investment holding

49. 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 2009	2008	Principal activities*
Diodite (China) Sports Company Limited	PRC**	US$20,000,000	**56.13%+**	55.69%+	Retailing of sportswear
Dragonlight (China) Sports Goods Company Limited	PRC**	US$66,000,000	**56.13%+**	55.69%+	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
Farsighted International Limited**** ("Farsighted")	British Virgin Islands	US$100	**56.13%+**	–	Investment holding in a group of PRC companies which are engaged in retailing of sportswear and sports footwear
Farquharson Holdings Corp.	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
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

49. 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*
			2009	2008	
Gold Plenty International Limited	British Virgin Islands	US$1	100%	100%	Sales 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	56.13%+	55.69%+	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC*****	RMB1,000,000	56.13%+	55.69%+	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 (Macro Commercial Offshore) Limited	Macau	MOP100,000	100%	100%	Sales 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%	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

49. 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 2009	2008	Principal activities*
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	**50.52%+**	50.12%+	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 (“Pou Sheng”)	Bermuda***	HK$42,905,000	**56.13%**	55.69%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$47,000,000	**100%**	100%	Manufacture and sale of footwear

49. 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 2009	2008	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%	
Pouyuen 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	56.13%+	55.69%+	Investment holding
Shengdao (Yangzhou) Sports Goods Development Company Limited	PRC**	US$66,000,000	56.13%+	55.69%+	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

49. 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 2009	2008	Principal activities*
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
Wellmax Business Group Limited	British Virgin Islands	US$9,000	56.13%+	55.69%+	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC*****	RMB1,000,000	56.13%+	55.69%+	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd.	PRC**	US$10,000,000	56.13%+	55.69%+	Distribution of licenced products
Yue Ming International Limited	Hong Kong	HK$1	56.13%+	55.69%+	Distribution of licenced products
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	56.13%+	55.69%+	Manufacturing of sportswear
Yunnan Orientalsport Economy Trade Company Limited	PRC**	RMB56,100,000	28.63%+	28.40%+	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC*****	RMB87,500,000	33.68%+	33.41%+	Property leasing and management
YY Sports Holdings Limited	British Virgin Islands	US$1	56.13%+	55.69%+	Investing holding

49. Principal Subsidiaries (continued)

- * The principal activities are carried out in the place of incorporation/establishment unless otherwise stated.
- ** These companies established in the PRC are wholly-foreign owned enterprises.
- *** Pou Sheng is a listed company on the Stock Exchange.
- **** Farsighted become a subsidiary on 10th July, 2009. As at 30th September, 2008, Farsighted was an associate.
- ***** These companies are wholly-domestic owned enterprises established in the PRC.
- + These companies were subsidiaries of Pou Sheng as at the balance sheet dates.

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

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

None of the subsidiaries had any debt securities outstanding during the year or at the end of the year.

50. Principal Associates

Details of the Group's principal associates at 30th September, 2009 and 2008 are as follows:

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly		Principal activities
		2009	2008	
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") (Note (ii))	British Virgin Islands	–	16.71%+	Investment holding in a group of PRC companies which and engaged in retailing of sportwear and sports footwear

50. Principal Associates (continued)

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2009	2008	Principal activities
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 (iii))	Cayman Islands	8.98%	8.98%	Manufacturing and trading of apparel
Nan Pao Resins (Note (v))	Taiwan	22.15%	19.39%	Manufacturing and trading of chemical for leather use
Natural Options Limited	British Virgin Islands	38.30%	38.30%	Manufacture of foamed cotton
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	49.47%	47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	37%	37%	Investment holding
Platinum 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

50. Principal Associates (continued)

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly 2009	2008	Principal activities
San Fang Chemical Industry Co. Ltd. (Note (iv))	Taiwan	**44.72%**	44.72%	Manufacture and trading of synthetic leather
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	PRC**	**22.45%+**	22.28%+	Retailing of sportswear
Teco (Dongguan) Air Conditioning Equipment Ltd.	PRC**	**30%**	30%	Manufacture of central cooling system, commercial air conditioner and accessories
Zhejiang Baohong Sports Goods Company Limited	PRC**	**27.50%+**	27.29%+	Retailing of sportswear

** The companies established in the PRC are sino-foreign joint venture.
+ These companies are associates of Pou Sheng at the balance sheet dates.

Notes:

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

(ii) Farsighted became a subsidiary on 10th July, 2009. As at 30th September, 2008, Farsighted was an associate held by Pou Sheng.

(iii) 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 with the ability to appoint a director of the Company into the board of director of Luen Thai, and accordingly, the investment is accounted for as an associate.

(iv) These companies are incorporated in Taiwan with their shares listed on the Taiwan Stock Exchange Corporation.

(v) The Group has been in position to exercise significant influence in Nan Pao Resins since 30th November, 2008 and accordingly, the investment is accounted for as an associate. At 30th September, 2008, investment in Nan Pao Resins is accounted for as available-for-sale investment which carried at cost less impairment.

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.

51. Principal Jointly Controlled Entities

Details of the Group's principal jointly controlled entities at 30th September, 2009 and 2008 are as follows:

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly		Principal activities
		2009	2008	
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 in Indonesia
Harbin Shenge Sports Chain Company Limited	PRC**	**25.26%+**	25.06%+	Retailing of sportswear
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**	**28.07%+**	27.85%+	Retailing of sportswear
Jilin Lingpao Sports Goods Company Limited	PRC**	**28.07%+**	27.85%+	Retailing of sportswear

51. Principal Jointly Controlled Entities (continued)

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital held by the Company indirectly		Principal activities
		2009	2008	
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**	**28.07%+**	27.85%+	Retailing of sportswear
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC**	**28.07%+**	27.85%+	Retailing of sportswear

\+ These companies were jointly controlled entities of Pou Sheng as at the balance sheet dates.
** The 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.

	Year ended 30th September,				
	2005	2006	2007	2008	**2009**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	3,154,835	3,657,379	4,114,090	4,919,937	**5,016,902**
Profit before taxation	307,616	375,604	386,647	515,429	**470,093**
Income tax expense	(4,284)	(9,257)	(17,715)	(24,685)	**(8,131)**
Profit for the year	303,332	366,347	368,932	490,744	**461,962**
Attributable to:					
Equity holders of the Company	297,912	353,591	359,432	468,664	**464,730**
Minority interests	5,420	12,756	9,500	22,080	**(2,768)**
	303,332	366,347	368,932	490,744	**461,962**

	As at 30th September,				
	2005	2006	2007	2008	**2009**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	3,127,058	3,378,792	4,120,772	4,968,675	**5,758,802**
Total liabilities	(1,182,021)	(1,242,223)	(1,626,968)	(1,860,126)	**(2,337,422)**
	1,945,037	2,136,569	2,493,804	3,108,549	**3,421,380**
Equity attributable to:					
Equity holders of the Company	1,927,050	2,091,320	2,419,378	2,779,897	**3,037,227**
Other reserve of a listed subsidiary	–	–	–	706	**–**
Minority interests	17,987	45,249	74,426	327,946	**384,153**
	1,945,037	2,136,569	2,493,804	3,108,549	**3,421,380**

Corporate Social Responsibility
企業社會責任

Being committed to observe Corporate Social Responsibility (CSR) is a key part of the Group's operating strategy. During the year various CSR programs were implemented by the Group. Leading corporations of the 21st century should view their CSR programs as a commitment to meet public expectations. The Group has a CSR division with teams at every factory across Asia, to ensure CSR programs are carried out properly and to act as the point of contact with the CSR divisions of the brand name customers. These teams consist of experienced individuals with skills in all the different aspects of manufacturing. These teams are able to design CSR programs that will consider the interests of all the various stakeholders in the factories. In many instances the CSR divisions of the Group and the brand name customer work together to ensure industry best-practices are followed. This joint commitment to ensure the effective performance of CSR programs creates a closer bond between the Group and the brand name customers. Many sophisticated institutional investors target to invest only in companies that give consideration to CSR within their operations and are willing to implement programs that uphold good CSR standards.

When performing CSR programs the Group focuses on achieving certain goals. 1) Factory workers should be fairly treated and their rights respected. The Group considers not only the situation facing workers within the Group but also the circumstances for workers in joint ventures and sub-contractor factories working for the Group. The aspiration is that any factory staff performing duties for the Group will receive fair treatment. 2) Factory Workers should be hired under proper contract terms and receive appropriate wages. Again this goal applies not only to factories in the Group but also to those within joint ventures or doing subcontracting work for the Group. The Group hires staff by agreeing on work employment contracts at market competitive rates with the view of pursuing a long term relationship with the worker. 3) Pollution from operations should be reduced where ever possible. Pollution is an

履行企業社會責任是本集團企業策略的重要一環。年內，本集團實施多項企業社會責任計劃。公眾人士預期二十一世紀之知名企業應視履行企業社會責任計劃為一項承諾。本集團擁有企業社會責任部門，於亞洲各地之廠房均駐有團隊，確保妥善執行企業社會責任計劃，並負責與知名品牌客戶之企業社會責任部門聯繫。該等團隊由經驗豐富之人員組成，彼等於製造業務方面具備不同技能。該等團隊根據工廠內不同利益關係人之權益設計企業社會責任計劃。在許多情況下，本集團之企業社會責任部門與品牌客戶合作確保緊貼業內的最佳常規。本集團與品牌知名客戶就確保企業社會責任計劃有效履行之共同承諾有助本集團與彼等建立更緊密聯繫。不少資深機構投資者亦要求其投資的公司，在業務過程中掌握企業社會責任的重要性，並且有意實施計劃奉行良好的企業社會責任標準。

本集團的企業社會責任計劃致力達致若干目標。1) 工人須獲平等對待，而其權利亦須得到重視。本集團不僅注意集團旗下工人的工作環境，亦著重本集團於合營企業及外包加工廠房工人的工作環境，目的是本集團聘用之廠房員工均獲得公平待遇。2) 工人應根據恰當合約條款受聘，並且獲得適當工資。此目標對象同樣不僅是本集團旗下廠房之員工，亦包括本集團合營企業或為本集團提供外包加工工作的員工。本集團透過按市場價格簽訂僱用合約聘用員工，務求與員工建立長遠關係。3) 應盡量減少營運產生的污染。環境污染是社會重大問題。本

Certificate received by Prime Asia, awarded by BLC Leather Technology Centre an international leather work audit organization for reaching the Gold score.
普愛亞細亞榮獲由一間國際皮具審計工作組織BLC Leather Technology Centre頒發的金獎證書。

Front Entrance of Prime Asia in Huangjiang Dongguan, PRC.
位於中國東莞黃江普愛亞細亞廠房的正門。

Skyhights in the roof to illuminate the building using sunlight.
屋頂上利用太陽光為樓宇照明的光源。

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issue for society at large. The Group continuously looks at ways to reduce, reuse or recycle waste emissions to protect the environment. 4) Techniques that lead to a reduction in energy consumption should be adopted as much as possible. The Group continuously looks for new approaches to save energy including the use of solar power when possible. There are occasions when the Group has worked closely with its key brand name customers, municipal and provincial governments to achieve these goals.

Sometimes there are enquiries received requesting a full audit of the factories and extensive disclosure of the Group's CSR practices. Whenever such demands involved the proprietary business practices or technology of the brand name customers, the Group carefully considered the sensitivities involved and where necessary sought permission from the brand name customer for the particular disclosures. Given the interdependency between the Group and the brand name customer, the Group always considers how CSR issues are also related to the brand name customer.

Whenever the Group builds new plant facilities, it considers ways to be environmentally friendly or to reduce energy consumption. In the past few years business strategy has led the Group to build new facilities in the inner provinces in China. The recently constructed building facility known as Yue Sheng in Shang Gao, Jiangxi incorporates the latest designs to reduce the energy consumed for heating and illumination as well as ventilation of the factory.

The Group believes in the value of education and through the years has made donations to the Tsinghua University Education Foundation to support several research programs as well as to fund the construction of the "Yue Yuen Building" on the campus. Yue Yuen Building is one of the newest teaching facilities within the University and is well received by the students on campus. To recognize the contributions from the Tsai family and Yue Yuen, the University through its President Mr. Gu Binglin nominated Mr. Tsai Chi Jui to be an honorary member of the Board of Trustees of Tsinghua University in July 2009.

集團一直尋求減低廢物排放或循環再造方法以保護環境。4) 盡量選取可節省能源消耗的技術。本集團不斷尋求節省能源的新方法，包括在可行情況下選用太陽能。本集團與其主要品牌客戶、市政府及省政府緊密合作時均會貫徹奉行以達致目標。

本集團有時會接獲查詢要求對廠房進行全面審查及廣泛披露本集團的企業社會責任常規。每當有關要求涉及品牌客戶的專利業務常規或技術，本集團會審慎考慮所涉及的敏感性，並於有需要時就特定披露事宜尋求品牌客戶的允許。由於本集團與品牌客戶互相依賴，本集團經常考慮企業社會責任事宜與品牌客戶之關係。

每當本集團興建新廠房設施時，其會考慮環保或節約能源等要素。本集團於過去數年之業務策略為於中國內陸省份興建新設施。最近所興建位於江西省上高縣名為裕盛之樓宇設施，糅合最新設計，以減低廠房在發熱、照明及通風方面所消耗的能源。

本集團深信教育的重要性，於過去數年，本集團向清華大學教育基金作出捐款，以支持多項研究項目及為校園內興建「裕元樓」提供資金。裕元樓是大學校園內最新的教學設施，並廣受校園內學生歡迎。為肯定蔡氏家族及裕元所作出之貢獻，於二零零九年七月，大學透過校長顧秉林先生提名蔡其瑞先生為清華大學之名譽校董榮銜。


Mr. C.J Tsai with Tsinghua faculty members after the ceremony.
蔡總裁與清華大學教職員於頒贈儀式後合影。

Mr. CJ Tsai receiving certificate from Mr. Gu Binglin, President of Tsinghua University.
蔡其瑞總裁榮膺清華大學校長顧秉林頒授名譽校董證書。

China - 中國

Closing ceremony recognizing winning individuals and teams in the factory talent competition held during the Mid-Autumn Festival. (Huangjiang Dongguan)
為慶祝中秋節之閉幕儀式中，東莞黃江員工舉辦天才表演比賽中之得獎團隊及人士。

The lead contestant in the factory talent competition held during the Mid-Autumn Festival. (Huangjiang Dongguan)
於中秋節期間東莞黃江員工舉辦的天才表演比賽中領先的參賽者。

Summer camp team building event for the factory involving factory supervisors and management staff. (Huangjiang Dongguan)
於東莞黃江舉辦的團隊精神培訓活動之夏令營，參與者包括廠房主管及管理層人士。

Stage close for the Chinese New Year celebrations at the factory. (Huangjiang Dongguan)
於東莞黃江廠房舉辦的迎春文藝晚會閉幕。

The final match in the basket ball competition between the various factory departments. (Huangjiang Dongguan)
東莞黃江廠房部門間籃球比賽決賽合影

The start of the basket ball competition between the various departments. (Huangjiang Dongguan)
東莞黃江廠房部門間舉行的籃球比賽開始。

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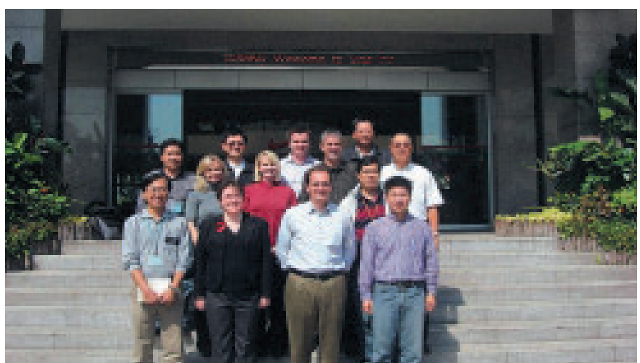
Middle distance running competition held for factory staff as an activity in the Worker Health Maintenance annual event. (Huangjiang Dongguan)
員工康復中心週年活動中東莞黃江廠房員工參與的中距離賽跑。

Winning teams of the Badminton Competition held for factory staff. (Huangjiang Dongguan)
東莞黃江的廠房員工參加羽毛球比賽的優勝隊伍。

Factory holds Womens' Health Information Day for factory staff to increase the awareness of female health issues. (ShangGao Jiangxi)
江西上高廠房舉行婦女健康資訊日，以提高員工的婦女健康意識。

Social work day event held by the factory to provide assistance and companionship to elders in an old age home. (ShangGao Jiangxi)
江西上高廠房為一所老人院的老人提供幫助及關心舉辦的社工日活動。

2nd stage completed of the expansion program for the new water treatment facilities for the factory. (ShangGao Jiangxi)
江西上高廠房的新污水處理設施擴展計劃的第二階段竣工。



Annual meeting between the procurement staff of a major brand name and senior management to review recent developments in factory employees' welfare and CSR activities. (GaoBu Dongguan)
一間主要品牌的採購員工與東莞高埗廠房的高級管理層舉行年度會議，以檢討廠房僱員福利及企業社會責任活動的最新發展。

China - 中國

Major brand name leads a group of US university students specializing in physical education to visit the factory facilities to gain insight into athletic shoes manufacturing. (GaoBu Dongguan)
一間主要品牌帶領一班主修體育的美國大學生參觀東莞高埗廠房，對運動鞋製造過程有深入的了解。

The factory trains management and staff to maintain high standards and obtain certification from the quality control bodies SGS and EIC. (GaoBu Dongguan)
東莞高埗廠房培訓管理層及員工保持優質水準，並取得SGS及EIC品質監控機構的認證。

Factory holds its 8th Quality Olympics Competition to raise quality standards, reduce wastage and increase awareness of protecting the environment. (GaoBu Dongguan)
東莞高埗廠房舉行的第八屆奧林匹克質量比賽以提升品質標準、減少廢料及增加環保意識。

Factory in cooperation with a major brand name held a forum for major brand name supply chain participants to explore the issues of product development and protection of the environment. (GaoBu Dongguan)
東莞高埗廠房與一間主要品牌合作為主要品牌供應鏈參與者舉辦論壇，以開拓產品開發及環保事宜。

Factory hosts a major brand name Women's Health Workshop, involving discussion and feedback between the major brand name and 13 other manufacturers of footwear regarding the welfare of factory staff. (GaoBu Dongguan)
東莞高埗廠房為一間主要品牌主辦婦女健康工作坊，當中由主要品牌及其他13間鞋類製造商就廠房員工的福利進行討論及回應。

Factory welcomes a major brand name head of Sustainable Audit to its premises and also provides feedback on concepts such as protection of the environment and worker safety. (GaoBu Dongguan)
東莞高埗廠房歡迎一間主要品牌的Sustainable Audit主管蒞臨，為環保及員工安全等概念提供意見。

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Factory human resources staff participate in the 2nd global HRM forum of a major brand name in China to learn of the latest practices in human resource management. (GaoBu Dongguan)
東莞高埗廠房的人力資源員工參加一間主要品牌於中國舉辦的第二屆全球人力資源管理論壇，以學習最新的人力資源管理實踐。

Head Office CSR team visit a factory to ensure the program to prevent the occurrence of H1N1 flu virus is implemented effectively. (GaoBu Dongguan)
東莞高埗總部的企業社會責任團隊到訪廠房，以確保有效實施計劃阻止爆發H1N1禽流感。

Celebrating the opening of the newly renovated employee recreation centre which includes many upgraded facilities for the factory staff. (Shangjiang Dongguan)
慶祝全新翻新後的東莞上江工廠員工活動中心開幕，中心設有多項升級設施。

Factory's 9th annual sports meeting involving employees and management, enhancing team spirit within the organization. (Shangjiang Dongguan)
東莞上江廠房舉行第九屆週年運動會，藉此加強團隊精神，參與者包括僱員及管理層。

Training course for specialist instructors who help supervise floor staff on the production lines in the factory. (Zhuhai)
珠海為特別指導員提供培訓課程，協助監督廠房生產線的地面工作人員。

Nine part training course for factory staff to teach concepts and techniques for managing personal and family life. (Zhuhai)
珠海廠房舉辦九期培訓課程，以教授管理人員及家庭生活的概念及技巧。

China - 中國

Senior management of a major brand name visit the factory for more in depth discussions on the shoe manufacturing process. (Zhuhai)
一間主要品牌的高級管理層到訪珠海廠房，深入討論鞋類生產過程。

Factory sends representatives to participate in the 6th Stakeholders Meeting of a major brand name in Europe to enhance the working relationship between the brand and the factory.
廠房派送代表參與一間歐洲主要品牌的第六屆利益關係人會議，以加強品牌與廠房的工作關係。

Factory participates in the CSR conference of a major brand name overseas to discuss matters relating to workers' right, benefits and health.
廠房參與一間海外主要品牌的企業社會責任研討會，討論有關工人權益、福利及健康事宜。

Factory discusses the questionnaire feedback of a major brand name with various stakeholders so as to enable the brand to better understand the factory operating environment. (Dongguan)
東莞廠房與多名利益關係人討論一間主要品牌的問卷回應，以助品牌更佳明白廠房的營運環境。

Factory participates in the 10th annual CSR workshop of a major brand name to learn of the revised encompassing goals of the brand's CSR guidelines. (Dongguan)
東莞廠房參與一間主要品牌的第十屆年度公司企業責任工作坊，以學習品牌的公司企業責任指引的經修訂目標。

Factory, a major brand name and the labour unions hold a meeting to design new guidelines to further enhance factory worker welfare and factory operations. (Dongguan)
東莞廠房、一間主要品牌及工會舉行會議設計新指引，以進一步加強廠房員工的福利及廠房運作。

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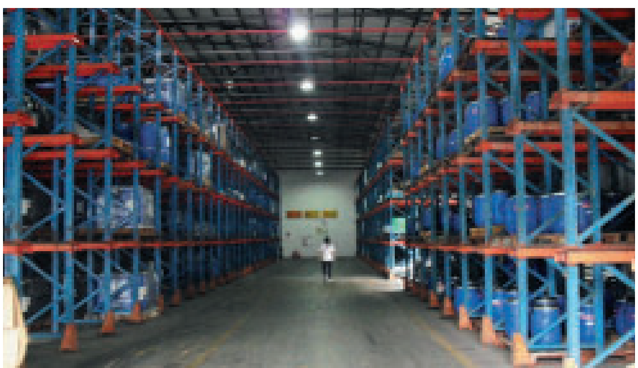
Group birthday celebration at factory for all factory staff born in the month of June. (Dongguan)
東莞廠房為六月生辰的員工舉行慶生會。


Community service performed free of charge by factory staff for the benefit of local communities surrounding the factory premises. (Dongguan)
東莞廠房的員工為廠房附近的社區免費提供社區服務。


Processing machine with safety features at the Prime Asia Leather Factory to emboss fashionable patterns into the leather for use in the manufacture of shoe uppers. (Huangjiang Dongguan)
東莞黃江的普愛亞細亞皮革廠房備有安全裝置的加工機器，將時尚圖案裝飾在用作製造鞋面的皮革上。

For the past 10 years factory management have provided scholarships for under privileged children to attend a school near the factory. (Zhuhai)
在過去十年珠海廠房的管理層為貧困兒童提供獎學金在工廠附近上學。


Organized chemical storage facility at Prime Asia Leather factory to ensure good control and efficient use of chemical compounds. (Huangjiang Dongguan)
東莞黃江的普愛亞細亞皮革廠房經整理的化學儲存設施，確保良好控制及有效使用化學化合物。


Solar panels at the Prime Asia Leather factory facility enabling natural sunlight to heat the water added in the leather manufacturing process. (Huangjiang Dongguan)
東莞黃江的普愛亞細亞皮革廠房設施的太陽能板，有助利用自然太陽光加熱皮革製造過程中所注入的水。

Corporate Social Responsibility
企業社會責任

Indonesia - 印尼

Annual Modern Dance competition held for factory staff. (Serang)
Serang廠房的員工舉行年度現代舞比賽。

Supplies donated by labour union and CR units to factory workers in need of assistance. (Serang)
Serang的工會及CR單位捐獻物資予廠房工人以助燃眉之急。

Factory is the champion for the Banten province Family planning competition. (Serang)
Serang廠房在Banten省家庭計劃比賽中勝出。

Factory actively posts notices and pictures on factory sites to heighten workers' awareness of maintaining safety at the workplace. (Serang)
Serang廠房積極張貼通告及相片，以警惕工人有關工作間的安全意識。

Senior management of the factory participate in factory event celebrating the end of Ramadan. (Serang)
Serang廠房的高級管理層參與廠房活動慶祝齋戒月結束。

Annual training provided to designated First Aid factory workers so that they keep their First Aid skills current and are ready for new situations. (Serang)
Serang廠房向指定急救員工提供年度培訓，以便保持員工之急救技能得以與時並進。

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Factory staff participate in the factory event to celebrate the end of Ramadan. (Serang)
Serang廠房員工參與慶祝齋戒月結束的活動。

Factory management make monthly visits to factory staff quarters to understand the personal and health issues faced by factory staff. (Serang)
Serang廠房的管理層每月到訪廠房員工宿舍以瞭解廠房員工的個人及健康事宜。

Monthly discussion groups held by factory management with factory staff to provide more channels of communication. (Serang)
Serang廠房的管理層與廠房員工每月舉行小組討論，提供更多溝通渠道。

Monthly senior level talks between factory management and labour unions to discuss issues affecting factory workers. (Serang)
Serang廠房的管理層與工會每月舉行高層講座，以討論各項對廠房員工構成影響的事宜。

Monthly meetings between factory management and labour unions to discuss suggestions for changing existing factory practices. (Serang)
Serang廠房的管理層與工會每月舉行會議，以討論更改現有廠房慣例的建議。

Factory management perform monthly inspection of kitchen facilities to ensure worker canteens serve good quality food. (Serang)
Serang廠房的管理層每月巡查廚房設施，以確保員工飯堂的食物質素。

Indonesia - 印尼

Senior management on a monthly basis eat at the workers' canteen to ensure quality of cooking and canteen premises are at a reasonable standard. (Serang)
Serang廠房的高級管理層每月於員工飯堂用膳，以確保食物質素及飯堂環境符合合理標準。

Annual awards recognizing factory staff who have been with the factory for more than 5 years. (Serang)
於Serang廠房工作超過五年的員工獲頒發年度獎項。

Annual event recognizing workers who have performed well at the factory. (Serang)
Serang廠房每年舉辦活動以嘉許表現卓越員工的貢獻。

Annual basket ball competition between factory workers at the various departments of the factory. (Serang)
Serang廠房不同部門的員工參加年度籃球比賽。

Factory management sit directly together with factory staff to celebrate the end of Ramadan. (Serang)
Serang廠房的管理層與廠房員工一同慶祝齋戒月結束。

Annual CSR workshop for the factory to discuss the latest issues and newest concepts regarding CSR for the factory. (Serang)
Serang廠房舉行年度企業社會責任工作坊，討論有關廠房的企業社會責任的最近事宜及最新概念。

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Vietnam - 越南

New water treatment facility at the factory that started operation in January 2009. (Dong Nai)
同奈廠房的新污水處理設施於二零零九年一月開始運作。

The winning team of the football competition held within the factory departments for factory staff. (Dong Nai)
同奈廠房部門間舉行的足球比賽中優勝隊伍合影。

MBA students from George Washington University visit the factory to learn about factory management from a major brand name and the factory. (Dong Nai)
美國喬治華盛頓大學工商管理碩士學生到訪同奈廠房，向一間主要品牌及廠房學習廠房管理。

Winning teams at the Nike students soccer competition sponsored by the factory and various other supply chain factories for high school students. (Dong Nai)
由同奈廠房及多間其他供應鏈廠房贊助為中學生舉辦的Nike學生足球比賽中優勝隊伍合影。

A major brand name and the physical education students from Stanford University visit the factory to understand the athletic shoe manufacturing process. (Dong Nai)
一間主要品牌及史坦福大學的體育學生到訪同奈廠房，以瞭解運動鞋的生產程序。

A new athletics track was built for use by the factory workers at the factory. (Dong Nai)
新建一條田徑跑道以供同奈廠房工人使用。

Corporate Social Responsibility
企業社會責任

Vietnam - 越南

Factory staff workers join the staff of two major brand names to help renovate and repaint a high school in Ho Chi Minh city. (Binh Chanh)
平政廠房的工人與兩間主要品牌的員工合力為胡志明市一間中學翻新及重新髹漆。

Workers' facilities set up in the factory to provide rest space for factory workers to relax and interact with one another. (Binh Chanh)
於平政廠房興建員工設施，為員工提供休息區以舒緩壓力及聯誼。

A meeting between management and staff to discuss factory worker benefits and solutions to recurrent problems among factory staff. (Binh Chanh)
平政的管理層及員工舉行會議討論工人福利及解決員工之間經常遇到的問題。

Training course held at the factory for factory workers to educate them to avoid or minimize the occurrence of industrial accidents. (Binh Chanh)
為平政廠房的員工舉辦培訓課程，提供防止或減低發生工業意外的知識。

Dance competition held for factory staff of different departments to enhance cooperation and communication between factory staff. (Binh Chanh)
平政廠房的不同部門員工參加舞蹈比賽，以加強員工之間的合作性和溝通。

Competition between the factory staff to use scrap materials to create art work and to be friendly to the environment. (Binh Chanh)
平政廠房舉行廢物利用創作大賽，以刺激員工的藝術創作和提倡環保。

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The factory staff participate in Timberland Earth Day to plant trees in the Children's Park near the factory. (Binh Chanh)
平政廠房的員工參加「Timberland 地球日」，於鄰近廠房的「兒童樂園」植樹。

Winning ladies team in the factory staff dance competition waving to spectators before the final event. (Binh Chanh)
平政廠房的女子組員工舞蹈比賽中優勝隊伍於總決賽前向觀眾席揮手。

Factory staff participate in staff activities at the Vung Tau Paradise Resort. (Pou Sung)
寶崧廠房的員工參與於Vung Tau Paradise Resort舉行的員工活動。

The factory and nine other supply chain factories to a major brand participate together in a social work event for remote villages. (Pou Sung)
寶崧廠房和一間主要品牌的其他九間供應鏈的員工一起參加偏遠村莊的一個社會服務工作。

To celebrate the establishment of the Vietnam Labour Party since 1980, a major brand name, the factory and nine other supply chain factories to the brand held a running competition. (Pou Sung)
為慶祝越南工黨自一九八零年成立，一間主要品牌、寶崧廠房和品牌的其他九間供應鏈廠房舉辦賽跑比賽。

Factory management and the labour union provide annual scholarships to the children of factory staff to encourage them to diligently pursue their studies. (Pou Sung)
寶崧廠房的管理層與工會為員工的子女提供年度獎學金，以鼓勵他們勤奮讀書。

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