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

Stock Code 股份代號：551

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

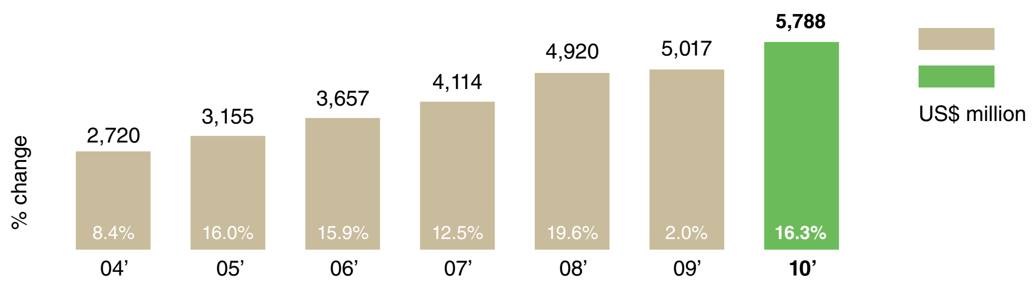
Financial and Operating Highlights for the year ended 30th September

(US$ millions, except where otherwise stated)	**2010**	2009	% change
Total Production Volume (million pairs)	**286.4**	246.2	16.3
Turnover	**5,788.2**	5,016.9	15.4
Recurrent Operating Profit	**474.0**	445.2	6.5
Net Profit to Owners of the Company	**479.5**	464.7	3.2
Recurrent Net Profit attributable to Owners of the Company	**502.5**	463.0	8.5
Total Assets	**5,725.3**	5,758.8	(0.6)
Capital Expenditure	**348.8**	260.6	33.8
EBITDA	**651.3**	615.8	5.8
Basic Earnings Per Share (US$)	**0.2908**	0.2815	3.3
Dividend Per Share			
Interim	**HK$0.34**	HK$0.34	–
Final	**(proposed) HK$0.56**	HK$0.55	1.8
Full Year	**(proposed) HK$0.90**	HK$0.89	1.1
Total Equity	**3,776.5**	3,421.4	10.4
Return on Total Equity (%)	**13.1**	13.5	(3.0)
Gearing Ratio (%)	**26.0**	44.0	(40.9)
Net Debt to Equity Ratio (%)	**9.0**	10.0	(10.0)
Number of Outstanding Issued Shares (30/9)	**1,648,928,486**	1,648,928,486	–

Key Shareholder Value Indices

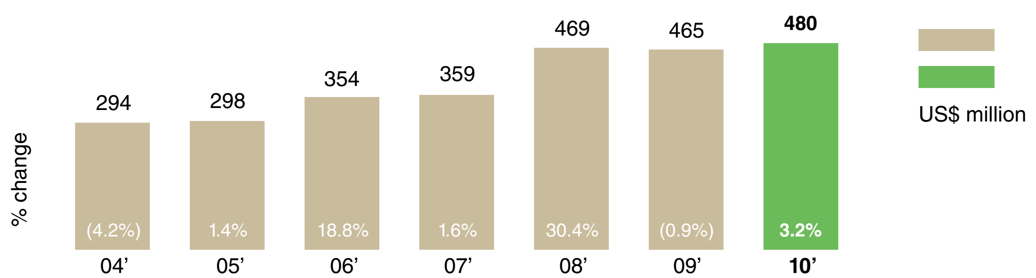
Consolidated Turnover

US$ million

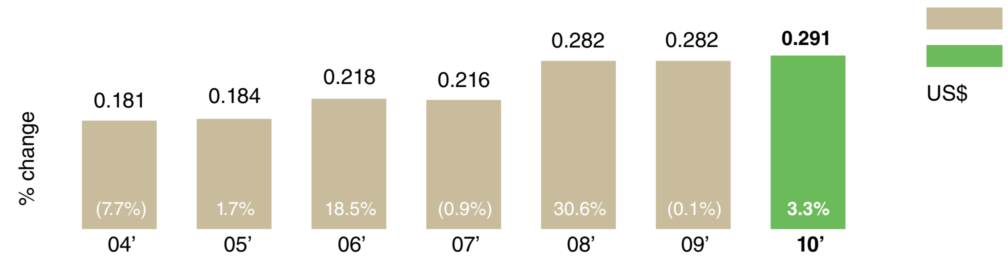


Net Profit Attributable to Owners of the Company

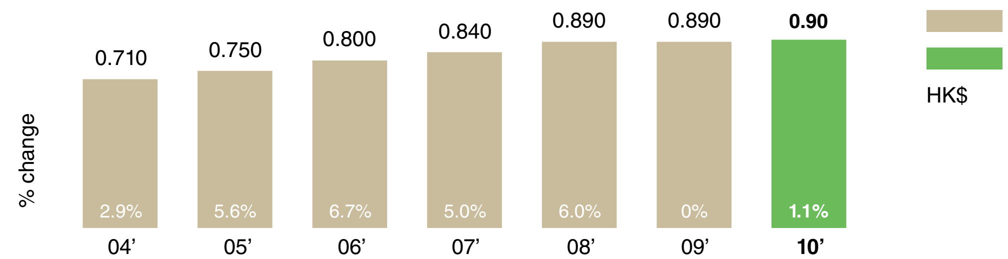
US$ million



Earnings Per Share
US$

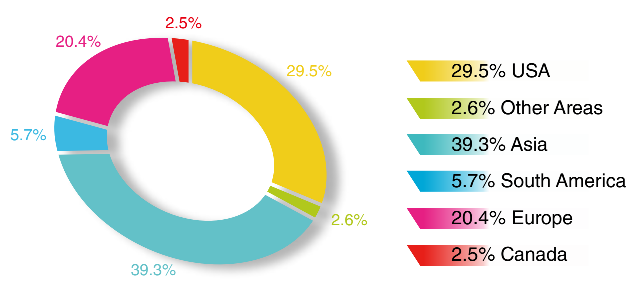


Dividend Per Share
HK$

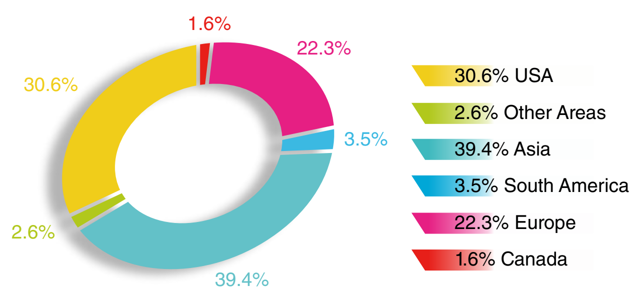


Diversified Market Distribution

2010 Turnover by Geographical Market



2009 Turnover by Geographical Market



Production facilities
in Dongguan, China

Production plant
in Yangzhou, China

Production facilities
in Huangjiang, China

Production plant in
Zhongshan, China

Production facilities in
Indonesia

Production plant
in Bangladesh

Production plant
in Vietnam

Administrative
building in Vietnam

Executive Directors

Tsai Chi Neng *(Chairman)*
David N. F. Tsai *(Managing Director)*
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty
Kuo Li Lien
Lee Shao Wu *(appointed on 19th January, 2011)*

Non-executive Director

John J. D. Sy[1, 3]

Independent Non-executive Directors

So Kwan Lok[1, 3, 4] *(resigned on 25th March, 2010)*
Liu Len Yu[1, 3]
Leung Yee Sik[1, 2, 3, 4]
Huang Ming Fu[1, 3]
(appointed on 25th March, 2010)

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
- BNP Paribas
- Cathay Bank
- Cathay United Bank
- Chinatrust Commercial Bank, Ltd.
- Citibank, N.A.
- Citic Bank International Ltd.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- Far Eastern International Bank
- First Commercial Bank Ltd.
- Land Bank of Taiwan
- Hang Seng Bank
- Mizuho Corporate Bank Ltd.
- Scotiabank (Hong Kong) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Hongkong and Shanghai Banking Corporation Limited
- The Shanghai Commercial & Savings Bank

Solicitors

Reed Smith Richards Butler

Website

www.yueyuen.com


Working
with our
customers to
make the shoes
that people want

Amid the changing global environment in 2010, the Group kept on aiming to produce wide spectrum of shoes to global brand names by timely deliveries and good quality for brand names' sales in various markets.

Continuous strong economic growth in China, steady pick-up in the USA and modest revival in Europe resulted in better consumers' spending in sports and casual goods among regions. Anticipated inflation in Asian countries caused by imbalanced global economic revival pace pushed labor cost going up in the Group's main manufacturing bases. Major raw material prices are also estimated to be in up trend due to soaring prices of certain industrial natural resources, especially those petrochemical related.

With the opportunities and challenges, I am pleased to report that the Group had steady growth performance of shoes manufacturing business and impressive improvements of retailing business in the fiscal year ended 30th September, 2010. Consolidated turnover of the Group compared to the previous year, rising 15.4% year-on-year to US$5,788.2 million. Out of the consolidated turnover, US$1,323.8 million contributed by the Group's retailing flag ship, Pou Sheng International (Holdings) Limited ("Pou Sheng"), recorded 15.9% year-on-year growth. Net profit attributable to owners of the Company increased by a modest 3.2% year-on-year to US$479.5 million for the fiscal year, whilst, Pou Sheng marked an impressive improvement of US$21.3 million net profit attributable to Owners of Pou Sheng comparing with US$3.7 million loss in previous year.

During the year, The Group produced 286.4 million pairs of shoes, representing an increase of 16.3% compared to the previous year. Turnover, including manufacturing and retailing, generated in Asian regions top the list of the Group's sales by a share of 39.3%, the USA market followed with a share of 29.5% and Europe got a pie of 20.4%. Other relatively small markets spreading in South America, North America (excluding the USA) etc. accounted for 10.8%.

15.4%

Growth in Turnover

In view of the fast growing consumer spending in China, the Group is looking forward to a neutral-optimistic growth in retailing business by Pou Sheng. In addition to Pou Sheng's existing 3,956 directly operated stores/counters and 4,218 sub-distributors for current China retailing business, modest expansions in lower-tier cities in China are expected according to brand names' marketing strategies in the years to come. Higher direct labor cost due to government imposed basic salary raises and local currency appreciations in the Group's major manufacturing bases had and will have impacts on the Group's profit growth momentum. To cope with the difficult environment and to provide further value-added services to our customers, the Group will, as usual, continuously focus on supply chain integration, production efficiency improvements, innovative design applications, process automations and balanced manufacturing base expansions, so as to maintain the Group's leading position in shoes manufacturing industry.

The Group's associate companies and jointly controlled entities continue to benefit from the resources integration in the previous year. The profit contribution from these business entities for the current year reached US$102.5 million with a year-on-year growth at 32.8%. Those entities continued to experience improvement in their operations. Consistent with past practice, the Group is not involved in the day to day operations of these investments, but has participated in decision making with these business partners from time to time which also effectively direct the business developments of these joint ventures.

Corporate Social Responsibility

The Group continued to make necessary investments to enhance productivity as well as to maintain workplace safety. The Group persisted with its policy of making investment to enhance environmental protection. The division responsible for corporate social responsibility (CSR), held courses and programs to strengthen the bonds between the management and employees, and these activities continue to be of great value to the Group. The recent global developments in CSR have led to greater definition and the CSR teams now have elevated their focus on the issues involving sustainable development (SD).

Looking Ahead

Turnover jumped in the first quarter of fiscal year 2011 due to higher growing demands served only by limited manufacturing capacity expansions. For the three months ended December 2010, the Group turnover stepped up by around 28% year-on-year to approximately US$1.69 billion.

Imbalanced global economic revivals have caused appreciations of major Asian currencies against US Dollar. As a result, inflations in these heavy manufacturing-reliance countries push labor cost up. The rising prices of petrochemical related materials will have negative impacts on raw material costs. The Group has been working hand in hand with its customers to manage these headwind.

In view of the growing purchasing power in China market, the Group is looking forward to benefiting from it by carefully managing its retailing business.

Acknowledgements

On behalf of the Board of Directors, I wish to thank our customers, suppliers, business associates and shareholders for their supports. 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
19th January, 2011

Our employees, the most important assets of the Company

Review of Operations

Footwear manufacturing activity for the Group picked up significantly compared to last year's level. Footwear industry growth and its consolidation in sourcing activities and a steady improvement in consumer spending, encouraged the Group's brand name customers to place more orders for production.

Sales to the Group's largest geographic market, Asia, grew at moderate pace of 15.1% compared to last year's and the second largest market, the U.S.A., was able to return to a pre-crisis level of sales with year on year growth at 11.4%. The European market, which experienced more difficult circumstances during this financial period, still managed a very modest level of growth at 5.6% year on year. Smaller markets did well as certain brand name customers were able to grow their market share very rapidly after implementing well designed marketing programs.

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

	2010		2009		y-o-y
	US$ millions	%	US$ millions	%	% change
U.S.A.	**1,709.1**	**29.5**	1,534.1	30.6	11.4
Europe	**1,180.4**	**20.4**	1,117.9	22.3	5.6
Asia	**2,274.5**	**39.3**	1,976.7	39.4	15.1
South America	**331.9**	**5.7**	174.0	3.5	90.7
Canada	**143.6**	**2.5**	81.5	1.6	76.2
Other Areas	**148.7**	**2.6**	132.7	2.6	12.1
Total Turnover	**5,788.2**	**100.0**	5,016.9	100.0	15.4

286.4

million pairs of shoes produced

Sales of athletic shoes, the key product category for the Group, experienced 13.1% year on year growth. The Group's major customers not only designed athletic shoes featuring innovative technology and eye catching patterns, but also pursued marketing strategies that provided a spectrum of price points to satisfy the broadest range of customers possible. Retail sales grew as China continued to experience solid GDP growth and consumers in China maintained their preference of purchasing athletic footwear and apparel of well known brand name.

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

	2010		2009		y-o-y
	US$ millions	%	US$ millions	%	% change
Athletic Shoes	**3,064.7**	**53.0**	2,709.7	54.0	13.1
Casual/Outdoor Shoes	**943.4**	**16.3**	781.8	15.6	20.7
Sports Sandals	**64.2**	**1.1**	71.8	1.4	(10.5)
Retail Sales - Shoes & Apparel	**1,185.7**	**20.5**	1,015.5	20.2	16.8
Soles, Components & Others	**530.2**	**9.1**	438.1	8.8	21.0
Total Turnover	**5,788.2**	**100.0**	5,016.9	100.0	15.4

At the end of September 2010, the total number of directly operated counters/stores in China under the Group stood at about 3,956 and there were 4,218 sub-distributors in the Greater China region.

The Group's investments in a number of associates and jointly controlled entities engaged in activities such as material supplies, the production of sports apparel, ladies' shoes, safety shoes, and shoe components, have performed better this year as the benefits of restructuring procedures implemented a year or two back begin to surface. The Group's advice on management decisions have been improving the long term business strategy of these companies.

Production Review

During the period under review, the Group produced a total of 286.4 million pairs of shoes, an increase of 16.3% compared with the previous year. A pick up in order flow from the Group's larger customers helped production volume increase compared to last year's level. The average selling price for shoes declined slightly in the first half and became positive in the second half. During the year the Group had expanded its production capacity. At the end of the fiscal year there were 460 production lines compared with previous year end at 423 lines (China 211, Indonesia 100 and Vietnam 112). The geographical distribution of production lines in 2010 were similar to previous year with 226 lines in mainland China, 114 in Indonesia and 120 in Vietnam.

External demand from medium and small sized shoe manufacturers for soles and components was strong as a result of the better business environment. This enabled the Group business unit selling to these manufacturers to generate a satisfactory level of profitability. During the period, sole and components sales reached US$477.2 million, an increase of 22% compared with the previous year.

Cost review
Total annual sales increased 15.4% year-on-year. In comparison with the annual sales growth of 15.4%, direct labour costs experienced higher growth rate of 31%. All other cost items experienced similar growth rate as annual sales.

Product development
During the period under review, the Group spent US$131.1 million in product development, an increase of 13.5% over fiscal year 2009. This increase reflects the desires of customers to offer a wide range of products to consumers. These expenditures encompassed items such as sample development, preparation work for the technical development package, trial production and research on materials. The Group continues to maintain separate product development teams to serve the product development centers of each of the brand customers. The Group continues to work with its customers to enhance control of production lead times and to develop advanced high-quality footwear.

Financial Review

Liquidity
The Group's financial position remained stable. As at 30th September, 2010, the Group had cash and cash equivalents of US$622 million (2009: US$1,196 million) and total borrowings of US$979 million (2009: US$1,522 million). The gearing ratio (total borrowings to total equity) was 26% (2009: 44%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 9% (2009: 10%). The decrease in the net debt to equity ratio reflects the Group's conservative level of borrowing.

Capital expenditure
Capital expenditure increased to US$348.8 million (2009: US$260.6 million), as the Group made necessary investments for the expansion of production capacity outside the Pearl River Delta. The Group spent about US$109.0 million on constructing new factory buildings and ancillary facilities, mainly in mainland China and Indonesia. Meanwhile, another US$28.3 million went into buildings and a further US$145.2 million was spent on machinery and leasehold improvements.

Dividends
A final dividend of HK$0.56 per share (2009: HK$0.55) has been recommended, making the full-year dividend per share HK$0.90 (2009: 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 2010 is 40%, which is similar to the 41% in 2009.

Employees
As at 30th September, 2010, the Group had a manufacturing force of about 340,000 staff. 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.


We think long term,
we think
of sustainable
development

Executive Directors

Tsai Chi Neng, aged 62, 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 projects, creative production management scheme and experiences sharing programs that have allowed the Group to continue to grow. Mr. Tsai is also a director of certain subsidiaries of the Company. Mr. Tsai is an uncle of Mr. David, N.F. Tsai and Ms. Tsai Pei Chun, Patty, both are executive directors of the Company.

David, N.F. Tsai, aged 60, 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 contacts with senior brands management.

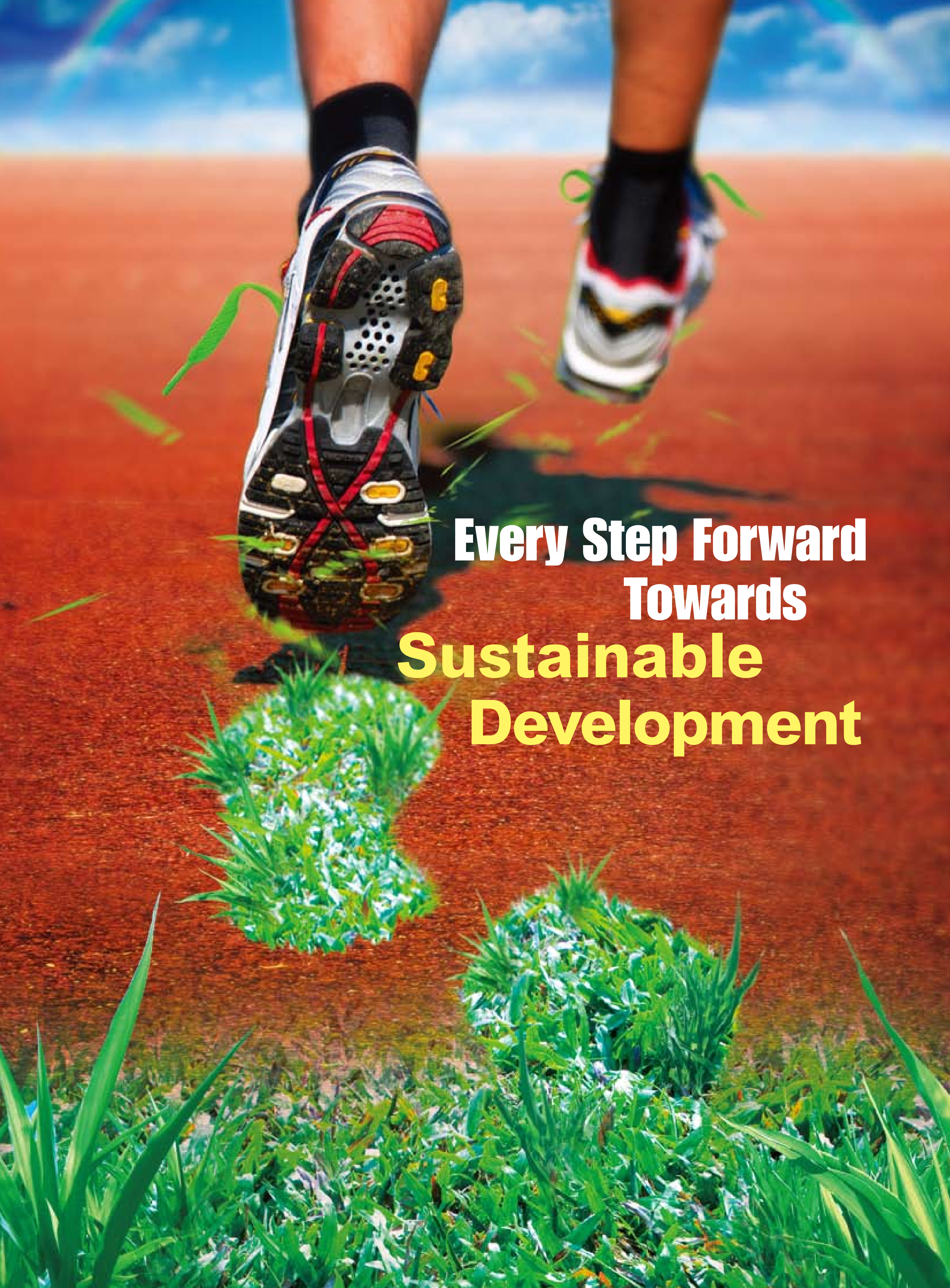
Mr. Tsai is also a director of Pou Chen Corporation ("PCC"), which is a substantial shareholder of the Company with shares listed on the Taiwan Stock Exchange ("TSE"), as well as chairman and a non-executive director of Pou Sheng, a non-wholly owned subsidiary of the Company, whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Tsai is also a director of 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 4,833,000 shares in Pou Sheng as at 30th September, 2010.

Kuo Tai Yu, aged 60, 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, and certain subsidiaries of the Company.

Lu Chin Chu, aged 57, 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

131 US$ million

spent on product development, 2.3% of turnover


Every Step Forward
Towards
Sustainable
Development

Industry Co. Ltd and Evermore Chemical Industry Co., Ltd., companies listed on the TSE. Besides, Mr. Lu also acts as the non-executive director of Luen Thai Holdings Limited with its shares listed on the Stock Exchange and is also a director of certain subsidiaries of the Company.

Kung Sung Yen, aged 56, 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 56, 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, 2010 respectively.

Li I Nan, Steve, aged 69, 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.

9%

Net Debt of Equity

Tsai Pei Chun, Patty, aged 31, 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, 2010.

Kuo Li Lien, aged 54, 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 joins 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.

Lee Shao Wu, aged 47, obtained his Bachelor of Mechanical Engineering in China Culture University, Taiwan. He later obtained his Master of International Enterprise Administration in Central University, Taiwan. Mr. Lee was the Managing Director of Barits Securities (HK) Ltd before he joined Infovision Optoelectronics (KunShan) Co., Ltd., one of the largest TFT-LCD panel manufacturers in China as CFO and vice president of administration center in 2004. Mr. Lee then joined the Company as Head of Investment Planning Department on 3rd January, 2011 and was appointed as an executive director of the Company on 19th January, 2011.

Non-executive Director

John, J.D. Sy, aged 64, 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

Liu Len Yu, aged 50, is a law professor in the Department of Law at National Chengchi University, a director of the Securities and Futures Investors Protection Center, 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 a director of TSE. Dr. Liu holds a Doctor of Laws from Stanford Law School, Master of Laws degrees from Harvard Law School and National Chung Hsing University, and a Bachelor of Laws from National Chung Hsing University.

Leung Yee Sik, aged 49, 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 Limited and is currently a partner of an accounting firm.

Huang Ming Fu, aged 70, graduated from Soochow University in Taiwan in 1964. Mr. Huang had worked for Formosa Plastics Corporation (台灣塑膠工業集團) in Taiwan from 1966 to 1994. He then joined Chialease Finance Co. Ltd. (中租迪和股份有限公司) until 2008 and he was the Chairman of IBT Management Corp. (台灣工銀科技顧問股份有限公司) until October 2010, an affiliate of Industrial Bank of

Taiwan. Mr. Huang is also an independent director of two TSE listed companies, namely TSRC Corporation (台橡股份有限公司) and Alpha Networks Inc. (明泰科技股份有限公司). Mr. Huang was also a managing director of the board of Industrial Bank of Taiwan since 1999 till 2008.

Senior Management

Yang Chun Hui, aged 60, 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 28 years of experience in the footwear industry. He graduated from National Taiwan University, where he majored in Business Administration.

Hsiu Wen Bin, aged 54, 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 55, is an Executive Vice President of the Group in charge of certain research and development programs. He is a college graduate and has 31 years of experience in the footwear business.

Cheng Hsin Min, aged 55, 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 29 years of experience in the footwear sector.

Lin Pin Huang, aged 54, joined the Group in 1989 and is an Executive Vice President in charge of certain brand customers' footwear business in China, Vietnam and Indonesia. He is a graduate of Tung Hai University and has over 17 years of experience in the footwear business.

Tsai Nai Chi, aged 54, is a Vice President of the Group and is in charge of certain marketing activities and production operations in Zhongshan and Bangladesh. He has 27 years of experience in the footwear business.

Lin Cheng Tien, Jerry, aged 51, joined the Group in 1990 and is a Vice President responsible for the production, sales and marketing of certain footwear brand customers. He has more than 15 years of experience in this field.

Liu Juei Chung, aged 55, is a Vice President of the Group in charge of certain production operations at shoe and component factories. He is a college graduate and has over 29 years of experience in the sports and casual shoes business.

Chiang Ching Po, aged 63, 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 52, joined the Group in 1988 and is a Vice President, responsible for a brand customer manufacturing business in China.

Shao Wen Hsien, aged 59, 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 54, 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 58, 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 55, joined the Group in 1992 and is a Senior Executive Manager in charge of mold production.

Wu Tien Tzu, aged 55, joined the Group in 1988 and is a Senior Executive Manager in charge of certain athletic shoe production operations in Vietnam.

Wu Chen Chi, aged 55, is a Senior Executive Manager in charge of a joint-venture division in China and Vietnam. He joined the Group in 1982.

Lai Chang Li, aged 51, 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 55, joined the Group in 1984 and is a Senior Executive Manager in charge of production operations in China.

Chin Te Shan, aged 54, 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 50, 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 51, joined the Group in 1981 and is a Senior Executive Manager in charge of certain plants operating in Vietnam.

Lee Cheng Chuan, aged 47, joined the Group in 1989 and is a Senior Executive Manager, responsible for a name-brand production in Vietnam.

Chou Tsung Ming, aged 55, 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 53, joined the Group in 1997, is a Senior Executive Manager, involving in a name-brand technical development. He graduated from South Fields College in the United Kingdom.

Chin Chine Huei, aged 51, 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 55, joined the Group in 1998 and is a Senior Executive Manager, in charge of a name-brand production in Indonesia.

Cheng Shu Hua, aged 49, joined the Group in 1992 and is a Senior Executive Manager, responsible for a brand customer manufacturing business in Vietnam.

Wu Hung Pei, aged 51, joined the Group in 1993 and is a Senior Executive Manager in charge of certain casual footwear operation in China and Bangladesh. Mr. Wu graduated from Shu-Te University in Taiwan.

Chau Chi Ming, Dickens, aged 47, 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 59, 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 30 years of working experience in the accounting and auditing fields. Before joining the Group in 1994, he was chief accountant at a financial institution.

Yau Suet Fong, Christina, aged 50, joined the Group in 1993 and is the Senior Manager of the Group responsible for the accounting activities of several major subsidiaries of the Group, tax review and special projects. She holds a Bachelor of Business (Accounting) from Charles Sturt University, Australia and has more than 20 years of accounting experience.

Ng Lok Ming, William, aged 38, 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 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 45, 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 in various technical areas such as the sales of investment products, corporate banking and public accounting.

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30th September, 2010.

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 as 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, 2010 are set out in the consolidated income statement on page 56 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$0.56 per share to the shareholders on the register of members on 4th March, 2011, amounting to approximately HK$923,400,000.

Subsidiaries, Associates and Jointly Controlled Entities

Details of the principal subsidiaries, associates and jointly controlled entities of the Group at 30th September, 2010 are set out in Notes 51, 52 and 53 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 13 to the consolidated financial statements.

Property, Plant and Equipment

During the year, the Group incurred costs of approximately US$109.0 million for construction of new factory, dormitories, staff quarters and accommodation facilities, mainly in the People's Republic of China ("PRC") and Indonesia. The Group also invested approximately US$28.3 million in buildings and approximately US$145.2 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 14 to the consolidated financial statements.

Donations

During the year, the Group made charitable and other donations totalling approximately US$1.3 million.

Distributable Reserves of the Company

As at 30th September, 2010, the Company's reserves available for distribution to shareholders were US$633,867,000, which comprises contributed surplus of US$38,126,000, other reserve of US$43,666,000 and retained profits of US$552,075,000 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)*
Kuo Tai Yu
Lu Chin Chu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty
Kuo Li Lien
Lee Shao Wu *(appointed on 19th January, 2011)*

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

Independent Non-executive Directors:
So Kwan Lok[1,3,4] *(resigned on 25th March 2010)*
Liu Len Yu[1,3]
Leung Yee Sik[1,2,3,4]
Huang Ming Fu[1,3] *(appointed on 25th March 2010)*

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. Tsai Chi Neng, Mr. David N.F. Tsai, Mr. Lu Chin Chu, Mr. John J.D. Sy, Mr. Huang Ming Fu and Mr. Lee Shao Wu will retire as directors by rotation and except for Mr. John J.D. Sy and Mr. Lu Chin Chu who will not offer themselves for re-election due to their personal commitments. Mr. Tsai Chi Neng, Mr. David N.F. Tsai, Mr. Huang Ming Fu and Mr. Lee Shao Wu, 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, 2010, 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**
Chan Lu Min	45,000	–	–	–	45,000	0.0027%

(b) *Ordinary shares of HK$0.01 each in 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**
David N. F. Tsai	4,833,000	–	–	–	4,833,000	0.11%
Chan Lu Min	681,000	–	–	–	681,000	0.01%
Tsai Pei Chun, Patty	4,460,000	–	–	–	4,460,000	0.10%

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, 2010.

Interests in Competing Business

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 manufacture 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, 2010. 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 two new brands, namely, Lotto and Diadora (the "New Business"), for which the Company confirmed that it did 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, 2010. Another meeting of board of directors of the Company was held on 20th January, 2010 to approve Pou Sheng to engage in the business of manufacturing two new brands, namely PONY and FOOTZONE ("Another New Business"), for which the Company confirmed that it did not wish to (except through Pou Sheng and its subsidiaries) take up the opportunity of Another New Business between the period from 20th January, 2010 and up to and including 30th September, 2010.

As at 30th September, 2010, 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 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 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, 2010, 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.

Share Incentive Schemes (continued)

(b) Share Incentive Scheme of Pou Sheng

On 14th May, 2008, Pou Sheng adopted a share option scheme (the "Pou Sheng Scheme") under which the directors of Pou Sheng may at its discretion grant any eligible participant share options, as it may determine appropriate. The Pou Sheng Scheme is valid and effective for a period of ten years commencing on 14th May, 2008, after which no further options may be offered or granted.

The following table discloses movements in Pou Sheng's share options during the year:

	Date of grant	Exercise price *HK$*	Exercisable period	Number of options outstanding at 1.10.2009	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Number of options outstanding at 30.9.2010
Director of Pou Sheng								
Chang Karen Yi-Fen	21.1.2010	1.62	21.1.2011 - 20.1.2018	–	570,000	–	–	570,000
	21.1.2010	1.62	21.1.2012 - 20.1.2018	–	570,000	–	–	570,000
	21.1.2010	1.62	21.1.2013 - 20.1.2018	–	1,140,000	–	–	1,140,000
	21.1.2010	1.62	21.1.2014 - 20.1.2018	–	1,520,000	–	–	1,520,000
				–	3,800,000	–	–	3,800,000
Employees of Pou Sheng								
	21.1.2010	1.62	21.1.2011 - 20.1.2018	–	9,105,000	–	(748,500)	8,356,500
	21.1.2010	1.62	21.1.2012 - 20.1.2018	–	9,105,000	–	(748,500)	8,356,500
	21.1.2010	1.62	21.1.2013 - 20.1.2018	–	18,210,000	–	(1,497,000)	16,713,000
	21.1.2010	1.62	21.1.2014 - 20.1.2018	–	24,280,000	–	(1,996,000)	22,284,000
				–	60,700,000	–	(4,990,000)	55,710,000
Grand total				–	64,500,000	–	(4,990,000)	59,510,000

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

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, 2010, 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)	773,156,303	46.88%
Max Creation Industrial Limited ("Max Creation")	(b)	115,001,998	6.97%
World Future Investments Limited ("World Future")	(c)	115,001,998	6.97%
Mr. Tsai Chi Jui	(c)	115,321,998	6.99%
Merrill Lynch & Co. Inc.	(d)	99,315,703	5.97%
Citigroup Inc.	(e)	105,906,126	6.42%
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, 773,156,303 ordinary shares were held by Wealthplus as listed above and 50,987,532 ordinary shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries 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.

(b) Of the 115,001,998 ordinary shares beneficially owned by Max Creation, 80,494,822 ordinary shares were held by Quicksilver Profits Limited ("Quicksilver"), 20,631,440 ordinary shares were held by Red Hot Investments Limited ("Red Hot") and 13,875,736 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 who is a director of the Company is also a director of Quicksilver, Red Hot and Moby Dick. Mr. Tsai Chi Neng and Mr. David N. F. Tsai (who are directors of the Company) are directors of Max Creation.

(c) World Future is deemed to be interested in 115,001,998 ordinary shares under the SFO by virtue of its interest 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 115,001,998 ordinary shares under the same section as he holds 100% of the issued share capital in World Future. In addition, Mr. Tsai Chi Jui holds 320,000 ordinary shares directly.

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

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

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

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

Substantial Shareholders (continued)

Notes: (continued)

(e) The 105,906,126 ordinary shares (long position) are held as to 101,226,416 ordinary shares as corporation interest, 4,096,710 ordinary shares in the capacity as custodian corporation/ approved lending agent and 583,000 ordinary shares as security interest. Further, 9,084,813 ordinary shares in short position are held as corporation interest. Of the 105,906,126 ordinary shares in long position, 92,247,920 ordinary shares represent underlying interests in physically settled unlisted derivatives.

Of the 105,906,126 ordinary shares (long position) held by Citigroup Inc., 7,388,195 ordinary shares (long position) are directly held by Citigroup Global Markets Inc., 601,635 ordinary shares (long position) are directly held by Morgan Stanley Smith Barney, 92,325,050 ordinary shares (long position) are directly held by Citigroup Global Markets Financial Products LLC, 1,461,496 ordinary shares (long position) are directly held by Citigroup Global Markets Ltd, 28,790 ordinary shares (long position) are directly held by Citigroup Trust – Delaware, National Association and 4,100,960 ordinary shares (long position) are directly held by Citibank N.A.

Of the 9,084,813 ordinary shares (short position) interested by Citigroup Inc., 7,021,000 ordinary shares (short position) are directly interested by Citigroup Global Markets Inc., 154,500 ordinary shares (short position) are directly interested by Citigroup Global Markets Financial Products LLC and 1,909,313 ordinary shares (short position) are directly interested by Citigroup Global Markets Ltd.

Morgan Stanley Smith Barney is owned as to 49% by Citigroup Global Markets Inc., which is in turn wholly-owned by Citigroup Financial Products Inc. Citigroup Global Markets Financial Products LLC is wholly-owned by Citigroup Global Markets Holdings GmbH, which is in turn owned as to 75.7% by Citigroup Global Markets (International) Finance AG, which is in turn wholly-owned by Citigroup Financial Products Inc. Citigroup Global Markets Ltd is wholly-owned by Citigroup Global Markets Europe Ltd, which is in turn owned as to 97.33% by Citigroup Global Markets LLC, which is in turn wholly-owned by Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is therefore deemed to be interested in an aggregate of 101,776,376 ordinary shares (long position) and 9,084,813 ordinary shares (short position).

Citigroup Financial Products Inc. is wholly-owned by Citigroup Global Markets Holdings Inc., which is in turn wholly-owned by Citigroup Inc..

Citigroup Trust – Delaware, National Association is wholly-owned by Citibank N.A., which is in turn wholly-owned by Citicorp Holdings Inc., which is in turn wholly-owned by Citigroup Inc.. Citibank N.A. is therefore deemed to be interested in an aggregate of 4,129,750 ordinary shares (long position).

In light of the above, Citigroup Inc. is deemed to be interested in an aggregate of 105,906,126 ordinary shares (long position) and 9,084,813 ordinary shares (short position).

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, 2010.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year are set out in Note 48(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 auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors have confirmed that the transactions were entered into by the Group in ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the 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 48(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 23% 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

Mr. Huang Ming Fu, the independent non-executive director of the Company, was retired as Chairman of IBT Management Corp. with effect from 8th October, 2010.

Ms. Kuo Li-Lien, the executive director of the Company, was appointed as a non-executive director and chairman of remuneration committee of Pou Sheng in March 2009. She resigned as chairman but remained as a member of the remuneration committee of Pou Sheng with effect from 3rd March 2010.

Mr. David N.F. Tsai, the executive director of the Company, assumed the role of acting chief executive officer of Pou Sheng on 19th June, 2009 on a temporary basis until Ms. Chang Karen, Yi-Fen, the chief financial officer and executive director of Pou Sheng, was appointed as the new chief executive officer of Pou Sheng with effect from 1st January, 2010.

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

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 in the annual report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30th September, 2010.

Events After the Reporting Period

Details of significant events occurring after the end of the reporting period are set out in Note 50 to the consolidated financial statements.

Auditor

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
19th January, 2011

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, 2010, 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 ten 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 15 to 21. 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' independences 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 ensures 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 judgment. 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 ("AGM") 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 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, 7 Board meetings, 4 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	3/7	N/A	N/A
David N.F. Tsai	3/7	N/A	N/A
Kuo Tai Yu	1/7	N/A	N/A
Lu Chin Chu	1/7	N/A	N/A
Kung Sung Yen	1/7	N/A	N/A
Chan Lu Min	6/7	N/A	N/A
Li I Nan, Steve	7/7	N/A	N/A
Tsai Pei Chun, Patty	7/7	N/A	N/A
Kuo Li Lien	7/7	N/A	N/A
Lee Shao Wu (appointed on 19th January, 2011)	N/A	N/A	N/A
Non-executive Director			
John J.D. Sy[1, 3]	5/7	4/4	1/1
Independent Non-executive Directors			
So Kwan Lok[1, 3, 4] (resigned on 25th March, 2010)	1/1	1/1	1/1
Liu Len Yu[1, 3]	6/7	3/4	1/1
Leung Yee Sik[1,2,3,4]	6/7	4/4	1/1
Huang Ming Fu[1, 3] (appointed on 25th March, 2010)	4/5	3/3	N/A

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

A. Directors (continued)

A.5 Responsibilities of directors (continued)

Code Provisions	Compliance	Actions by the Company
A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	A comprehensive information package containing an introduction to the Group's operations, directors' responsibilities and duties and other statutory requirements 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.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. Directors (continued)

A.6 Supply of and access to information (continued)

Code Provisions	Compliance	Actions by the Company
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. John J. D. Sy, Dr. Liu Len Yu, Mr. Leung Yee Sik and Mr. Huang Ming Fu. The Chairman of the Remuneration 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.

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.1.1 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 independent 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.1.3, B.1.4 & B.1.5 The terms of reference of the remuneration committee should include the specific duties as stipulated in B.1.3 of Appendix 14 to the Listing Rules. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	The terms of reference are set out in writing with adoption of the specific duties as provided in B.1.3 of Appendix 14 to the Listing Rules. It is available upon request. The Company will pay for the fees for all professional advice and other assistance as required by the Remuneration Committee.

C. Accountability and Audit

C.1 Financial Reporting

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

Code Provisions	Compliance	Actions by the Company
C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	Management is required to provide detailed report and explanation to enable the Board to make an informed assessment before approval.
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	Company's directors and auditors state their respective responsibilities on pages 54 and 55 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, Dr. Liu Len Yu, Mr. John J.D. Sy and Mr. Huang Ming Fu. 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 4 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	All notices of general meetings dispatched by the Company to its shareholders have been sent in the case of AGM 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.

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

	US$'000
Audit services	1,831
Non-audit services	582
	2,413

The above non-audit services include the review of interim financial statements, 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 and the review of internal control of businesses.

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 56 to 177, which comprise the consolidated statement of financial position as at 30th September, 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2010 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
19th January, 2011

Consolidated Income Statement

For the Year ended 30th September, 2010

	NOTES	2010 US$'000	2009 US$'000
Turnover	5	**5,788,208**	5,016,902
Cost of sales		**(4,377,787)**	(3,734,456)
Gross profit		**1,410,421**	1,282,446
Other income		**124,802**	158,003
Fair value changes on investment properties	13	**643**	(7,193)
Fair value changes on derivative financial instruments	6	**(1,865)**	25,117
Impairment loss on available-for-sale investments	24	**(900)**	(8,527)
Selling and distribution expenses		**(440,646)**	(390,914)
Administrative expenses		**(454,229)**	(439,327)
Other expenses		**(166,410)**	(165,022)
Impairment loss on investments in associates	19	**(1,300)**	–
Impairment loss on investments in jointly controlled entities	21	**(1,700)**	(9,294)
Finance costs	7	**(40,422)**	(52,360)
Share of results of associates		**39,790**	41,365
Share of results of jointly controlled entities		**62,679**	35,799
Profit before taxation		**530,863**	470,093
Income tax expense	8	**(35,025)**	(8,131)
Profit for the year	9	**495,838**	461,962
Attributable to:			
Owners of the Company		**479,507**	464,730
Non-controlling interests		**16,331**	(2,768)
		495,838	461,962
		US cents	US cents
Earnings per share	12		
– Basic		**29.08**	28.15
– Diluted		**27.19**	24.88

Consolidated Statement of Comprehensive Income

For the Year ended 30th September, 2010

	2010 US$'000	2009 US$'000
Profit for the year	**495,838**	461,962
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	**25,815**	(2,099)
Gain on fair value changes of investments	**4,516**	2,125
Revaluation increase upon acquisition of a subsidiary	**–**	8,108
Other comprehensive income for the year	**30,331**	8,134
Total comprehensive income for the year	**526,169**	470,096
Total comprehensive income attributable to:		
Owners of the Company	**504,306**	469,566
Non-controlling interests	**21,863**	530
	526,169	470,096

At 30th September, 2010

	NOTES	2010 US$'000	2009 US$'000
Non-current assets			
Investment properties	13	59,746	59,103
Property, plant and equipment	14(a)	1,668,055	1,592,418
Deposits paid for acquisition of property, plant and equipment	14(b)	4,704	4,436
Prepaid lease payments	15	182,494	168,040
Intangible assets	16	70,612	73,756
Goodwill	17	218,607	218,607
Investments in associates	19	349,796	335,076
Amounts due from associates	20	11,083	10,728
Investments in jointly controlled entities	21	341,698	316,607
Deposit paid for acquisition of the remaining interest in a jointly controlled entity	21	19,223	–
Amounts due from jointly controlled entities	22	132,452	159,739
Long-term loan receivables	23	17,642	–
Available-for-sale investments	24	21,463	15,481
Rental deposits and prepayments		22,375	29,455
Derivative financial instruments	25	46,024	55,321
Deferred tax assets	34	2,293	1,252
		3,168,267	3,040,019
Current assets			
Inventories	26	776,139	668,356
Trade and other receivables	27	1,109,315	792,771
Prepaid lease payments	15	3,942	3,806
Taxation recoverable		2,692	4,510
Available-for-sale investments	24	8,227	–
Derivative financial instruments	25	34,407	13,950
Structured bank deposit	28	–	39,824
Bank balances and cash	29	622,333	1,195,566
		2,557,055	2,718,783
Current liabilities			
Trade and other payables	30	898,866	758,256
Taxation payable		16,078	16,965
Derivative financial instruments	25	27,041	11,302
Bank borrowings	31	226,318	570,201
Convertible bonds	32	–	271,337
		1,168,303	1,628,061
Net current assets		1,388,752	1,090,722
Total assets less current liabilities		4,557,019	4,130,741

	NOTES	2010 US$'000	2009 US$'000
Non-current liabilities			
Convertible bonds	32	**268,649**	–
Long-term bank borrowings	33	**483,731**	680,207
Deferred taxation	34	**28,136**	29,154
		780,516	709,361
Net assets		**3,776,503**	3,421,380
Capital and reserves			
Share capital	35	**53,211**	53,211
Reserves		**3,317,845**	2,984,016
Equity attributable to owners of the Company		**3,371,056**	3,037,227
Non-controlling interests	49	**405,447**	384,153
Total equity		**3,776,503**	3,421,380

The consolidated financial statements on pages 56 to 177 were approved and authorised for issue by the Board of Directors on 19th January, 2011 and are signed on its behalf by:

David N.F. Tsai
MANAGING DIRECTOR

Li I Nan, Steve
DIRECTOR

For the Year ended 30th September, 2010

	Attributable to owners 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$'000	Non-controlling interests US$'000	Total equity US$'000
At 1st October, 2008	53,682	725,431	–	(16,688)	18,118	25,394	–	13,333	56,711	1,903,916	2,779,897	328,652	3,108,549
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
Profit for the year	–	–	–	–	–	–	–	–	–	464,730	464,730	(2,768)	461,962
Total comprehensive income (expense) 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	(7,424)	–
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 non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	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 11)*	–	–	–	–	–	–	–	–	–	(189,294)	(189,294)	–	(189,294)
Dividends paid to non- controlling interests 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
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	20,283	–	20,283	5,532	25,815
Gain on fair value changes of investments	–	–	4,516	–	–	–	–	–	–	–	4,516	–	4,516
Profit for the year	–	–	–	–	–	–	–	–	–	479,507	479,507	16,331	495,838
Total comprehensive income for the year	–	–	4,516	–	–	–	–	–	20,283	479,507	504,306	21,863	526,169
Issue of call option	–	–	–	–	–	18,272	–	–	–	–	18,272	–	18,272
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	1,578	1,578
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	(202)	202	–	(125)	(125)
Realised on disposal of subsidiaries	–	–	–	–	–	–	–	–	(770)	770	–	(1,222)	(1,222)
Realised on disposal of jointly controlled entities	–	–	–	–	–	–	–	–	(2,432)	2,432	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	4,111	4,111
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,307)	(1,307)
Dividends *(Note 11)*	–	–	–	–	–	–	–	–	–	(188,749)	(188,749)	–	(188,749)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,604)	(3,604)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	4,094	–	(4,094)	–	–	–
At 30th September, 2010	53,211	695,536	6,641	(16,688)	–	43,666	4,551	19,369	71,750	2,493,020	3,371,056	405,447	3,776,503

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 2011").

On 20th April, 2010, in consideration of the receipt by the Company of a cash premium of US$18.3 million, the Company granted an option to another financial institution, pursuant to which the financial institution has the right, from time to time during the period from 10th May, 2010 to 31st March, 2015, to require the Company to issue up to a maximum of 92,247,920 ordinary shares of HK$0.25 each in the Company at an agreed exercise price of US$4.21 per share (the "USD Call Option 2015").

The premiums received by the Company were recognised as equity and are presented in reserves as "other reserve".

Up to 30th September, 2010, the holders of the USD Call Options 2011 and 2015 had not exercised any of their rights 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 profits 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 PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. 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.

	NOTE	2010 US$'000	2009 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**530,863**	470,093
Adjustments for:			
Release of prepaid lease payments		**5,385**	4,080
Depreciation of property, plant and equipment		**179,018**	174,360
(Reversal) allowance for inventories		**(1,257)**	9,795
Amortisation of intangible assets		**4,627**	1,152
Discount on acquisition of additional interest in a subsidiary		**–**	(4,776)
Discount on acquisition of additional interest in a jointly controlled entity		**(338)**	–
Dividend income from available-for-sale investments		**(273)**	(237)
Finance costs		**40,422**	52,360
Fair value changes on investment properties		**(643)**	7,193
Interest income		**(11,631)**	(8,957)
Impairment loss on available-for-sale investments		**900**	8,527
Impairment loss on trade receivables		**422**	316
Impairment loss on investments in jointly controlled entities		**1,700**	9,294
Impairment loss on investments in associates		**1,300**	–
Write back of impairment loss on trade receivables		**(653)**	(1,595)
Recognition of share-based payment expense of a listed subsidiary		**1,578**	12,521
Loss on disposal of associates		**–**	1,044
Loss on deregistration of an associate		**36**	–
Loss on disposal of jointly controlled entities		**8,203**	–
Loss on deemed disposal of partial interest in a jointly controlled entity		**31**	–
Loss on deregistration of a jointly controlled entity		**–**	1,521
Loss on disposal of property, plant and equipment		**8,753**	10,312
Loss on partial redemption of convertible bonds		**460**	–
Gain on disposal of available-for-sale investments		**(17)**	–
Gain on disposal of land leases		**(4,931)**	(5,830)
Gain on disposal of subsidiaries	42	**(1,776)**	–
Gain on deregistration of a subsidiary		**(125)**	–
Gain on deemed disposal of a jointly controlled entity		**(1,267)**	–
Gain on deemed disposal of subsidiaries	42	**(85)**	–
Fair value changes on derivative financial instruments		**1,865**	(25,117)
Share of results of associates		**(39,790)**	(41,365)
Share of results of jointly controlled entities		**(62,679)**	(35,799)

	NOTE	2010 US$'000	2009 US$'000
Operating cash flow before movements in working capital		660,098	638,892
(Increase) decrease in inventories		(108,486)	127,299
(Increase) decrease in trade and other receivables		(304,864)	172,229
Decrease in rental deposits and prepayments		6,656	6,046
Increase in trade and other payables		208,712	47,285
Cash generated from operations		462,116	991,751
Hong Kong Profits Tax paid		(216)	(66)
Refund of tax reserve certificates		18,410	–
Overseas taxation paid		(16,448)	(11,443)
Refund of overseas taxation		2,698	161
NET CASH FROM OPERATING ACTIVITIES		466,560	980,403
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(307,898)	(214,769)
Increase in loan receivable		(37,028)	–
Prepaid land leases		(36,216)	(41,433)
Deposit paid for acquisition of the remaining interest of a jointly controlled entity		(19,223)	–
Purchase of available-for-sale investments		(15,998)	(7,898)
Investments in jointly controlled entities		(10,339)	–
Investments in associates		(5,597)	(9,138)
Advance to jointly controlled entities		(5,000)	(34,497)
Deposit paid for acquisition of property, plant and equipment		(4,704)	(4,436)
Deemed disposal of a subsidiary (net of cash and cash equivalents disposed of)	42	(1,785)	–
Settlement of structured bank deposit		40,675	–
Dividends received from jointly controlled entities		34,825	18,113
Dividends received from associates		31,625	14,944
Proceeds from disposal of property, plant and equipment		14,513	11,167
Interest received		11,091	8,856
Proceeds from disposal of jointly controlled entities		11,085	–
Repayment from jointly controlled entities		5,850	2,669
Proceeds from disposal of available-for-sale investments		5,558	4,601
Refund of investment costs in jointly controlled entities		2,724	199
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42	1,517	–
Refund of investment cost in associates		1,156	250
Dividends received from available-for-sale investments		273	237
Proceeds from deregistration of an associate		96	–
Acquisition of subsidiaries (net of cash and cash equivalent acquired)		–	(43,987)
Structured bank deposit placed		–	(40,000)
Advance to associates		–	(7,696)
Proceeds from deemed disposal of partial interest in a subsidiary		–	8,585
Proceeds from early termination of land leases		–	7,929
Repayment from associates		–	7,303
Proceeds from disposal of associates		–	6,274
Decrease in pledged bank deposits		–	2,337
NET CASH USED IN INVESTING ACTIVITIES		(282,800)	(310,390)

	2010 US$'000	2009 US$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(1,866,465)**	(2,374,766)
Dividends paid	**(188,749)**	(189,294)
Interest paid on bank borrowings	**(25,280)**	(34,488)
Redemption of convertible bonds	**(18,684)**	(264,829)
Dividends paid to non-controlling interests of subsidiaries	**(3,604)**	(2,793)
Acquisition of additional interests in subsidiaries	**(1,230)**	(1,500)
Bank borrowings raised	**1,322,588**	2,958,365
Premium received on USD call option	**18,272**	–
Contribution from non-controlling interests	**4,111**	2,246
Shares repurchased	**–**	(30,366)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(759,041)**	62,575
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(575,281)**	732,588
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,048**	(1,025)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**1,195,566**	464,003
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**622,333**	1,195,566

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)[1]	Improvements to HKFRSs 2008
HKFRSs (Amendments)[2]	Improvements to HKFRSs 2009
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK-Int 5	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

1 Except for the amendment to HKAS 1, which was early adopted during the year ended 30th September, 2009.
2 Except for the amendments that are effective for annual periods beginning on or after 1st January, 2010

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that has resulted in a change of the Group's reporting of segment information as compared with the segment reporting provided in prior years in accordance with HKAS 14 "Segment Reporting" (see Note 5).

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st October, 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

The application of HKAS 27 (revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, HKAS 27 (revised 2008) has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (revised 2008) requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st October, 2009 in accordance with the relevant transitional provisions. The application of HKAS 27 (revised 2008) has no material impact on the consolidated financial statements for the year ended 30th September, 2010.

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

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 30th September, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$16,197,000 (2009: nil) have been classified from non-current liabilities to current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years nor the financial position as at 30th September, 2009.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities (see Note 40).

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)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-times Adoptors[7]

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010
2 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2012
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st February, 2010
6 Effective for annual periods beginning on or after 1st July, 2010
7 Effective for annual periods beginning on or after 1st July, 2011
8 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds the requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1st October, 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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 of Hong Kong Limited (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.

Non-controlling interests in subsidiaries are presented separately for the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant Accounting Policies (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1st October, 2009

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate, the difference between the consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries acquired is accounted for as goodwill. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Changes in the Group's ownership interests in existing subsidiaries on or after 1st October, 2009

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies (continued)

Business combinations

Business combinations that took place prior to 1st October, 2009

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations that took place on or after 1st October, 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

3. Significant Accounting Policies (continued)

Business combinations (continued)

Business combinations that took place on or after 1st October, 2009 (continued)

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting profit or loss and other comprehensive income. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's 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. Additional losses are 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, which is included within the carrying amount 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 reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1st October, 2009 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3. Significant Accounting Policies (continued)

Investments in associates (continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (continued)

Joint ventures (continued)

Jointly controlled entities (continued)

From 1st October, 2009 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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.

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.

Service income is recognised when services are provided.

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 on initial recognition.

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

3. Significant Accounting Policies (continued)

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 at their fair values 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 profit or loss in the period 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.

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.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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 profit or loss in the period 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 profit or loss when the asset is derecognised.

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

At the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

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.

3. Significant Accounting Policies (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term 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 statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 to the net carrying amount on initial recognition.

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 comprise derivatives that are not designated and effective as a hedging instrument.

At the end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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 the end of the reporting period subsequent to initial recognition, loans and receivables (including long-term loan receivables, trade and other receivables, amounts due from associates and jointly controlled entities, loan component of structured bank deposit 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.

At the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the reserve is reclassified to 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 the end of the reporting period subsequent to initial recognition. (see accounting policy on impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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.

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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments 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 other comprehensive income and accumulated in reserve.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

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

At the end of the reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and debt component of convertible bonds 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 contain liability and equity components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

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

(b) Convertible bonds 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds (continued)

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

USD Call Option

USD Call Option issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of USD Call Option on the date of issue is recognised in equity (other reserve). The amount previously recognised in equity will be transferred to share capital and share premium upon exercise of the USD Call Option. Where the USD Call Option remains unexercised at the expiry date, the amount previously recognised in equity will be released to the retained profits.

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 the end of the reporting period. 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)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

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 in other comprehensive income 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 the end of the reporting period, the Group revises its estimates of the number of rights/options that are expected to ultimately vest. The impact of the revision of the estimates 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 of the relevant group entity.

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 of the relevant group entity upon cancellation.

3. Significant Accounting Policies (continued)

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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies (continued)

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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. USD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Significant Accounting Policies (continued)

Research and development expenditure (continued)

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 listed above. 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.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as 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 plans, 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.

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

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

(i) Property interest in land

Despite the Group has paid substantially the full purchase consideration as detailed in Notes 13, 14(a) and 15, 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 carrying value of the relevant properties to the Group.

(ii) Intangible assets

The directors of the Company considered that the brandname with a carrying amount of US$32,408,000 (2009: US$31,731,000) as detailed in Note 16, for all practical purposes has an indefinite useful life and is therefore not amortised until its 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated recoverable amounts of goodwill and brandname

Determining whether goodwill and brandname are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and brandname 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 where the expected future cash flows arising from the relevant cash-generating units differ from the cash-generating units containing goodwill and brandname using a suitable discount rate. As at 30th September, 2010, the carrying amounts of goodwill and brandname are approximately US$218,607,000 and US$32,408,000 (2009: US$218,607,000 and US$31,731,000), respectively. Details of the recoverable amount calculation are disclosed in Note 18.

(ii) Estimated impairment of intangible assets with finite useful lives

The Group tests whether intangible assets which have finite useful lives have suffered any impairment. The recoverable amounts of these intangible assets have been determined, based on their value in use of the CGU to which the intangible assets were included, 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, 2010, the carrying amount of intangible assets which have finite useful lives is approximately US$38,204,000 (2009: US$42,025,000).

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

Key sources of estimation uncertainty (continued)

(iii) 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 underlying value of the relevant equity interests, (ii) the profitability of Pou Sheng International (Holdings) Limited ("Pou Sheng") and the relevant companies (as defined in Note 25), and (iii) the share price of Pou Sheng. Details of the assumptions used and the carrying amounts of the financial instruments as at 30th September, 2009 and 2010 are disclosed in Note 25.

5. Turnover and Segmental Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st October, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance.

In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (geographical and business) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers.

Information reported to the board of directors of the Company, for the purposes of resources allocation and performance assessment, focuses specifically on the revenue analysis by principal categories of the Group's business and the profit of the Group as a whole. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear products ("Retailing Business").

5. Turnover and Segmental Information (continued)

Accordingly, the directors of the Company have determined that the Group has one operating segment, as defined in HKFRS 8. The information regarding turnover derived from the principal businesses described above is reported below.

	2010 US$'000	2009 US$'000
Turnover		
Manufacturing Business	**4,593,188**	3,995,119
Retailing Business	**1,185,683**	1,015,539
Other businesses	**9,337**	6,244
Total turnover	**5,788,208**	5,016,902

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010 US$'000	2009 US$'000
Athletic shoes	**3,064,704**	2,709,726
Casual/outdoor shoes	**943,413**	781,770
Sports sandals	**64,217**	71,771
Soles and components	**477,191**	390,029
Retails sales – shoes and apparel	**1,185,683**	1,015,539
Others	**53,000**	48,067
	5,788,208	5,016,902

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("USA"), Europe and PRC. The Group's revenue by the geographical location of the customers, irrespective of the origin of the goods, is detailed below:

	2010 US$'000	2009 US$'000
USA	**1,709,146**	1,534,082
Europe	**1,180,379**	1,117,945
PRC	**1,597,100**	1,422,020
Others	**1,301,583**	942,855
	5,788,208	5,016,902

5. Turnover and Segmental Information (continued)

Geographical information (continued)

The Group's business activities are conducted predominantly in the PRC, Vietnam and Indonesia. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2010 US$'000	2009 US$'000
PRC	1,271,838	1,291,354
Vietnam	338,268	336,764
Indonesia	360,334	276,674
Others	37,546	22,416
	2,007,986	1,927,208

Note: Non-current assets excluded financial instruments, goodwill, investments in associates, investments in jointly controlled entities, deposit paid for acquisition of the remaining interest in a jointly controlled entity and deferred tax assets.

6. Fair Value Changes on Derivative Financial Instruments

	2010 US$'000	2009 US$'000
(Loss) gain on changes in fair value of:		
– HKD Call Option (Note 25)	19,853	(869)
– derivatives embedded in convertible bonds (Note 32)	(14,951)	28,995
– derivatives embedded in structured bank deposit (Note 28)	170	60
– JV Call Options (Note 25)	(6,393)	(4,423)
– other derivative financial instruments (Note 25)	(544)	1,354
	(1,865)	25,117

7. Finance Costs

	2010 US$'000	2009 US$'000
Interest on bank borrowings:		
– wholly repayable within five years	24,827	33,910
– not wholly repayable within five years	453	578
Effective interest expense on convertible bonds	15,142	17,872
	40,422	52,360

8. Income Tax Expense

	2010 US$'000	2009 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax		
Hong Kong Profits Tax (note i)		
– current year	588	399
– prior years	22,176	–
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	9,681	4,007
– underprovision in prior years	561	220
Overseas taxation (note iii)		
– current year	3,932	5,538
– underprovision in prior years	146	–
	37,084	10,164
Deferred tax credit (Note 34)	(2,059)	(2,033)
	35,025	8,131

8. 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 Hong Kong Inland Revenue Department (the "HKIRD") issued protective profits tax assessments, in aggregate, of approximately HK$1,051,943,000 (equivalent to approximately US$135,742,000) 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 these protective assessments. The HKIRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing Tax Reserve Certificate ("TRC") of HK$314,526,000 (equivalent to approximately US$40,586,000) for those years of assessment. These TRC were purchased.

In March 2009, the HKIRD further issued protective profits tax assessments 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 did not purchase these TRC and, in May 2009, filed an application to the High Court of Hong Kong for a judicial review on the protective assessments and holdover notices relating to the years of assessment 1997/1998 to 2002/2003.

In March 2010, the HKIRD further issued protective profits tax assessments of approximately HK$291,597,000 (equivalent to approximately US$37,563,000) relating to the year of assessment 2003/2004, that is, for the financial year ended 30th September, 2003. The Group again lodged objections with the HKIRD against these protective assessments. On 11th March, 2010, the judicial review was heard in the High Court. After the hearing, the High Court handed down the judgment, in which the judge made certain orders on the HKIRD.

In the opinion of the directors, the Group does not conduct any sales or manufacturing activities in Hong Kong, no Hong Kong Profits Tax should be payable by the aforesaid wholly-owned subsidiaries. Based on the assessment of the Group's legal adviser on the merit of the case, the directors believe that no Hong Kong Profits Tax is in fact payable by the aforesaid wholly-owned subsidiaries. However, in view of the risk associated with the legal proceeding, time and resources the Group has incurred in the case and for the future business development of the Group, the directors decided to take an alternative means other than court process, specifically a compromised settlement approach to resolve the dispute with the HKIRD. The directors believe that this is in the best interest of the Group.

Against this background and following subsequent negotiations with the HKIRD, a compromised settlement was reached with the HKIRD in early June 2010 at a sum of HK$172,570,000 (equivalent to approximately US$22,176,000) as a full and final settlement of the whole case for the years of assessment 1997/1998 to 2008/2009, that is, for the financial years ended 30th September, 1997 to 2008. This sum payable has been charged to the consolidated income statement for the year ended 30th September, 2010.

Upon the conclusion of the dispute with the HKIRD, an amount of HK$141,956,000 (equivalent to approximately US$18,410,000), representing the TRC previously purchased and after deducting the compromised settlement, was refunded during the year ended 30th September, 2010.

(ii) PRC

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 followings:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were 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. These tax concessions would expire between 2009 and 2012.

8. Income Tax Expense (continued)

notes: (continued)

(ii) PRC (continued)

(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 specific encouraged industries were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year.

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 concessions from EIT as set out in (a) above continued to be applicable until the expirations of the relevant concessions. Subject to the fulfillments of the conditions set out above, the preferential treatment set out in (b) above continues on the implementation of the Law of the PRC on Enterprise Income Tax.

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 holiday are allowed to be carried forward to 2008 and future years until their expiry. However, if an entity did not commence its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries were loss-making up to 2008, their tax holidays are therefore deemed to commence in 2008.

(iii) Overseas

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:

	2010 US$'000	2009 US$'000
Profit before taxation	**530,863**	470,093
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**97,079**	106,894
Tax effect of share of results of associates and jointly controlled entities	**(18,936)**	(17,305)
Tax effect of expenses not deductible for tax purpose	**22,694**	18,630
Tax effect of income not taxable for tax purpose	**(71,379)**	(74,134)
Tax effect of tax losses not recognised	**5,366**	7,734
Effect of PRC tax holidays/exemption granted to subsidiaries	**(22,682)**	(33,330)
Deferred tax relating to dividend withholding tax	**–**	(578)
Underprovision in prior years	**22,883**	220
Tax charge for the year	**35,025**	8,131

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.

9. Profit for the Year

	2010 US$'000	2009 US$'000
Profit for the year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	**1,111,961**	981,510
– retirement benefit scheme contributions	**32,965**	21,707
– share-based payment	**1,578**	12,521
	1,146,504	1,015,738
Release of prepaid lease payments	**5,385**	4,080
Allowance for inventories	**–**	9,795
Auditor's remuneration	**1,831**	1,957
Amortisation of intangible assets	**4,627**	1,152
Depreciation of property, plant and equipment	**179,018**	174,360
Loss on disposal of property, plant and equipment	**8,753**	10,312
Loss on disposal of associates	**–**	1,044
Loss on disposal of jointly controlled entities	**8,203**	–
Loss on deemed disposal of partial interest in a jointly controlled entity	**31**	–
Loss on deregistration of an associate	**36**	–
Loss on deregistration of a jointly controlled entity	**–**	1,521
Impairment loss on trade receivables	**422**	316
Research and development expenditure (included in other expenses)	**131,123**	115,546
Share of taxation of associates (included in share of results of associates)	**4,737**	3,779
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**9,731**	9,661
and after crediting to other income:		
Interest income	**11,631**	8,957
Discount on acquisition of additional interest in a jointly controlled entity	**338**	–
Discount on acquisition of additional interest in a subsidiary	**–**	4,776
Dividend income from available-for-sale investments	**273**	237
Net exchange gain	**15,495**	8,550
Write back of impairment loss on inventory	**1,257**	–
Write back of impairment loss on trade receivables	**653**	1,595
Gain on deemed disposal of a jointly controlled entity	**1,267**	–
Gain on deemed disposal of subsidiaries	**85**	–
Gain on deregistration of a subsidiary	**125**	–
Gain on disposal of land leases	**4,931**	5,830
Gain on disposal of available-for-sale investments	**17**	–
Gain on disposal of subsidiaries	**1,776**	–
Cash discounts from suppliers	**21,529**	17,977
Utility income from provision of electricity and water supply	**8,384**	6,003
Subcontracting income	**8,082**	44,049
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$199,000 (2009: US$125,000)	**8,419**	8,017

note: For the years ended 30th September, 2010 and 2009, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

10. Directors' Emoluments and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 14 (2009: 15) directors were as follows:

	Fees US$'000	Salaries and other benefits US$'000	Bonus US$'000	Retirement benefit schemes US$'000	Total US$'000
2010					
Executive directors:					
Tsai Chi Neng	–	252	1,015	–	1,267
David N.F. Tsai	–	322	927	–	1,249
Kuo Tai Yu	–	103	908	–	1,011
Lu Chin Chu	–	117	830	–	947
Kung Sung Yen	–	208	907	–	1,115
Chan Lu Min	–	19	181	–	200
Li I Nan, Steve	–	196	64	2	262
Tsai Pei Chun, Patty	–	100	35	–	135
Kuo Li Lien	–	45	19	–	64
Non-executive directors:					
John J.D. Sy	45	120	–	–	165
Independent non–executive directors:					
So Kwan Lok (note i)	16	–	–	–	16
Liu Len Yu	30	–	–	–	30
Leung Yee Sik	30	–	–	–	30
Huang Ming Fu (note ii)	15	–	–	–	15
	136	1,482	4,886	2	6,506
2009					
Executive directors:					
Tsai Chi Neng	–	253	1,070	–	1,323
David N.F. Tsai	–	320	977	–	1,297
Edward Y. Ku (note iii)	–	124	–	1	125
Kuo Tai Yu	–	100	957	–	1,057
Lu Chin Chu	–	109	875	–	984
Kung Sung Yen	–	143	956	–	1,099
Chan Lu Min	–	18	181	–	199
Li I Nan, Steve	–	193	59	1	253
Tsai Pei Chun, Patty	–	101	34	–	135
Kuo Li Lien (note iv)	–	11	19	–	30
Non-executive directors:					
John J.D. Sy	45	120	–	–	165
Independent non–executive directors:					
So Kwan Lok (note i)	31	–	–	–	31
Poon Yiu Kin, Samuel (note v)	23	–	–	–	23
Liu Len Yu	29	–	–	–	29
Leung Yee Sik (note vi)	21	–	–	–	21
	149	1,492	5,128	2	6,771

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

(a) Directors' emoluments (continued)

notes:

(i) Mr. So Kwan Lok resigned as an independent non-executive director on 25th March, 2010.

(ii) Mr. Huang Ming Fu was appointed as an independent non-executive director on 25th March, 2010.

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

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

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

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

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, 2010, all (2009: one) are directors of the Company whose emoluments are set out above. The emoluments of the remaining four individuals for the year ended 30th September, 2009 were as follows:

	2010 US$'000	2009 US$'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:

	2010 Number of employees	2009 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

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

(b) Employees' emoluments (continued)

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.

11. Dividends

	2010 US$'000	2009 US$'000
Dividends recognised as distribution during the year:		
2010 Interim dividend of HK$0.34 per share (2009: 2009 Interim dividend of HK$0.34 per share)	71,993	72,337
2009 Final dividend of HK$0.55 per share (2009: 2008 Final dividend of HK$0.55 per share)	116,756	116,957
	188,749	189,294

The directors recommend the payment of a final dividend of HK$0.56 per share for the year ended 30th September, 2010. The proposed dividend of approximately HK$923,400,000 will be paid on or before 14th March, 2011 to those shareholders whose names appear on the Company's register of members on 4th March, 2011.

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

12. Earnings Per Share

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

	2010 US$'000	2009 US$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**479,507**	464,730
Effect of dilutive potential ordinary shares:		
Fair value changes on derivative embedded in convertible bonds	–	(28,995)
Finance costs on convertible bonds	–	17,872
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**479,507**	453,607

	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,648,928,486**	1,651,143,630
Effect of dilutive potential ordinary shares:		
USD Call Option 2011	**78,504,672**	78,504,672
USD Call Option 2015	**36,393,700**	–
Convertible bonds	–	93,634,233
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,763,826,858**	1,823,282,535

notes:

(a) The computation of diluted earnings per share for the year ended 30th September, 2010 does not assume the conversion of the Company's outstanding convertible bonds – CB2011 (as defined in Note 32) since their assumed exercise would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the year ended 30th September, 2010 does not assume the exercise of Pou Sheng's share options because the exercise price of those options was higher than the average market price of Pou Sheng for the year.

(c) 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 were higher than the average market price of Pou Sheng for the year prior to its termination on 4th September, 2009.

13. Investment Properties

	US$'000
FAIR VALUE	
At 1st October, 2008	66,296
Fair value changes recognised in profit or loss	(7,193)
At 30th September, 2009	59,103
Fair value changes recognised in profit or loss	643
At 30th September, 2010	**59,746**

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$48,526,000 at 30th September, 2010 (2009: US$47,603,000) 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 USA of approximately US$11,220,000 as at 30th September, 2010 (2009: US$11,500,000) 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.

	2010 US$'000	2009 US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term leases or land use rights in the PRC	**1,395**	1,010
– medium-term land use rights in the PRC	**47,131**	46,593
– freehold land in the USA	**11,220**	11,500
	59,746	59,103

As at 30th September, 2010, 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$9.0 million (2009: US$37.9 million). In the opinion of the directors, the absence of formal title to these land use rights does not impair their carrying 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.

14. 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, 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
Exchange realignment	1,665	–	188	–	64	416	1,181	505	177	4,196
Additions	28,295	–	–	44	109,011	120,128	25,092	22,886	6,878	312,334
Reclassification	60,627	–	–	–	(72,849)	1,564	10,154	504	–	–
Disposal of a subsidiary	(33,541)	–	–	–	(3,039)	–	(298)	(247)	(24)	(37,149)
Deemed disposal of a subsidiary	–	–	–	–	–	(7,016)	(1,113)	(448)	(92)	(8,669)
Disposals	(2,294)	–	–	(71)	(129)	(41,278)	(28,777)	(7,317)	(2,146)	(82,012)
At 30th September, 2010	**1,000,726**	**4,496**	**85,974**	**14,264**	**105,354**	**1,165,619**	**326,349**	**175,057**	**33,377**	**2,911,216**
Comprising:										
At cost	1,000,726	4,496	50,461	14,264	105,354	1,165,619	326,349	175,057	33,377	2,875,703
At valuation – 1995	–	–	35,513	–	–	–`	–	–	–	35,513
	1,000,726	4,496	85,974	14,264	105,354	1,165,619	326,349	175,057	33,377	2,911,216
DEPRECIATION										
At 1st October, 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
Exchange realignment	100	–	15	–	–	1	697	289	103	1,205
Provided for the year	38,472	–	1,851	587	–	82,853	34,625	17,643	2,987	179,018
Eliminated on disposal of a subsidiary	(2,665)	–	–	–	–	–	(125)	(101)	(14)	(2,905)
Eliminated on deemed disposal of a subsidiary	–	–	–	–	–	(4,386)	(717)	(330)	(76)	(5,509)
Eliminated on disposals	(271)	–	–	(51)	–	(30,461)	(20,735)	(5,326)	(1,902)	(58,746)
At 30th September, 2010	**249,959**	**–**	**19,893**	**7,383**	**–**	**684,445**	**148,682**	**111,631**	**21,168**	**1,243,161**
CARRYING VALUE										
At 30th September, 2010	**750,767**	**4,496**	**66,081**	**6,881**	**105,354**	**481,174**	**177,667**	**63,426**	**12,209**	**1,668,055**
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

14. 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, 2010, 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$177.8 million (2009: US$217.4 million) and US$17.1 million (2009: US$28.4 million), respectively. In the opinion of the directors, the absence of formal title to these land rights does not impair their carrying 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, 2010, 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 these land and buildings would have been US$25,348,000 (2009: US$26,059,000) instead of US$24,858,000 (2009: US$25,569,000).

(iii) In the opinion of the directors, the land and building elements 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, 2010, the carrying value of such properties situated in the PRC was approximately US$66,081,000 (2009: US$67,759,000).

(iv) At the end of the reporting period, buildings with an aggregate carrying amount of approximately US$3,881,000 (2009: nil) were pledged to secure general banking facilities granted to the Group.

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)
Furniture, fixtures and equipment	20% – 30%	(reducing balance method)
Motor vehicles	20% – 30%	(reducing balance method)

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

(a) Property, plant and equipment (continued)

	2010 US$'000	2009 US$'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	**2,343**	1,418
– Indonesia	**152,332**	129,086
Land or land use rights under medium-term leases in		
– Hong Kong	**2,505**	2,590
– the PRC	**459,522**	465,214
– Vietnam	**200,146**	201,102
Freehold land in Mexico	**4,496**	4,496
Hotel properties under medium-term land use rights in the PRC	**6,881**	7,444
	828,225	811,350

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

Details of the related capital commitments are set out in Note 45.

15. Prepaid Lease Payments

	2010 US$'000	2009 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– the PRC	**2,629**	2,681
– Indonesia	**31,464**	29,148
Medium-term leases or land use rights in		
– the PRC	**117,342**	113,382
– Vietnam	**35,001**	26,635
	186,436	171,846
Analysed for reporting purposes as:		
Current asset	**3,942**	3,806
Non-current asset	**182,494**	168,040
	186,436	171,846

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As of 30th September, 2010, 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$35.3 million (2009: US$50.9 million). In the opinion of the directors, the absence of formal title to these land interest does not impair their carrying 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.

At the end of the reporting period, prepaid lease payments with an aggregate carrying amount of approximately US$16,669,000 (2009: nil) were pledged to secure general banking facilities granted to the Group.

16. Intangible Assets

	Customer relationship US$'000	Non-compete agreement US$'000	Brandname US$'000	Total US$'000
COST				
At 1st October, 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
Exchange realignment	93	827	677	1,597
At 30th September, 2010	**4,429**	**39,670**	**32,408**	**76,507**
AMORTISATION				
At 1st October, 2008	–	–	–	–
Provided for the year	132	1,020	–	1,152
Exchange realignment	–	2	–	2
At 30th September, 2009	132	1,022	–	1,154
Provided for the year	530	4,097	–	4,627
Exchange realignment	13	101	–	114
At 30th September, 2010	**675**	**5,220**	**–**	**5,895**
CARRYING VALUE				
At 30th September, 2010	**3,754**	**34,450**	**32,408**	**70,612**
At 30th September, 2009	4,204	37,821	31,731	73,756

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

All of the Group's intangible assets arose from the acquisition of Farsighted International Limited ("Farsighted") on 10th July, 2009 and were valued as of that date 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

16. Intangible Assets (continued)

In estimating the fair values of the intangible assets on initial recognition, the present value of the net cash flows attributable to the intangible assets were determined using cost of equity of 14% and cost of debt of 6%. Other key assumptions used in the calculation related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the unit's past performance 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 is 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 18.

17. Goodwill

	US$'000
COST	
At 1st October, 2008	193,086
Transfer (Note 19)	3,003
Arising on acquisition of subsidiaries (Note 41)	22,518
At 30th September, 2009 and 2010	**218,607**

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

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

For the purposes of impairment testing, the carrying value of brandname and goodwill with indefinite useful lives as detailed in Notes 16 and 17, respectively, have been allocated to three groups of CGUs, as follows:

	Goodwill		**Brandname**	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'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**	30,756	**32,408**	31,731
	218,607	218,607	**32,408**	31,731

18. Impairment Testing on Goodwill and Brandname with Indefinite Useful Lives (continued)

Management of the Group determined that there were no impairments in any of its CGUs containing goodwill and brandname during the year ended 30th September, 2010. 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 13% (2009: 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% (2009: 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.

19. Investments in Associates

	2010 US$'000	2009 US$'000
Cost of investments in associates (note i):		
Listed in Hong Kong	**52,647**	52,647
Listed in Taiwan	**88,053**	88,053
Unlisted	**108,894**	108,194
Share of post-acquisition profits and reserves, net of dividends received	**101,502**	86,182
Impairment losses (note ii)	**(1,300)**	–
	349,796	335,076
Fair value of listed investments	**247,346**	184,729

Details of the Group's principal associates at 30th September, 2010 and 2009 are set out in Note 52.

19. Investments in Associates (continued)

notes:

(i) Included in cost of investments is goodwill of approximately US$81,785,000 (2009: US$80,242,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2008	83,245
Transfer when an associate became a subsidiary (Note 17)	(3,003)
At 30th September, 2009	80,242
Addition	1,543
At 30th September, 2010	**81,785**

(ii) During the year, impairment losses of approximately US$1,300,000 were made in respect of the Group's interests in certain associates. The recoverable amounts of the relevant associates were estimated by reference to their fair values less costs to sell, based on the expected disposal proceeds from their anticipated disposals after the end of the reporting period.

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

	2010 US$'000	2009 US$'000
Total assets	**1,968,045**	1,656,163
Total liabilities	**(1,016,349)**	(739,759)
Net assets	**951,696**	916,404
The Group's share of net assets of associates	**269,311**	254,834
Turnover	**2,358,773**	2,332,255
Profit for the year	**106,276**	123,483
The Group's share of results of associates for the year	**39,790**	41,365

19. Investments in Associates (continued)

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:

	2010 US$'000	2009 US$'000
Unrecognised share of (profits)/losses of associates for the year	(846)	89
Accumulated unrecognised share of losses of associates	5,423	6,269

20. Amounts due from Associates

Included in the balance are loans of US$7,659,000 (2009: US$7,499,000) 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 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.

Before offering any new loans to associates, the Group will assess the associates' credit qualities and the usages of the loans by the associates. The recoverability of the loans is reviewed throughout the year. In the opinion of the directors, the associates are of good credit qualities. The entire amount of the loans was neither past due nor impaired.

All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

21. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity

	2010 US$'000	2009 US$'000
Cost of unlisted investments in jointly controlled entities (notes i & ii)	201,121	195,644
Share of post-acquisition profits and reserves, net of dividends received	145,071	130,257
Impairment losses (note iii)	(4,494)	(9,294)
	341,698	316,607
Deposit paid for acquisition of the remaining interest in a jointly controlled entity (note iv)	19,223	–

21. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity (continued)

Details of the Group's principal jointly controlled entities at 30th September, 2010 and 2009 are set out in Note 53.

notes:

i. Pursuant to the joint venture agreements, the initial investments made by the Group for certain jointly controlled entities were subject to price adjustment mechanism which was to be determined by the financial performance achieved by the jointly controlled entities during the specified profit evaluation periods, which ranged from 2 to 3 years, expired between 31st December, 2008 and 31st August, 2010, as appropriate. If the financial performance of the jointly controlled entities during the specified profit evaluation period did not meet certain benchmarks, the other joint venture partner of that jointly controlled entity had 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 the relevant jointly controlled entities during such profit evaluation period exceeded certain benchmarks, then the Group was required to make additional cash contribution to those jointly controlled entities. As 1st October, 2008 and 30th September, 2009 and 30th September, 2010, the fair values of the estimated compensation and/or contributions in respect of the price adjustment mechanism were not material.

ii. Included in cost of investments is goodwill of approximately US$11,980,000 (2009: US$11,322,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2008 and 30th September, 2009	11,322
Arising on acquisition of a jointly controlled entity	2,119
Eliminated upon deemed disposal of a jointly controlled entity	(1,461)
At 30th September, 2010	11,980

iii. During the year ended 30th September, 2010, impairment losses of approximately US$1,700,000 (2009: US$9,294,000) were recognised in respect of the Group's interest in certain jointly controlled entities which the Group expected to dispose of after the end of the reporting period. The recoverable amounts of the relevant jointly controlled entities were estimated by reference to their fair values less costs to sell, based on the expected disposal proceeds from their anticipated disposals at the end of the reporting period.

During the year ended 30th September, 2010, the Group recognised loss on disposals of certain other jointly controlled entities of approximately US$8,203,000 (2009: Nil) upon the disposals of these jointly controlled entities during the year, calculated as the difference between the net disposal proceeds and the carrying amounts of the jointly controlled entities.

iv. The entire amount as at 30th September, 2010 represented the deposit paid for acquisition of the remaining 50% of the issued share capital of a jointly controlled entity, Zhejiang Yichuan Sports Goods Chain Company Limited ("Zhejiang Yichuan") not already held by the Group by exercising the JV Call Options granted by the Relevant Partners (as defined in Note 25) of Zhejiang Yichuan. The JV Call Options were recognised on the consolidated statement of financial position of the Group as derivative financial instruments, as set out in Note 25. The principal activities of Zhejiang Yichuan are retailing of sportswear and sports footwear in the PRC.

The acquisition was completed in October, 2010, further details of which are set out in Note 50.

21. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity (continued)

The summary 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:

	2010 US$'000	2009 US$'000
Current assets	**578,160**	609,211
Non-current assets	**219,758**	210,479
Current liabilities	**(353,274)**	(385,203)
Non-current liabilities	**(71,126)**	(80,685)
Non-controlling interests	**(39,306)**	(39,223)
Income recognised in profit or loss	**1,057,854**	1,050,178
Expenses recognised in profit or loss	**(995,175)**	(1,014,379)
Profit for the year	**62,679**	35,799

22. Amounts due from Jointly Controlled Entities

Included in the balance are loans of US$58,042,000 (2009: US$73,613,000) 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 other amounts included in the balance are unsecured, interest-free and have no fixed repayment terms.

Before offering any new loans to jointly controlled entities, the Group will assess the jointly controlled entities' credit qualities and the usages of the loans by the jointly controlled entities. The recoverability of the loans is reviewed throughout the year. In the opinion of the directors, the jointly controlled entities are of good credit qualities. The entire amount of the loans was neither past due nor impaired.

All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

23. Long-Term Loan Receivables

These relate to loan receivables due from certain former jointly controlled entities which carry variable interests ranging from 5.31% to 5.4% per annum. The Group has assessed the counter parties' credit quality and the recoverability of these loan receivables. In the opinion of the directors, the borrowers are of good credit quality.

	2010 US$'000	2009 US$'000
The loan receivables are expected to be repayable as follows:		
Within one year	19,386	–
More than one year, but not exceeding two years	9,156	–
More than two years, but not exceeding three years	8,486	–
	37,028	–
Less: amount due within one year shown under current assets (Note 27)	(19,386)	–
Amount due after one year	17,642	–
Analysed as:		
Secured	32,899	–
Unsecured	4,129	–
	37,028	–

At 30th September, 2010, the above loans are neither past due nor impaired. The collaterals for the secured portion of these loans are certain assets of the relevant entities. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers.

24. Available-For-Sale Investments

Available-for-sale investments comprise:

	2010 US$'000	2009 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**4,167**	3,685
– Equity securities listed overseas	**8,689**	4,628
	12,856	8,313
Unlisted investments in equity securities:		
– Private entities	**1,369**	7,168
– Funds	**15,465**	–
	16,834	7,168
	29,690	15,481
Analysed for reporting purpose as:		
Non-current assets	**21,463**	15,481
Current assets	**8,227**	–
	29,690	15,481

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

The unlisted investments in private entities are equity issued by private entities incorporated overseas. The unlisted funds represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by the central bank in the PRC and corporate entities.

All of the unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that their fair values could not be measured reliably.

During the year ended 30th September, 2010, the Group disposed of certain unlisted equity securities and unlisted funds with carrying amount of US$5,355,000 and US$186,000, respectively, which were previously carried at cost less impairment. A gain of US$17,000 in total was recognised in profit or loss. In addition, during the year ended 30th September, 2010, one of the private entities experienced significant financial difficulties and an impairment loss of US$900,000 was recognised in profit or loss.

24. Available-For-Sale Investments (continued)

During the year ended 30th September, 2009, the Group acquired additional interest of 2.76% in Nan Pao Resins Chemical Co., Ltd. ("Nan Pao Resins") which became an associate of the Group thereafter. Upon the acquisition, an amount of approximately US$10,741,000 was transferred to investments in associates.

During the year ended 30th September, 2009, the Group disposed of certain unlisted equity securities with a carrying amount of US$4,601,000, which were carried at cost less impairment before the disposal. No gain or loss on such disposal was resulted.

During the year ended 30th September, 2009, an impairment loss of approximately US$8,527,000 was recognised in respect of an unlisted equity investment. 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 management considered that the available-for-sale investments as at the end of the reporting period, except for an amount of US$8,227,000 unlisted funds to be matured within one year, are held for strategic purpose and are not to be disposed of in a foreseeable future.

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

	2010 US$'000	2009 US$'000
Hong Kong dollars ("HKD")	4,167	3,685
New Taiwan dollars ("NTD")	15,926	9,527
	20,093	13,212

25. Derivative Financial Instruments

	notes	2010 Assets US$'000	2010 Liabilities US$'000	2009 Assets US$'000	2009 Liabilities US$'000
Derivatives:					
Non-current:					
JV Call Options	(a)	**46,024**	**–**	55,321	–
Current:					
HKD Call Option	(b)	**32,000**	**–**	12,147	–
Foreign currency derivatives	(c)	**2,407**	**2,219**	1,466	734
Embedded derivative in structured bank deposit	28	**–**	**–**	337	–
Embedded derivative in convertible bonds	32	**–**	**24,822**	–	10,568
		34,407	**27,041**	13,950	11,302
		80,431	**27,041**	69,271	11,302

notes:

(a) JV Call Options

	2010 US$'000	2009 US$'000
Financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	**46,024**	55,321

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 performance of the Relevant Companies during the pre-determined evaluation periods, such conditions were not yet fulfilled at the end of the reporting period except for the JV Call Options granted by the Relevant Partners of Zhejiang Yichuan.

Pursuant to the JV Call Options agreements, 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. Furthermore, 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.

25. Derivative Financial Instruments (continued)

notes: (continued)

(a) JV Call Options (continued)

The value of each of the JV Call Options at 30th September, 2010 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, 2010	At 30th September, 2009
Derivative financial assets – JV Call Options:		
Expected price earning ratio – Pou Sheng	**24**	35
Expected volatility – Pou Sheng	**53%**	56%
Expected volatility – the Relevant Companies	**34%**	37%
Risk free rate	**2.36%**	2.73%
Exercisable period	**3.18 years**	4.2 years
Expected dividend yield	**Nil**	Nil

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.

During the year, the Group exercised the JV Call Options granted by the Relevant Partners of Zhejiang Yichuan for their Relevant Equity Interests thereof. As at the completion date of the transaction, the carrying amount of the relevant JV call option of approximately US$8,060,000 were derecognised and included as cost of investment in Zhejiang Yichuan. As set out in Note 50, the transaction has been completed in October 2010 and the relevant call options have been derecognised thereafter.

(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 a 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 require settlement 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.

The HKD Call Option is not an option to acquire or dispose of shares of the Company but a financial arrangement in which the HKD Call Option Issuer is required to make a payment to the Company upon exercise of the HKD Call Options when the share price is above the agreed price of HK$26.75. The option will be automatically exercised, if the share price of the Company rises and remains above certain agreed levels for 30 consecutive days during the period 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 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 3rd March 2010, the Company may repurchase up to 164,892,848 shares of the Company.

25. Derivative Financial Instruments (continued)

notes: (continued)

(b) HKD Call Option (continued)

Pursuant to the derivative contract, a number of 5,024,299 call options was reduced as a result of a knock-out event on 17th November, 2009 without consideration. The outstanding number of HKD Call Option that can be exercised by the Company is equivalent to 73,480,373 (2009: 78,504,672) ordinary shares of HK$0.25 each in the Company. As at 30th September, 2010, the HKD Call Option remained unexercised.

At the date of issue of the HKD Call Option, the initial premium paid of US$27,994,000 was recognised as a derivative financial asset. At the end of the reporting period, the HKD Call Option was fair valued at approximately US$32,000,000 (2009: US$12,147,000). The gain on change in fair value of approximately US$19,853,000 (2009: loss on change in fair value of approximately US$869,000) has been accounted for in the consolidated income statement for the year ended 30th September, 2010.

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

	At 30th September 2010	At 30th September 2009
Share price	HK$28.75	HK$21.50
Exercise price	HK$26.75	HK$26.75
Expected dividend yield	3.1%	4.1%
Volatility	26%	39%

(c) Foreign currency derivatives

		2010		2009	
	notes	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign currency derivatives:					
Forward contracts	(i)	1,583	–	1,207	51
Currency structured forward contracts	(ii)	824	2,219	259	683
		2,407	2,219	1,466	734

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, 2010		
US$170 million	From October 2010 to August 2011	Sell USD/buy Renminbi ("RMB") at 6.6790 to 6.8057
US$14 million	From October 2010 to November 2010	Sell RMB/buy USD at 6.5995 to 6.6700
As at 30th September, 2009		
US$44 million	From October 2009 to December 2009	Sell USD/buy RMB at 6.7790 to 7.2980

At the end of the reporting period, the fair values of the above forward contracts were determined based on valuations provided by counterparty banks using valuation techniques.

25. Derivative Financial Instruments (continued)

notes: (continued)

(c) Foreign currency derivatives (continued)

notes: (continued)

(ii) Currency structured forward contracts

The Group has entered into one USD/HKD structured forward contract which gives the Group the opportunities to receive variable USD amount per month if the market exchange rate ranges from 7.75 to 7.85 on the fixing date. However, the Group is obliged to buy USD/sell HKD at a fixed exchange rate of 7.75 if the market exchange rate is below 7.75, or to buy HKD/sell USD at a fixed exchange rate of 7.85 if the market exchange rate is above 7.85 for a maximum of US$14 million per month for a maximum period of 24 months. As of 30th September, 2010, the remaining maximum tenors of the contract was 19 months. However the contract is subject to knock-out 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, 2010, 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 by means of receiving fixed or variable USD amounts per month under certain RMB exchange rate scenario. 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 of 6.8 to 7.0. As of 30th September, 2010, the theoretical maximum total notional amounts (only under the RMB depreciation scenario as mentioned above) of the outstanding USD/RMB structured forward contracts were US$982 million covering monthly settlements up to September 2012, which is less than the Group's forecast RMB needs for the period. There are also knock out features for most contracts under which the contracts will terminate if the accumulative gains to the Company exceed certain specified amounts which imply that the relevant contracts are likely to terminate earlier than the maximum tenors as indicated above if the RMB depreciation scenario does not happen.

At the end of the reporting period, the fair values of the above currency structured forward contracts were determined based on valuation provided by the counterparty banks using valuation techniques.

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

	2010		2009	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
HKD	**–**	**24,822**	–	10,568

26. Inventories

	2010 US$'000	2009 US$'000
Raw materials	**232,918**	159,825
Work in progress	**133,950**	97,092
Finished goods	**409,271**	411,439
	776,139	668,356

27. Trade and other Receivables

	2010 US$'000	2009 US$'000
Trade and bills receivables	**724,151**	495,513
Less: allowance for doubtful debts	**(3,721)**	(3,952)
	720,430	491,561
Other receivables (note i)	**156,637**	126,384
Prepayment	**110,190**	75,857
Deposits paid to suppliers	**44,238**	37,825
Value-added tax recoverable	**27,003**	20,558
Loan receivables (Note 23)	**19,386**	–
Consideration receivable for disposal of subsidiaries (Note 42)	**25,027**	–
Consideration receivable for disposal of a jointly controlled entity (note ii)	**6,404**	–
TRC	**–**	40,586
	1,109,315	792,771

notes:

(i) Included in other receivables are amounts due from associates and jointly controlled entities of US$36,293,000 (2009: US$15,423,000) and US$24,096,000 (2009: US$16,843,000), respectively. The amounts relate to current accounts which are unsecured, non-interest bearing and repayable on demand.

(ii) Amount represents the consideration receivable from the buyer of the interests in a jointly controlled entity which was disposed of by the Group during the year. The directors have assessed the credit quality of the buyer and continuously assessed the recoverability of such amount. The directors consider the buyer is of good credit quality. The amount is unsecured, non-interest bearing and repayable within one year.

The Group allows an 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$720,430,000 (2009: US$491,561,000) and an aged analysis based on invoice date at the end of the reporting period is as follows:

	2010 US$'000	2009 US$'000
0 to30 days	**505,508**	381,314
31 to 90 days	**200,036**	101,244
Over 90 days	**14,886**	9,003
	720,430	491,561

27. Trade and other Receivables (continued)

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$17,450,000 (2009: US$13,907,000) which were past due at the end of the reporting period 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 (2009: 90 days).

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

	2010 US$'000	2009 US$'000
Balance at beginning of the year	3,952	5,231
Impairment losses recognised on receivables	422	316
Amounts recovered during the year	(653)	(1,595)
Balance at end of the year	3,721	3,952

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$3,721,000 (2009: US$3,952,000) 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.

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

	2010 US$'000	2009 US$'000
USD	742	925
RMB	9,045	3,723
HKD	8,347	4,076
NTD	9,879	1,061
Vietnamese Dong ("VND")	27,217	14,010
Indonesian Rupiah ("IDR")	6,916	8,651
	62,146	32,446

28. 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 was a principal-protected yield enhancement bank deposit and contained an embedded derivative which, representing a return which would vary with prevailing market exchange rate of RMB/USD, was accounted for separately in Note 25.

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

The principal amount together with its return were repaid on the maturity date of 24th May, 2010.

Derivative financial instrument

	2010 US$'000	2009 US$'000
Derivative embedded in the structured bank deposit:		
At the beginning of the year	337	–
Initial fair value embedded in the structured bank deposit	–	277
Changes in fair value up to maturity	170	60
Derecognised upon maturity	(507)	–
At the end of the year	–	337

The change in fair value of US$170,000 (2009: US$60,000) was credited to the consolidated income statement for the year ended 30th September, 2010.

On 22nd July, 2009, 30th September, 2009 and 24th May, 2010, the fair values of the embedded derivative in the structured deposit were determined based on valuation provided by the counterparty bank using valuation techniques.

29. Bank Balances and Cash

The bank balances and short-term bank deposits are interest-bearing at market interest rate and are with original maturity of three months or less. The bank deposits carry interest at rates ranged from 0.01% to 2.35% (2009: 0.10% to 4.42%) 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:

	2010 US$'000	2009 US$'000
USD	23,950	34,742
RMB	74,975	82,846
HKD	11,043	88,644
NTD	1,296	8,924
VND	2,481	2,616
IDR	5,521	1,122
	119,266	218,894

30. Trade and other Payables

	2010 US$'000	2009 US$'000
Trade and bills payables	440,538	349,415
Accruals	230,908	232,180
Other payables	136,603	104,098
Construction payable	65,945	49,688
Receipts in advance from customers	23,437	21,776
Royalty payable	1,435	1,099
	898,866	758,256

Included in trade and other payables are trade and bills payables of US$440,538,000 (2009: US$349,415,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2010 US$'000	2009 US$'000
0 to 30 days	331,718	272,993
31 to 90 days	87,154	64,251
Over 90 days	21,666	12,171
	440,538	349,415

30. Trade and other Payables (continued)

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:

	2010 US$'000	2009 US$'000
USD	203	187
RMB	49,854	29,950
HKD	17,892	18,091
NTD	29,094	20,735
VND	7,967	4,010
IDR	7,414	3,498
	112,424	76,471

31. Bank Borrowings

	2010 US$'000	2009 US$'000
Unsecured:		
Current portion of long-term bank borrowings (Note 33)	32,481	284,678
Short-term bank borrowings	193,837	285,523
Amount classified as current liabilities	226,318	570,201

note: Included in the balance are bank loans that do not fall due for repayment within one year which contain repayment on demand clause with the aggregate amount of US$16,197,000 (2009: nil).

The Group's bank borrowings classified as current liabilities are interest bearing as follows:

	2010 US$'000	2009 US$'000
Fixed rate borrowings	3,590	15,450
Variable rate borrowings	222,728	554,751
	226,318	570,201

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

31. Bank Borrowings (continued)

The range of effective interest rates on the Group's bank borrowings classified as current liabilities during the year are as follows:

	2010	2009
Effective interest rate:		
Fixed rate borrowings	6.08%	4.62% to 6.25%
Variable rate borrowings	0.75% to 5.67%	1.20% to 7.20%

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

	2010 US$'000	2009 US$'000
USD	56,000	44,500
RMB	–	9,374
HKD	–	280,213
	56,000	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. 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. CB 2011 does not bear interest.

CB 2011 is 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 was classified as current liabilities as at 30th September, 2009. On 17th November, 2009, an aggregate principal sum of HK$134,400,000 (equivalent to approximately US$17,343,000) was redeemed by the Company upon the request of the bondholders at an aggregate consideration of HK$144,800,000 (equivalent to approximately US$18,684,000). A loss of US$460,000 was charged to the consolidated income statement on the partial redemption.

32. Convertible Bonds (continued)

(i) Convertible bonds (continued)

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

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

In addition, all but not some of 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, 2010, the liability component of CB 2011 with a carrying amount of US$268,649,000 (2009: US$271,337,000) and principal amount of HK$1,965,600,000 (2009: HK$2,100,000,000), equivalent to approximately US$252 million (2009: US$270 million) remained outstanding.

At 30th September, 2010, the fair value of CB 2011 based on quoted ask price was US$302,667,000 (2009: US$297,240,000).

The movement of the liability component of the convertible bonds for the year ended 30th September, 2010 is set out below:

	2010 US$'000	2009 US$'000
At the beginning of the year	271,337	517,610
Effective interest expenses	15,142	17,872
Redemption of CB 2008	–	(264,829)
Partial redemption of CB 2011	(17,496)	–
Exchange difference	(334)	684
At the end of the year	268,649	271,337
Less: amount included in current liabilities	–	(271,337)
Amount due after one year	268,649	–

During the year ended 30th September, 2010, the effective interest rate of CB 2011 was 5.93% (2009: 5.93%).

During the year ended 30th September, 2009, the effective interest rate of CB 2008 was 4.52%.

32. Convertible Bonds (continued)

(ii) Derivative financial instruments

	2010 US$'000	2009 US$'000
Derivatives embedded in CB 2011:		
At the beginning of the year	10,568	39,458
Partial redemption of CB 2011	(728)	–
Exchange realignment	31	105
Change in fair value	14,951	(28,995)
At the end of the year	24,822	10,568

The conversion option derivative embedded in CB 2011 was fair valued at the end of the reporting periods. In addition, the redemption option derivative embedded in CB 2011 which expired on 17th November, 2009, was fair valued at 30th September, 2009. 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 of the derivatives embedded in CB 2011 at the end of the reporting period are as follows:

	2010	2009
Share price	HK$28.75	HK$21.50
Exercise price	HK$26.75	HK$26.75
Expected dividend yield	3.1%	4.1%
Volatility	26%	39%

33. Long-Term Bank Borrowings

	2010 US$'000	2009 US$'000
The long-term bank borrowings are repayable:		
Within one year	32,481	284,678
In more than one year, but not exceeding two years	71,111	6,382
In more than two years, but not exceeding three years	375,120	553,064
In more than three years, but not exceeding four years	37,500	75,262
In more than four years, but not exceeding five years	–	37,780
In more than five years	–	7,719
	516,212	964,885
Less: Amount due within one year included in current liabilities (Note 31)	(32,481)	(284,678)
Amount due after one year	483,731	680,207
Analysed as:		
Secured	17,502	8,738
Unsecured	466,229	671,469
	483,731	680,207

At 30th September, 2010, the above secured borrowings were secured by certain property, plant and equipment. The carrying amount of the assets pledged is disclosed in Notes 14 and 15.

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.

Included in the above borrowings is a three-year loan of US$300 million which contains specific performance obligations by PCC and the Tsai family to maintain control in the Company. Under these obligations, the Company shall be either (a) controlled by PCC together with the Tsai family; or (b) a consolidated subsidiary of PCC. The loan was raised to repay part of the Group's existing bank debts, which carried higher funding costs.

33. Long-Term Bank Borrowings (continued)

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

	2010 US$'000	2009 US$'000
HKD	51,620	129,818

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

	2010 US$'000	2009 US$'000
Fixed rate borrowings	–	8,738
Variable rate borrowings	483,731	671,469
	483,731	680,207

The Group's floating-rate borrowings carry interest at a premium over LIBOR, HIBOR or 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:

	2010	2009
Effective interest rate:		
Fixed rate borrowings	–	6.25%
Variable rate borrowings	1.02% to 5.67%	1.20% to 7.20%

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, 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 profit or loss	(62)	(1,798)	(578)	(288)	693	(2,033)
At 30th September, 2009	3,495	2,742	4,458	18,422	(1,215)	27,902
Charge (credited) to profit or loss	43	161	–	(1,185)	(1,078)	(2,059)
At 30th September, 2010	**3,538**	**2,903**	**4,458**	**17,237**	**(2,293)**	**25,843**

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

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

	2010 US$'000	2009 US$'000
Deferred tax assets	**(2,293)**	(1,252)
Deferred tax liabilities	**28,136**	29,154
	25,843	27,902

At the end of the reporting period, the Group had unused tax losses of approximately US$101.7 million (2009: US$73.9 million). A deferred tax asset has been recognised in respect of such tax losses of approximately US$9.2 million (2009: US$4.9 million). No deferred tax asset has been recognised in respect of the remaining tax losses of US$92.5 million (2009: US$69.0 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$7.4 million (2009: US$5.1 million), US$9.8 million (2009: US$22.7 million) and US$28.5 million (2009: nil) that will expire between 2012 and 2014, respectively. Other tax losses may be carried forward indefinitely.

Deferred taxation has not been provided in respect of certain undistributed earnings of the Group's PRC subsidiaries arising after 1st January, 2008, because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. Deferred Taxation (continued)

At the end of the reporting period, 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$181.0 million (2009: US$166.0 million).

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

35. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2008, 30th September, 2009 and 30th September, 2010	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At 1st October, 2008	1,663,628,986	415,907
Cancellation upon share repurchase	(14,700,500)	(3,675)
At 30th September, 2009 and 30th September, 2010	**1,648,928,486**	**412,232**

	US$'000
Shown in the consolidated financial statements as at **30th September, 2010 and 30th September, 2009**	**53,211**

In October 2008, the Company repurchased 14,700,500 of its 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. Information on the Financial Position of the Company

	2010 US$'000	2009 US$'000
Non-current assets		
Property, plant and equipment	**501**	440
Investments in subsidiaries	**60,832**	60,832
Amounts due from subsidiaries	**1,997,360**	1,992,479
	2,058,693	2,053,751
Current assets		
Sundry receivables	**3,228**	1,339
Derivative financial instruments	**32,921**	13,950
Structured bank deposit	**–**	39,824
Bank balances and cash	**35,850**	479,639
	71,999	534,752
Current liabilities		
Sundry payables	**2,268**	3,948
Derivative financial instruments	**27,041**	11,251
Bank borrowings	**–**	280,213
Convertible bonds	**–**	271,337
	29,309	566,749
Net current assets (liabilities)	**42,690**	(31,997)
Total assets less current liabilities	**2,101,383**	2,021,754
Non-current liabilities		
Convertible bonds	**268,649**	–
Long-term bank borrowings	**450,120**	650,818
	718,769	650,818
	1,382,614	1,370,936
Capital and reserves		
Share capital	**53,211**	53,211
Reserves (note 37)	**1,329,403**	1,317,725
	1,382,614	1,370,936

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, 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 11)	–	–	–	–	(189,294)	(189,294)
At 30th September, 2009	695,536	38,126	–	25,394	558,669	1,317,725
Profit for the year	–	–	–	–	182,155	182,155
Issue of call option	–	–	–	18,272	–	18,272
Dividends (Note 11)	–	–	–	–	(188,749)	(188,749)
At 30th September, 2010	**695,536**	**38,126**	**–**	**43,666**	**552,075**	**1,329,403**

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 by Pou Sheng's shareholders 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 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.

(iii) options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK$5 million (equivalent to US$0.6 million) may not be granted to substantial shareholders or independent non-executive directors.

Options are exercisable over the vesting periods to be determined by the Board of Directors, but in no case after the 10th anniversary of the Scheme. 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 Pou Sheng's shares on the date of grant, (ii) the average closing price of Pou Sheng's shares for the five business days immediately proceeding the date of grant; and (iii) the nominal value of Pou Sheng's share.

No options were granted, exercised or lapsed under the Pou Sheng Scheme during the year ended 30th September, 2009.

38. Share-Based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng (continued)

The following tables disclose movements in the share options under the Pou Sheng Scheme during the year ended 30th September, 2010:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1.10.2009	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Number of options outstanding at 30.9.2010
Director of Pou Sheng								
Chang Karen Yi-Fen	21.1.2010	1.62	21.1.2011 – 20.1.2018	–	570,000	–	–	570,000
	21.1.2010	1.62	21.1.2012 – 20.1.2018	–	570,000	–	–	570,000
	21.1.2010	1.62	21.1.2013 – 20.1.2018	–	1,140,000	–	–	1,140,000
	21.1.2010	1.62	21.1.2014 – 20.1.2018	–	1,520,000	–	–	1,520,000
				–	3,800,000	–	–	3,800,000
Employees of Pou Sheng								
	21.1.2010	1.62	21.1.2011 – 20.1.2018	–	9,105,000	–	(748,500)	8,356,500
	21.1.2010	1.62	21.1.2012 – 20.1.2018	–	9,105,000	–	(748,500)	8,356,500
	21.1.2010	1.62	21.1.2013 – 20.1.2018	–	18,210,000	–	(1,497,000)	16,713,000
	21.1.2010	1.62	21.1.2014 – 20.1.2018	–	24,280,000	–	(1,996,000)	22,284,000
				–	60,700,000	–	(4,990,000)	55,710,000
Grand total				–	64,500,000	–	(4,990,000)	59,510,000
Exercisable as at 30th September, 2009 and 2010				–				–

At 30th September, 2010, the number of shares in respect of which options had been granted and remained outstanding under the Pou Sheng Scheme represented 1.4% (2009: nil) of the issued share capital of Pou Sheng at that date.

38. Share-Based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng (continued)

The total fair value of the share options granted under the Pou Sheng Scheme during the year ended 30th September, 2010 is HK$44,322,000 (equivalent to approximately US$5,709,000), calculated using the Black-Scholes Option Pricing Model (the "Model"). The inputs into the Model and the estimated fair value of the share options are as follows:

	Share options with a vesting period of one year	Share options with a vesting period of two years	Share options with a vesting period of three years	Share options with a vesting period of four years
Exercise price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Share price at date of grant	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Expected life of share options	4.5 years	5.0 years	5.5 years	6.0 years
Expected volatility	54% per annum	54% per annum	54% per annum	54% per annum
Expected dividend yield	1%	1%	1%	1%
Risk free rates	1.7% per annum	1.8% per annum	2.0% per annum	2.1% per annum
Fair value per share option	HK$0.69	HK$0.72	HK$0.75	HK$0.78

The Model is one of the commonly used models to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the Pou Sheng's directors. The value of a share option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of Pou Sheng's share price over the past year. The early exercise assumption used in the Model has been estimated, based on management's best estimate, for the effect of behavioural considerations.

The Group recognised a total expense of US$1,578,000 for the year ended 30th September, 2010 (2009: nil) in relation to share options granted by Pou Sheng under the Pou Sheng Scheme.

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 represented 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 Pou Sheng and to attract suitable personnel for Pou Sheng's further development. The Plan was an one-off and close-end scheme. The Plan Shares to be subscribed under the Plan at the invitation date were 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.

The fair value of the subscription right for the Plan Shares on the date of invitation was calculated using the binomial model which involved assumptions and variables based on the directors' best estimate.

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 would not be required to issue new shares and the grantees would not be required to subscribe for new shares of Pou Sheng.

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 in the year ended 30th September, 2008 and the balance of US$12,521,000 was recognised as an administrative expense for the year ended 30th September, 2009, of which US$8,787,000 was recognised 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 and convertible bonds (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

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

40. Financial Instruments

a. Categories of financial instruments

	2010 US$'000	2009 US$'000
Financial assets		
Derivative financial instruments	**80,431**	69,271
Loans and receivables (including cash and cash equivalents)	**1,631,657**	2,002,537
Available-for-sale financial assets	**29,690**	15,481
Financial liabilities		
Derivative financial instruments	**27,041**	11,302
Amortised cost	**1,597,238**	1,978,299

b. Financial risk management objectives and policies

The Group's financial instruments include amounts due from associates, amounts due from jointly controlled entities, long-term loan receivables, available-for-sale investments, derivative financial instruments, trade and other receivables, structured bank deposit, bank balances and cash, trade and other payables, bank borrowings, and convertible bonds. 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)

b. 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 end of the reporting period are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
USD	**24,692**	35,667	**56,203**	44,687
RMB	**84,020**	86,569	**49,854**	39,324
NTD	**27,101**	19,512	**29,094**	20,735
VND	**29,698**	16,626	**7,967**	4,010
IDR	**12,437**	9,773	**7,414**	3,498
HKD	**23,557**	96,405	**362,983**	710,027

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%. These percentages are therefore 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% (2009: 1%) against USD, the Group's profit for the year ended 30th September, 2010 would decrease by US$3,394,000 (2009: US$6,136,000). If the HKD weaken 1% (2009: 1%) against USD, there would be an equal and opposite impact on the profit for the year.

40. Financial Instruments (continued)

b. 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% (2009: 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% (2009: 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	2010 US$'000	2009 US$'000
(Loss) gain in relation to:			
– USD	(i)	(1,576)	(451)
– RMB	(i)	1,708	2,362
– NTD	(ii)	(100)	(61)
– VND	(ii)	1,087	631
– IDR	(ii)	251	314

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)

b. 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, loan receivables, bank balances and bank borrowings (see Notes 20, 22, 23, 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 loan component of structured bank deposit and fixed-rate bank borrowings (see Notes 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 end of the reporting period. For amounts due from associates and jointly controlled entities, variable-rate bank borrowings and loan receivables 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 end of the reporting period 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 (2009: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest-bearing amounts due from associates and jointly controlled entities, loan receivable and bank borrowings had been 100 basis points (2009: 100 basis points) higher and all other variables were held constant, the Group's profit for the year ended 30th September, 2010 would decrease by US$6,037,000 (2009: decrease by US$11,451,000). If interest rates were lower by 100 basis points (2009: 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.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(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 the end of the reporting period exposed the Group to other price risk. The Group's other price risk is mainly concentrated on equity instruments 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. If the market price of the listed investment had increased/decreased by 10% (2009: 10%), the Group's reserve would increase/decrease by approximately US$1,286,000 (2009: US$831,000) at 30th September, 2010.

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

If the market price of the Company's shares prices had been 10% (2009: 10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would increase/(decrease) as follows:

		2010 US$'000	2009 US$'000
(i)	Higher by 10% (2009: 10%)		
	Embedded derivatives of CB 2011	(8,370)	(5,420)
	HKD Call Options	9,512	6,991
(ii)	Lower by 10% (2009: 10%)		
	Embedded derivatives of CB 2011	6,848	3,523
	HKD Call Options	(7,509)	(4,523)

(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.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk(continued)

Sensitivity analysis(continued)

(c) JV Call Options – continued

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

	2010		2009	
	Higher by 10% US$'000	Lower by 10% US$'000	Higher by 10% US$'000	Lower by 10% US$'000
Growth rate	689	(615)	1,892	(1,863)
Expected price-earning rate – Pou Sheng	(978)	1,147	(1,781)	1,902

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

(d) Forward and other foreign currency derivatives

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% (2009: 5% and 1%) higher/lower, respectively, profit for the year ended 30th September, 2010 would decrease/increase by US$7,862,000 (2009: decrease/increase by US$2,682,000) 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.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the guarantee given as set out in Note 46.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest receivable balances accounted for approximately 43% (2009: 30%) of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 15% (2009: 11%) of the Group's total trade receivables. For both years, the five largest customers, which are engaged in sportswear business and are located in USA, Europe and Asia, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group. 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition to the credit risk on trade debts, the Group is also exposed to credit risk through its advances to, and guarantees granted to banks in respect of banking facilities 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 a 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 USA, Europe and Asia which accounted for 30%, 17% and 32% (2009: 31%, 22% and 39%, respectively), respectively, of the trade receivables at 30th September, 2010. In order to minimise the credit risk, management intends to build a customer base with a more 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.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

The Group has net current assets of approximately US$1,388,752,000 (2009: US$1,090,722,000) as at 30th September, 2010. 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 based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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	Total undiscounted cash flows US$'000	Carrying amount at 30.9.2010 US$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	548,759	68,922	859	–	618,540	618,540
Bank borrowings							
– fixed rate	6.08	–	–	3,752	–	3,752	3,590
– variable rate	3.02	91,038	94,051	39,299	491,833	716,221	706,459
Convertible bonds	–	–	–	–	285,509	285,509	268,649
Financial guarantee contracts	–	136,688	–	–	–	136,688	–
		776,485	162,973	43,910	777,342	1,760,710	1,597,238
Derivatives – net settlement							
Currency structured forward contracts	–	136	184	1,125	853	2,298	2,219

40. Financial Instruments (continued)

b. 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 30.9.2009 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
Financial guarantee contracts	–	151,067	–	–	–	–	151,067	–
		1,108,812	338,022	25,084	705,844	10,452	2,188,214	1,978,299
Derivatives – net settlement								
Currency structured 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

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

40. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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 21, should the financial performance of the jointly controlled entities exceeds certain benchmarks.

c. Fair value

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

– the fair value of financial assets and financial liabilities (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

– the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

– 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 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.

40. Financial Instruments (continued)

c. Fair value (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30th September, 2010			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVTPL				
Derivative financial instruments	–	–	80,431	80,431
Available-for-sale investments				
Listed equity securities	12,856	–	–	12,856
Total	12,856	–	80,431	93,287
Financial liabilities at FVTPL				
Derivative financial instruments	–	–	27,041	27,041

Reconciliation of Level 3 measurements of financial assets and liabilities is as follows:

	Derivative financial instruments	
	Assets US$'000	Liabilities US$'000
At 1st October, 2009	69,271	11,302
Fair values changes, recognised in profit or loss	14,571	16,436
Exchange realignment	–	31
Derecognised upon disposals of certain jointly controlled entities	(2,904)	–
Derecognised upon partial redemption of CB 2011	–	(728)
Derecognised upon maturity	(507)	–
At 30th September, 2010	80,431	27,041

There were no transfers between Levels in the current year.

41. Acquisition of Subsidiaries

(i) On 10th July, 2009, the Group completed the acquisition of 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 (i) cash in the amount of approximately US$54,947,000 and (ii) 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's shares would only be issued if the aggregate profits of Farsighted for the two years ending 30th September, 2010 reached certain predetermined levels ("Targeted Profits Levels").

As the Targeted Profit Levels were not reached, none of the contingently issuable shares of Pou Sheng's shares have been issued during the year ended 30th September, 2010.

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 was 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, representing a 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 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 above transactions were 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:

	Fairsighted			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 – interest previously held before combination			(11,476)	–	(11,476)
Interest in jointly controlled entities – interest previously held before combination			–	(2,114)	(2,114)
Fair value adjustments attributable to Group's interests in Farsighted before combination			(4,551)	–	(4,551)
Fair value adjustments attributable to non-controlling interest in Farsighted before combination			(3,557)	–	(3,557)
Non-controlling 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) inflow 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 30th September, 2009.

If the acquisition had been completed on 1st October, 2008, total revenue of the Group for the year ended 30th September, 2009 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. Disposal of Subsidiaries/Deemed Disposal of Subsidiaries

During the year, the Group disposed of (i) the entire interest in Hubei Shengdao Sports Goods Company Limited and its subsidiaries to an independent third party; (ii) the entire interest in Hong Kong Dragonlight Limited and its subsidiary to another independent third party.

42. Disposal of Subsidiaries/Deemed Disposal of Subsidiaries (continued)

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	US$'000
Net assets disposed of:	
Property, plant and equipment	34,244
Prepaid lease payment	10,061
Trade and other receivables	2,928
Bank balances and cash	94
Trade and other payables	(21,243)
Shareholder's loan	(20,927)
	5,157
Non-controlling interests	(1,222)
	3,935
Assignment of shareholder's loan	20,927
Gain on disposal of subsidiaries	1,776
Total consideration	26,638
Satisfied by:	
Cash	1,611
Consideration receivables (included in deposits, prepayments and other receivables)	25,027
	26,638
Net cash inflow (outflow) arising on disposal:	
Cash consideration received	1,611
Bank balances and cash disposed of	(94)
	1,517

Consideration receivables are unsecured, interest-free and expected to be recovered within one year. The directors of the Company have assessed the buyer's credit quality. The directors have continuously assessed the recoverability of consideration receivables. In the opinion of the directors, the buyer is of good credit quality.

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

42. Disposal of Subsidiaries/Deemed Disposal of Subsidiaries (continued)

In addition, during the year, the Group entered into an agreement with Din Tsun Holding Co., Ltd ("Din Tsun") for subscription of new shares by Din Tsun in Faith Year Investments Limited ("Faith Year") which was then a wholly-owned subsidiary of the Group. After the subscription, the Group and Din Tsun's equity interest in Faith Year is 30% and 70%, respectively. The subscription by Din Tsun constitutes a deemed disposal of 70% equity interest in Faith Year by the Group.

The amounts of the assets and liabilities attributable to the subsidiaries on the date of deemed disposal were as follows:

	US$'000
Net assets disposed of:	
Property, plant and equipment	3,160
Inventory	7,546
Trade and other receivables	18,882
Bank balances and cash	1,785
Trade and other payables	(29,494)
	1,879
Gain on deemed disposal of subsidiaries	85
Total consideration	1,964
Satisfied by:	
Fair value retained of an associate	1,964
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(1,785)

43. Major Non-Cash Transactions

For the year ended 30th September, 2010, the major non-cash transactions were as follows:

1. The payment of profits tax of HK$172,570,000 (equivalent to US$22,176,000) as a result of the compromised settlement reached with the HKIRD was settled by the TRC previously purchased.

2. The Group capitalised amount due from a jointly controlled entity of approximately US$14,966,000 as investment in a jointly controlled entity.

For the year ended 30th September, 2009, the major non-cash transactions were 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. 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.

44. Operating Leases

The Group as lessee

	2010 **US$'000**	2009 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	**42,767**	33,614
– retail shops	**45,075**	49,433
– plant and machinery	**3,328**	2,703
	91,170	85,750
Contingent rentals:		
– retail shops	**101,648**	85,537
	192,818	171,287

44. Operating Leases (continued)

The Group as lessee (continued)

At the end of the reporting period, 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:

	2010 US$'000	2009 US$'000
Within one year	49,215	54,520
In the second to fifth year inclusive	56,970	96,263
After five years	22,241	19,711
	128,426	170,494

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$6.4 million as at 30th September, 2010 which expire in 2011 (2009: US$6.7 million and US$6.4 million 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 48(g).

44. 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 end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 US$'000	2009 US$'000
Within one year	5,985	4,782
In the second to fifth year inclusive	16,702	10,052
After five years	31,470	33,451
	54,157	48,285

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 of the Group for the year was US$16,549,000 (2009: US$13,680,000), of which contingent rent amounted to US$8,130,000 (2009: US$5,663,000).

45. Commitments

	2010 US$'000	2009 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	76,524	30,863
– acquisition of property, plant and equipment	13,195	8,646
	89,719	39,509
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– investment in available-for-sale investments	3,520	3,772
– investment in jointly controlled entities	1,556	1,523
– acquisition of the remaining interests in a jointly controlled entity	8,969	–
	14,045	5,295
	103,764	44,804

Save as disclosed above, at 30th September, 2010, the Group had no other material capital commitments.

46. Contingencies

At the end of the reporting period, the Group had contingent liabilities as follows:

	2010 US$'000	2009 US$'000
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	**99,774**	119,798
– amount utilised	**54,493**	72,871
(ii) associates		
– amount guaranteed	**36,914**	31,269
– amount utilised	**22,287**	19,477

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

48. Connected and Related Party Transactions and Balances

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules.

The transactions with these companies during the year, and balances with them at the end of the reporting period, are as follows:

(I) CONNECTED AND RELATED PARTIES

Name of company	Nature of transactions/balances	2010 US$'000	2009 US$'000
Substantial shareholder of the Company:			
Pou Chen Corporation ("PCC") and its subsidiaries, other than members of the Group (collectively the "PCC Group")	Purchase of raw materials and shoe-related products (note a)	**706**	795
	Costs and expenses reimbursed and services fees paid to PCC under the Services Agreements (note b)	**400,653**	302,991
	Tanning facilities and processing services fee paid (note c)	**6,432**	8,078
	Rental expenses under the Rental Agreements (note d)	**1,192**	1,153
	Leather splitting fees (note e)	**–**	414
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes (note a)	**20,505**	16,574
	Management services income received (note f)	**3,365**	5,918
	Balance due from/to at 30th September and included in:		
	– trade receivables	**3,910**	1,761
	– trade payables	**44,027**	38,118
	– other receivables (note j)	**8,973**	8,278
	– other payables (note j)	**21,639**	7,495

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

(I) CONNECTED AND RELATED PARTIES (continued)

Name of company	Nature of transactions/balances	2010 US$'000	2009 US$'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)	870	1,151
	Rental received on dormitories (note f)	424	1,218
	Balance due from/to at 30th September and included in:		
	– other receivables (note j)	205	3,553
	– other payables (note j)	198	158
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings (note g)	6,653	6,729
	Balance due from/to at 30th September and included in:		
	– other receivables (note j)	511	1,890
	– other payables (note j)	45	229

(II) CONNECTED PARTIES

Name of company	Nature of transactions/balances	2010 US$'000	2009 US$'000
Non-controlling interests of subsidiaries	Consideration for acquisition of additional interests in subsidiaries (note h)	–	1,500

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

(III) RELATED PARTIES, OTHER THAN CONNECTED PARTIES

Name of company	Nature of transactions/balances	2010 US$'000	2009 US$'000
Jointly controlled entities:	Purchase of raw materials	**130,249**	108,766
	Purchase of sportswear products	**215**	685
	Sales of shoe-related products	**3,376**	1,824
	Sales of sportswear products	**25,701**	7,828
	Management service income	**11,156**	10,986
	Interest income	**1,116**	1,862
	Consideration for deemed disposal of interests in subsidiaries (note i)	**1,964**	–
	Balance due from/to at 30th September		
	– trade receivables	**8,380**	7,043
	– trade payables	**31,405**	20,906
	– other receivables (note j)	**24,096**	16,843
	– other payables (note j)	**1,082**	385
Associates:	Purchase of raw materials	**71,093**	58,721
	Purchase of sportswear products	**–**	357
	Sales of shoe-related products	**7,054**	1,445
	Sales of sportswear products	**2,886**	3,250
	Management service income	**5,023**	4,738
	Interest income	**379**	49
	Balance due from/to at 30th September		
	– trade receivables	**9,240**	3,291
	– trade payables	**13,706**	9,403
	– other receivables (note j)	**36,293**	15,423
	– other payables (note j)	**4,454**	2,976

(IV) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2010 US$'000	2009 US$'000
Short term benefits	**6,504**	6,769
Post employment benefits	**2**	2
	6,506	6,771

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

48. 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 7.11% 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 from 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.

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

notes: (continued)

(d) Certain subsidiaries of the Company, PCC Group 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 favorable than those offered by independent third parties and are subject to adjustment each quarter.

48. 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 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) On 1st July, 2010, Pro Kingtex Industrial Company Limited, a non-wholly owned subsidiary of the Company, disposed of 70% interest in a subsidiary, Faith Year, and its subsidiaries to a jointly controlled entity, Din Tsun.

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

49. Non-controlling interests

	Interests attributable to shares held in subsidiaries US$'000	Share options reserve of a listed subsidiary US$'000 (note)	Total US$'000
At 1st October, 2008	327,946	706	328,652
Exchange difference arising on the translation of foreign operations	(259)	–	(259)
Revaluation increase upon acquisition of a subsidiary	3,557	–	3,557
Loss for the year	(2,768)	–	(2,768)
Total comprehensive income for the year	530	–	530
Recognition of equity-settled share-based payments	–	12,521	12,521
Cancellation of Pre-IPO share subscription plan	5,803	(13,227)	(7,424)
Acquisition of subsidiaries	5,901	–	5,901
Contribution from non-controlling interest	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 paid to non-controlling interests of subsidiaries	(2,793)	–	(2,793)
At 30th September, 2009	384,153	–	384,153
Exchange difference arising on the translation of foreign operations	5,532	–	5,532
Profit for the year	16,331	–	16,331
Total comprehensive income for the year	21,863	–	21,863
Recognition of equity-settled share-based payments	–	1,578	1,578
Realised on deregistration of subsidiaries	(125)	–	(125)
Realised on disposal of subsidiaries	(1,222)	–	(1,222)
Contribution from non-controlling interests	4,111	–	4,111
Acquisition of additional interests in subsidiaries	(1,307)	–	(1,307)
Dividends paid to non-controlling interests of subsidiaries	(3,604)	–	(3,604)
At 30th September, 2010	**403,869**	**1,578**	**405,447**

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

50. Event after the reporting period

Acquisition of remaining interest in Zhejiang Yichuan

As set out in Notes 21 and 25, the Group exercised during the year ended 30th September, 2010 the JV Call Options granted by the Relevant Partners of Zhejiang Yichuan for the acquisition of the 50% equity interest not already held by the Group in order to expand the store network and geographical coverage of the Group in the PRC. The control of Zhejiang Yichuan has been passed to the Group in October 2010 and the transaction was accounted for using purchase method.

Consideration transferred

	US$'000
Cash	25,500
Equity instruments issued	2,694
	28,194

Equity instruments issued represent 18,990,000 shares in Pou Sheng whose fair value has been determined as the share price of Pou Sheng at the date of acquisition. In addition, Pou Sheng may also be required to issue a further 15,000,000 shares as additional consideration if the audited after-tax profits of Zhejiang Yichuan in any one or more of the three years ending 30th September, 2013 reach certain predetermined levels. The fair value of the contingent consideration is awaiting the receipt of professional valuation.

Provisional fair value of assets and liabilities recognised at the date of acquisition are as follow:

	US$'000
Net assets recognised:	
Property, plant and equipment (note)	9,945
Inventories (note)	37,438
Trade and other receivables (note)	23,957
Bank balances and cash	1,531
Trade and other payables (note)	(8,153)
Tax payables	(638)
Shareholder's loan	(23,382)
Bank borrowings	(16,978)
Deferred tax liabilities (note)	(1,576)
	22,144

note: The initial accounting for the acquisition has been determined provisionally for these items as well as certain intangible assets identified and to be recognised separately from goodwill, awaiting the receipt of professional valuation in relation to the respective fair values.

The Group is in the process of determining the financial effects of the transaction.

51. Principal Subsidiaries

Details of the Company's principal subsidiaries at 30th September, 2010 and 2009 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 attributable to the Group		Principal activities
			2010	2009	
A-Grade Holdings Limited	British Virgin Islands	US$9,000	56.13%+	56.13%+	Investment holding
Bangladesh Pou Hung Industrial Ltd	Bangladesh	US$145	100%	100%	Manufacture and sales of footwear
Baosheng Daoji (Beijing) Trading Company Limited	PRC(i)	US$20,000,000	56.13%+	56.13%+	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited	PRC(i)	US$5,000,000	56.13%+	56.13%+	Retailing of sportswear
Baoyu (Chengdu) Trading Company Limited	PRC(i)	US$7,400,000	56.13%+	56.13%+	Retailing of sportswear
Bestful Properties Limited	British Virgin Islands	US$1	100%	100%	Property holding
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
Dalian Dongzhijie Sports Production Development Company Limited	PRC(i)	RMB200,000,000	56.13%+	56.13%+	Retailing of sportswear
Dedicated Group Limited	British Virgin Islands	US$1,000	56.13%+	56.13%+	Investment holding

51. 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 attributable to the Group 2010	2009	Principal activities
Diodite (China) Sports Company Limited	PRC(i)	US$20,000,000	56.13%+	56.13%+	Retailing of sportswear
Dragonlight (China) Sports Goods Company Limited	PRC(i)	US$66,000,000	56.13%+	56.13%+	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
Farsighted International Limited	British Virgin Islands	US$100	56.13%+	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
Friendsole Limited	Hong Kong	Ordinary – HK$1,000	100%	100%	Provision of management services
		Non-voting deferred – HK$1,000	100%	100%	
Giacinto Investments Limited	British Virgin Islands	US$10,000	100%	100%	Investment holding
Gold Plenty International Limited	British Virgin Islands	US$1	100%	100%	Manufacture and sales of footwear

51. 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 attributable to the Group 2010	2009	Principal activities
Great Pacific Investments Ltd.	British Virgin Islands	US$1	100%	100%	Investment holding
Harbin Baosheng sports Goods Company Limited	PRC(ii)	RMB7,000,000	56.13%+	56.13%+	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC(ii)	RMB1,000,000	56.13%+	56.13%+	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%	Manufacture and sales of footwear
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
P.T. Glostar Indonesia	Indonesia	US$12,000,000	100%	100%	Manufacture and sales of footwear
P.T. Nikomas Gemilang	Indonesia	IDR56,680,000,000	99.38%	99.38%	Manufacture and sales of footwear
P.T. Pou Chen Indonesia	Indonesia	IDR49,872,000,000	90%	90%	Manufacture and sales of footwear

51. 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 attributable to the Group 2010	2009	Principal activities
P.T. Sukespermata Indonusa	Indonesia	IDR3,500,000,000	90%	90%	Manufacture of mould and cutting for shoes
Pou Yuen Cambodia Enterprises Limited	Cambodia	US$4,000,000	100%	–	Manufacture and sales of footwear
Pau Yuen Trading Corporation	Taiwan	NTD50,000,000	50.52%++	50.52%++	Distribution of licenced products
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	100%	100%	Manufacture and sales 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%	Investment holding and manufacture of inner boxes and paper carton boxes
Pou Sheng	Bermuda(iii)	HK$42,905,000	56.13%	56.13%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$47,000,000	100%	100%	Manufacture and sales of footwear
Pou Yuen Industrial (Holdings) Limited	Hong Kong	Ordinary – HK$12,000,000	100%	100%	Investment holding and property holding
		6% cumulative preference – HK$433,600,000	100%	100%	
Pouyuen Vietnam Company Limited	Vietnam	US$86,406,000	100%	100%	Manufacture and sales of footwear

51. 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 attributable to the Group		Principal activities
			2010	2009	
Prime Asia China Leather Corporation	British Virgin Islands	US$1,000	100%	100%	Manufacture and sales of leather
Prime Asia (S.E. Asia) Leather Corporation	British Virgin Islands	US$1,000	100%	100%	Manufacture and sales of leather
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
Selangor Gold Limited	British Virgin Islands	US$1,000	56.13%+	56.13%+	Investment holding
Shengdao (Yangzhou) Sports Goods Development Company Limited	PRC(i)	US$66,000,000	56.13%+	56.13%+	Investment holding
Solar Link International Inc.	USA	US$9,000,000	100%	100%	Manufacture and sales of footwear
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	100%	100%	Manufacture and sales of footwear
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
Wellmax Business Group Limited	British Virgin Islands	US$9,000	56.13%+	56.13%+	Investment holding

51. 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 attributable to the Group 2010	2009	Principal activities
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC(ii)	RMB1,000,000	56.13%+	56.13%+	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co. Ltd.	PRC(i)	US$10,000,000	56.13%+	56.13%+	Distribution of licenced sportswear
Yue Ming International Limited	Hong Kong	HK$1	56.13%+	56.13%+	Distribution of licenced sportswear
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000	100%	100%	Investment holding and property holding
		Non-voting deferred – HK$47,000,000	100%	100%	
Yue-Shen (Taicang) Footwear Co. Ltd	PRC(i)	US$15,000,000	56.13%+	56.13%+	Manufacturing of sportswear
Yunnan Orientalsport Trading Co., Ltd	PRC(i)	RMB56,100,000	28.63%++	28.63%++	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC(ii)	RMB87,500,000	33.68%++	33.68%++	Property leasing and management
YY Sports Holdings Limited	British Virgin Islands	US$1	56.13%+	56.13%+	Investment holding
上高裕盛工業有限公司	PRC	US$43,240,000	100%	100%	Manufacture and sales of footwear

(i) These companies established in the PRC are wholly-foreign owned enterprises.
(ii) These companies are wholly-domestic owned enterprises established in the PRC.
(iii) Pou Sheng is a listed company on the Stock Exchange.
+ These companies were wholly-owned subsidiaries of Pou Sheng as at the end of the reporting period.
++ These companies were non-wholly owned subsidiaries of Pou Sheng as at the end of the reporting period.

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.

51. Principal Subsidiaries (continued)

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

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

52. Principal Associates

Details of the Group's principal associates at 30th September, 2010 and 2009 are as follows:

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
		2010	2009	
Bigfoot Limited	British Virgin Islands	**48.76%**	48.76%	Investment holding and its subsidiary is engaged in 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
Full Pearl International Limited	British Virgin Islands	**40.04%**	47.90%	Retailing of ladies shoes
Just Lucky Investments Limited	British Virgin Islands	**38.30%**	38.30%	Property holding
Luen Thai Holdings Limited ("Luen Thai") (Note (ii))	Cayman Islands	**8.98%**	8.98%	Manufacturing and trading of apparel
Nan Pao Resins Chemical Co., Ltd.	Taiwan	**22.15%**	22.15%	Manufacturing and trading of adhesives, coatings, chemical resins and special chemical products

52. Principal Associates (continued)

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2010	2009	Principal activities
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%	49.47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	37%	37%	Investment holding
Prosperous Industrial (Holdings) Limited	Cayman Islands	30%	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
San Fang Chemical Industry Co. Ltd. (Note (iii))	Taiwan	44.72%	44.72%	Manufacture and trading of synthetic leather
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	PRC**	22.45%+	22.45%+	Retailing of sportswear
Zhejiang Baohong Sports Goods Company Limited	PRC**	27.50%+	27.50%+	Retailing of sportswear

** The companies established in the PRC are sino-foreign joint venture.
+ These companies are associates of Pou Sheng at the end of the reporting period.

52. Principal Associates (continued)

Notes:

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

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

(iii) The company is incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

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

53. Principal Jointly Controlled Entities

Details of the Group's principal jointly controlled entities at 30th September, 2010 and 2009 are as follows:

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
		2010	2009	
Best Focus Holdings Limited	British Virgin Islands	50%	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of paper carton boxes
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

53. Principal Jointly Controlled Entities (continued)

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2010	2009	Principal activities
Great Skill Industrial Limited	British Virgin Islands	50%	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of plastic shoe injection
Harbin Shenge Sports Chain Company Limited	PRC**	–++	25.26%+	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%+	Retailing of sportswear
Jilin Lingpao Sports Goods Company Limited	PRC**	28.07+	28.07%+	Retailing of sportswear
Jumbo Power Enterprises Limited	British Virgin Islands	50%	50%	Manufacture and sales of footwear
Ka Yuen Rubber Factory Limited	British Virgin Islands	50%	50%	Manufacture and sale of rubber soles
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 sole and shoe components

53. Principal Jointly Controlled Entities (continued)

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2010	2009	Principal activities
Well Success Investment Limited	British Virgin Islands	**40%**	40%	Investment holding
Willpower Industries Limited	British Virgin Islands	**44.84%**	40%	Manufacture and sales of paper product
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%+	Retailing of sportswear
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC**	**28.07%**+	28.07%+	Retailing of sportswear

+ These companies were jointly controlled entities of Pou Sheng as at the end of the reporting period.
++ These companies were jointly controlled entities of Pou Sheng and have been disposed of by Pou Sheng during the year.
** 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,				
	2006	2007	2008	2009	**2010**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	3,657,379	4,114,090	4,919,937	5,016,902	**5,788,208**
Profit before taxation	375,604	386,647	515,429	470,093	**530,863**
Income tax expense	(9,257)	(17,715)	(24,685)	(8,131)	**(35,025)**
Profit for the year	366,347	368,932	490,744	461,962	**495,838**
Attributable to:					
Owners of the Company	353,591	359,432	468,664	464,730	**479,507**
Non-controlling interests	12,756	9,500	22,080	(2,768)	**16,331**
	366,347	368,932	490,744	461,962	**495,838**

	As at 30th September,				
	2006	2007	2008	2009	**2010**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	3,378,792	4,120,772	4,968,675	5,758,802	**5,725,322**
Total liabilities	(1,242,223)	(1,626,968)	(1,860,126)	(2,337,422)	**(1,948,819)**
	2,136,569	2,493,804	3,108,549	3,421,380	**3,776,503**
Equity attributable to:					
Owners of the Company	2,091,320	2,419,378	2,779,897	3,037,227	**3,371,056**
Non-controlling interests	45,249	74,426	328,652	384,153	**405,447**
	2,136,569	2,493,804	3,108,549	3,421,380	**3,776,503**

Corporate Social Responsibility ("CSR") is a ubiquitous factor in the operations of the Group. Management sees the Group's CSR programs at the various factories spread across Asia as an integral part of the business and a necessity to ensure the sustainable development of the Group. In accordance with this line of thinking, the Sustainable Development ("SD") Committee was established this year. It has become increasingly clear that CSR and SD are key success factors for any business that encompasses the global markets. The validity of this view is reinforced when observing the resources the Group's brand name customers have dedicated to performing their activities that focus on CSR and their visionary approach to SD. Management believes its efforts in the areas of CSR and SD will help lead the Group in the right way forward. These efforts will also help customers see that the Group's actions complement their business activities and will create a closer bond between the Group and its brand name customers.

企業社會責任是本集團在營運中全面實行的理念。本集團在亞洲各地的工廠均實行企業社會責任計劃，而管理層視此為業務中不可或缺的一部份，並且是確保集團永續發展所必需。本集團亦循此思路於年內成立永續發展委員會。任何服務全球市場的業務若要取得成功，則必須做好企業社會責任和企業永續發展的工作，此趨勢已日見明顯；仔細觀察本集團品牌客戶時，便可發現他們為企業社會責任工作投入不少資源，並且以遠大目光處理企業永續發展議題，由此更可見此乃大勢所趨。管理層相信，其在企業社會責任和企業永續發展的工作，將有助引領本集團向正確的方向邁進。這些工作亦有助客戶看到本集團的行動能夠充份配合客戶本身的業務活動，使本集團與品牌客戶的關係更加密切。

CSR activities can be viewed from three angles. First, CSR can serve as a compliance function to ensure that operations are run smoothly and that external relationships are properly maintained. Disruptions to operations can occur in many forms. They may arise due to industrial accidents occurring to workers on the production line. Disruptions may also occur when workers deciding to pursue industrial action against the factory on account of feeling dissatisfied with management. Finally, they may also happen due to the factory failing to comply with the latest government regulations e.g. concerning the environment, concerning labour management, involving emissions etc. Properly planned CSR activities can help mitigate the aforementioned disruptions and help manage the relationship with the parties involved. From another perspective, CSR serves as a basis of self-governance that assures the Group's brand name customers their supply chain partners meet important expectations with respect to policies such as labour management, factory management and green manufacturing.

企業社會責任活動可以從三個角度來看。首先，可以視企業社會責任為合規工作的一部份，以此確保順利營運，妥善維繫對外關係。生產營運受到干擾的形式不少，可以是源自生產線員工發生工業意外，亦可能是工人不滿管理層而在廠房發起工業行動。最後，營運受到干擾也可能是因為工廠未能遵守最新的政府規定，即有關環保、勞動管理、涉及廢氣排放等事宜的規定。妥善規劃的企業社會責任活動可有助減輕上述干擾，有助理順集團與各方的關係。從另一角度來看，企業社會責任可以作為自我監管的準則，以此確保本集團品牌客戶的供應鏈合作夥伴能夠達到品牌客戶對勞動管理、廠房管理及環保製造等政策方面的重要期望。

The Group sees SD from two perspectives. One perspective is that of coexistence in harmony between the various stakeholders i.e. shareholders, management, workers etc. so that each feels they are fairly treated and can look forward to the future. Another perspective is SD represents an appropriate balance between preserving the environment and allowing the Group to be sufficiently profitable so that it can remain in business. The Group considers SD as an advanced level to CSR activities. A solid CSR work will build a sound SD foundation.

本集團從兩方面看待永續發展。首先，是讓不同利害關係人（即股東、管理層、工人等）融洽相處，讓彼此都感受到公平對待，對未來充滿希望。從另一個角度來看，永續發展是力求在保護環境與本集團錄得足夠利潤之間達致合適平衡，讓本集團能夠繼續經營。本集團認為，企業永續發展屬於在企業社會責任活動更上一層次的境界。穩健的企業社會責任工作將為永續發展奠定健全根基。

A solid CSR program can help attain precise objectives e.g. operating efficiency. Operating efficiency can be attained from the following approaches. Establishing protocols to ensure there is meaningful, clear communication between the factory management and the production staff. Another is to design a suitable production schedule for the production staff to follow that allows for sufficient rest. Checking and modifying the menu and living quarters provided to production staff so as to enable them to feel at home while working for the Group. Another is to provide sufficient training to the production staff so that they can avoid industrial accidents and injury. Finally, providing sufficient counseling to production staff so that they can adjust to the factory environment and resolve problems they encounter in their daily life working for the Group.

穩健的企業社會責任計劃可有助實現多項明確的目標，例如營運效率。達致營運效率的方式包括釐訂規約程序，確保工廠管理層與生產員工之間保持有意義而清楚明確的溝通。此外，可為生產員工設計合適的生產計劃，讓他們有足夠休息。檢查和改善生產員工的膳食菜單和宿舍，讓他們為集團工作時亦可感到家庭溫暖。同時，可以向生產員工提供足夠培訓，避免工業意外和工傷。最後，向生產員工提供足夠輔導，使他們能適應工廠環境，解決受僱本集團期間遇到的日常生活問題。

CSR activities should be designed to help society at large. The Group has engaged in activities that contribute to society. Some activities provide assistance to the elderly in old age homes. There are activities that help finance matters that affecting groups in need e.g. money for scholarships, school equipment and for victims of natural disasters. The Group does look to ways to help communities surrounding the factory premises.

設計企業社會責任活動時應以幫助整個社會為目標。本集團參與為社會作出貢獻的活動，包括協助老人院的長者，對有需要的受影響民眾提供資助，如獎學金、購買校舍設備的資金，為天災災民提供善款。本集團研究不同方法來協助廠房周邊的社區。

Recently the Group held in the Zhong Shan factory premises its third Group CSR Workshop. The first workshop was held in Vietnam in 2002. The second workshop was held in Indonesia in 2007. The participants of this workshop are from various parts of the Group. The senior management supervising the overall CSR efforts of the Group attended. The various key personnel of the CSR divisions from the various factories across Asia also attended. The purpose of the workshop was to discuss key topics concerning CSR and to allow for an exchange of views and experiences in addressing these topics. The latest trends in labour management were extensively discussed, particularly given the rising expectations of citizens living in China, Indonesia and Vietnam. The implementation of CSR and SD programs to assist production staff in managing family matters and children was also mentioned.

最近，本集團在中山廠房舉行集團的第三次企業社會責任工作研討會。第一次工作研討會於二零零二年在越南舉行。第二次工作研討會於二零零七年在印尼舉行。出席今次工作研討會的員工來自本集團不同環節。監督本集團整體企業社會責任工作的高級管理層亦出席了工作研討會。亞洲區內不同廠房的企業社會責任部門的主要人員也出席了工作研討會。工作研討會之目的是討論有關企業社會責任的重點議題，讓大家可針對這些議題交流意見和經驗。與會者亦廣泛討論勞動管理的最新趨勢，特別是考慮到中國、印尼和越南的人民有越來越高的期望。工作研討會中亦提及實行企業社會責任和永續發展方案，協助生產人員處理家庭和孩子的事宜。

The Group always consider that ensuring the successful completions of the Group's ongoing CSR and SD programs, and harmonizing people by future CSR and SD activities are essential to the success of establishing a society in line with CSR and SD concepts. The Group will continuously dedicate its efforts in this regards and plan ahead, act solidly for its sustainable development.

本集團一向認為，確保成功完成本集團的持續企業社會責任和永續發展計劃，以及通過未來的企業社會責任和永續發展活動達致融洽人際關係，是在社會實踐企業社會責任和永續發展理念的關鍵。本集團將繼續做好此範疇的工作，悉心計劃未來，為企業永續發展務實行事。

中國 China


Birthday Party for staff sharing the same calendar month
集團為員工舉辦生日派對


Supervisors visiting sick employees
管理層代表探訪患病員工

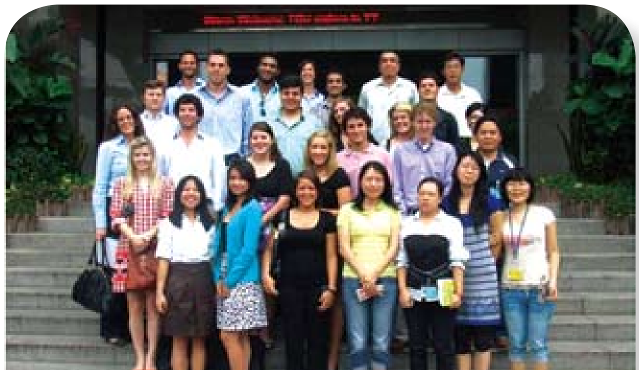

Factory holding event to celebrate Mid-Autumn Festival
工廠舉辦慶祝中秋節活動


New equipment installed to further automate manufacturing process and improve safety
新安裝設備將生產程序進一步自動化，提升安全

A running competition held as a recreational event for factory employees
為員工舉辦之賽跑比賽


A cooking competition between the leading chefs of the factory kitchens
廚師廚藝大比拼

Regular workshops held to help staff communications
定期舉辦員工溝通工作坊



Students from an American university visiting one of the group's factories
美國大學生到訪集團之一工廠

A workshop for pregnant employees to educate them about maternal health
為懷孕員工舉辦懷孕期保健知識的工作坊

May Labor Day celebration in one of the factories
工廠舉辦五一勞動節晚會

Factory event to plant trees to support the "Care for the Environment" Campaign
員工透過植樹活動表示對環保的關注

Summer camp event held for the children of factory employees
工廠員工子女夏令營

印尼 Indonesia

Award given by a brand name customer for social & environmental achievement
工廠獲品牌客戶頒發有關社會及環保事務的獎項


Factory management posed with brand name customer after receiving the Social & environmental award
工廠獲品牌客戶頒發有關社會及環保事務的獎項後合影


Periodic morning meetings between factory supervisors and production staff
幹部與員工不定期舉行早上集會


GAP analysis with consultants
與顧問進行GAP分析


Implementating OSHAS training from SAI Global
SAI Global的人員前來進行OSHAS培訓

Dance competition held in a factory
工人舞蹈大賽

Dance competition held in a factory
工人舞蹈大賽

Opening Health Fair
健康博覽會開幕典禮

Health Fair activities
健康博覽活動

Health Seminar
健康研討會

Nutrition consultation Service
營養諮詢服務

Diligent factory employees who once attended our night school to eventually earn their college degree
好學不倦的員工在我廠之夜校學成後繼續學業，終獲頒大學學位

越南 Vietnam

Recreation event bring factory staff closer together
員工娛樂活動，使彼此的關係更融洽

Factory employees voluntarily participating in various community activities
員工自動參與各項社區活動

A charity organization and the staff charity fund together donate equipment to handicapped people
一慈善機構與員工的慈善基金向殘疾人士贈送設備

Factory event recognizing the good academic results of factory staff children attending kindergarten
表揚在幼稚園上學之傑出子女

Factory staff give presents and cakes to children in remote villages for the Mid-Autumn Festival
中秋節向偏遠鄉村的兒童贈送禮物和月餅

Staff children receive awards for their outstanding performance in high school
員工的高校子女獲學習表現傑出獎

Certificate awarded to factory for outstanding social security benefit program for employees
因提供員工優秀社會保險福利計劃而獲獎

Government ceremony recognizing factory efforts in providing comprehensive social benefits to employees
政府舉行儀式，表揚工廠致力向僱員提供全面的社會服務

Lunar New Year Festival events held by the factory to bring factory staff closer together
農曆新年晚會，使大家的關係更融洽

Hiking activities held for factory staff
員工登山活動

The winning photographs of staff babies participating in the "Happy Baby Photo Contest"
參加「可愛嬰兒攝影比賽」的員工子女得獎照

The winning photographs of staff babies participating in the "Happy Baby Photo Contest"
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