KTP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 645

2010 Annual Report

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CORPORATE INFORMATION

KTP Holdings Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

LEE Chi Keung, Russell *(Chairman)*
YU Mee See, Maria
NG Wai Hung[1]
LEE Siu Leung[1]
Yuen Sik Ming[1]

[1] *Independent non-executive directors*

COMPANY SECRETARY

YU Mee See, Maria

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block C, 1st Floor
Wong King Industrial Building
2-4 Tai Yau Street
Sanpokong
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank

COMPANY WEBSITES

www.ktpgroup.com
www.irasia.com/listco/hk/ktp/index.htm

STOCK CODE

645

CHAIRMAN'S STATEMENT

KTP is an OEM sports footwear manufacturer, mainly for export to the US and EU markets.

After 2008 financial crisis, the excess production capacity coupled with declining demand of consumer products damage the demand-supply balance in the global footwear industry, KTP was hard hit by the financial crisis and had discontinued our more than twenty years' collaboration with Reebok and closed all the unprofitable manufacturing plants in last year.

In order to cut the idle costs of the unused manufacturing facilities, KTP had also during the year disposed all of its idle production facilities, with substantial portion of the sales proceeds paid out to the shareholders as a special dividend.

After a year, following the "Foxconn Event" and the serious shortage of the workers in Southern China, especially Shenzhen and Dongguan, I trust that the above decision is not only in the interest of the Group and the shareholders as a whole but also in conformity with China and the global business environment and economic trend.

For a pair of branded sports shoes, material costs account for 65%, labor and factory expenses are 15% each, and the remaining 5% is profit. If the F.O.B price of the shoe is US$20, the material costs will be around US$13, labor and factory will each be US$15. Profit will be around US$1. This shoe will normally wholesale to a retailer at US$50 and, in general, the retail price will be marked up to US$100. As such, KTP, as a manufacturer, can only earn a tiny portion in the whole US$100 value flow, which can be further illustrated as follows:

				Valued-added portion					
	Selling price	Sales Discount	Purchasing price	Labor	Utilities & Rent	Advertising	Other Expenses	Profit	Percentage of value-added
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	
Material Supplier	13	—	6	2	1	—	3	1	7%
Manufacturer	20	—	13	3	1	—	2	1	**7%**
Brand	50	—	20	10	5	5	5	5	30%
Retailer	100	10	50	10	23	—	2	5	40%
Value Flow	100	10	6	25	30	5	12	12	84%

Table: Value Flow for a pair of sport shoes with retail price of US$100

In the past ten years, more and more emerging countries have adopted the "Open Economic Policy", aiming to expand their export industries, resulting in a substantial increase in global production capacity. The excess production capacity reduces the value-added portion of manufacturers in the whole supply chain (i.e. accounts for only 7% as illustrated in the table above). It is therefore very difficult for most of the China's export processing manufactures to maintain competitiveness and earn a reasonable profit unless there is substantial breakthrough on the production efficiency and technology advancement.

CHAIRMAN'S STATEMENT

To solve the above dilemma, KTP has to either relocate its production base to other 'low cost' emerging countries such as India, Bangladesh or restructure its operation mode by transforming from a mere "export processing factory" to a more vital position in the whole supply and value chain.

The post financial crisis era poses challenges and opportunities to China as the global economy needs to be readjusted to a new optimal equilibrium. If KTP can find new gateways to future growth and re-orientate itself in the whole value chain, a new breakthrough must be ahead!

Lee Chi Keung, Russell
Chairman

Hong Kong, 16th July 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2009/2010 was a tough year. The loss of the Group's largest customer resulted in a significant decrease in the Group's turnover to US$18 million for the year ended 31st March 2010 as compared to US$64 million last year. The Group's turnover for the year was solely contributed by the Group's shoe sole production. Geographically, Asian countries became the largest market of the Group, which contributed 100% of the Group's turnover for the year under review.

It was the Group's decision to further streamline the business and suspend the operation of all the unprofitable plants following the cessation of manufacturing OEM orders for the largest customer, resulting to significant assets impairment and massive lay-off of workers in the last two years.

In view of the substantial reduction in revenues in consequence of the loss of orders from the largest customer and the uncertainty of the current and anticipated business prospects of the Group, on 22nd July 2009, the Company entered into a sale and purchase agreement with Peak Rise Holdings Limited (a connected person to the Company) to dispose of the entire equity interests in KTP (BVI) Company Limited and its subsidiaries (collectively known as the "KTP (BVI) Group") (the "KTP (BVI) Disposal"). The production facilities of the KTP (BVI) Group were idle and was expected to be idle in the near future following the cessation of manufacturing OEM orders for the largest customer. The KTP (BVI) Disposal was completed on 30th September 2009 and the gain arising on the KTP (BVI) Disposal was amounting to US$2.8 million.

In addition, the Group disposed of its equity interests in China Global International Company Limited and its subsidiary ("China Global Group") on 30th March 2010. The China Global Group had no significant contribution to the Group's turnover, results and cash flow for the year ended 31st March 2010 and the gain arising on the disposal of China Global Group was amounting to US$0.1 million. As a result, the total gain arising on the KTP (BVI) Disposal and China Global Disposal was amounting to US$2.9 million and recognised in the consolidated statement of comprehensive income for the year ended 31st March 2010.

The Group reported a profit for the year of US$2.3 million as compared to US$0.3 million for the corresponding year.

Gross profit margin decreased from last year's 8.5% to current year's 4.6%. The reduction of turnover, comparatively lower profit margin for shoe sole production as well as rising production costs in the PRC, especially the raising of PRC minimum wage were factors which magnified the cost pressure on the Group.

Other income for the year was US$0.8 million compared to last year's US$3.5 million. Falling interest rates during the year led to the decrease in interest income of US$0.4 million. In addition, the Group had reported scrap sales and mold transfer income of approximately US$1 million and of US$0.6 million respectively for the year ended 31st March 2009 following the closure of production plants.

General and administrative expenses decreased 36% to US$2.5 million, nevertheless, as a percentage of sales, increased from 6% to 13.7% over last year due to the one-off government and other administrative expenses relating to the closure of factories as well as the negative effects of idle costs associated to the unused production plants as a result of the loss of the largest customer.

FINANCIAL AND LIQUIDITY RESOURCES

As at 31st March 2010, the Group's financial resources and liquidity continued to be healthy and it is substantially debt-free. The reported cash and bank balances were US$25.1 million, as compared to US$39.1 million as at 31st March 2009. The decrease in cash and bank balances was mainly due to the followings:

1. Payment of the special dividend of HK$0.3 per ordinary share amounting to US$13.1 million during the year;

2. Financial investments in equity securities and gold of US$9 million, net of proceeds of the disposal of financial investments of US$4.2 million during the year, amounting to a net cash outflow of US$4.8 million during the year; and

3. Net cash inflow arising from the disposal of subsidiaries amounting to US$5.3 million.

OPERATING WORKING CAPITAL

The Group follows a policy of prudence in managing its working capital. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past. The decrease in trade receivables as 31st March 2010 to US$1.9 million from last year's US$3.2 million reflected current year's reduction of sales. The average collection period of accounts receivables remained healthy at approximately 45 days (2009: 33 days).

The average stock turnover of 85 days (2009: 43 days) was reported in current year. Shoe sole production is now the main business of the Group and it is the Group's practice to maintain of a turnover of raw materials at around 60 days for shoe sole production.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group generally relies on its internally generated cash flow and the existing banking facilities to finance its day to day operations and we believe that the Group has adequate financial resources to meet its funding requirement for our future business development. There are no material plans for investments and capital expenditures except for the Group's regular annual capital expenditures and we believe that the Group has adequate financial resources to meet its funding requirement for its business operations.

EVENT AFTER THE END OF THE REPORTING DATE

On 9th July 2010, the Company entered into a memorandum of sale and purchase with Joyart Corporation Limited, an independent third party, to dispose of its leasehold building in Hong Kong for a consideration of HK$8,500,000 (equivalent to approximately US$1,090,000).

PROSPECTS

The Group will continue the principal activity of footwear products manufacturing and will strive for exploring new business opportunities, thus enhancing shareholders value in the coming years.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present their report together with the audited consolidated financial statements for the year ended 31st March 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

An analysis of the Group's performance by geographical segments is set out in note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 26.

The directors had declared a special dividend of HK$0.3 per ordinary share, totalling US$13,101,000 and were paid on 29th September 2009.

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2010.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances as provided in the Act. The reserve of the Company available for distribution to shareholders as calculated under the Act as at 31st March 2010 amounted to US$31,574,000 (2009: US$46,282,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 28.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of Bermuda in relation to the issue of new shares by the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Mr. LEE Chi Keung, Russell *(Chairman)*
Ms. YU Mee See, Maria
Mr. NG Wai Hung[1]
Mr. LEE Siu Leung[1]
Mr. YUEN Sik Ming[1]

[1] *Independent non-executive directors*

In accordance with the Bye-laws of the Company's, Mr. NG Wai Hung and Mr. LEE Siu Leung shall retire by rotation and, being eligible, offers themselves for re-election at the forthcoming annual general meeting of the Company.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

LEE Chi Keung, Russell, aged 53, is the chairman of the Company and chief executive officer of the Group. He is responsible for the Group's overall strategic planning as well as sales and marketing. He holds a bachelor of arts degree in economics and accounting from the University of Newcastle upon Tyne, the United Kingdom. He is a fellow of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 1993.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Directors *(Continued)*

YU Mee See, Maria, aged 50, is the executive director of the Company and company secretary of the Group. She is responsible for the general management of the Group. She holds a bachelor degree from The London School of Economics and Political Science in the United Kingdom and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in 2001 and is the wife of Mr. LEE Chi Keung, Russell.

NG Wai Hung, aged 46, is an independent non-executive director of the Company. He is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies. He joined the Company in 1999. Mr. Ng is also an independent non-executive director of three companies listed on the Stock Exchange, namely Fortune Sun (China) Holdings Limited (Stock Code: 352), HyComm Wireless Limited (Stock Code: 499) and Tomorrow International Holdings Limited (Stock Code: 760).

LEE Siu Leung, aged 44, is an independent non-executive director of the Company. He is a Certified Public Accountant (Practising) and a fellow of The Association of Chartered Certified Accountants. Mr. Lee has extensive experience in accounting and corporate finance and is currently a practising director of SL Lee & Lau CPA Limited, Certified Public Accountants. He joined the Company in 2000.

YUEN Sik Ming, aged 53, is an independent non-executive director of the Company. He is a Certified Public Accountant (Practising), a fellow of The Association of Chartered Certified Accountants and a member of Society of Registered Financial Planners. Mr. Yuen has extensive experience in accounting and corporate finance and is currently a practising director of Kingston CPA Limited. Mr. Yuen is also an independent non-executive director and an audit committee member of Melbourne Enterprises Limited (Stock Code: 158). He joined the Company in 2004.

Senior Management

HUANG Huan Tung, aged 50, is the senior manager of the Group's development and operations of shoe soles production. He joined the Group in 1990 and has extensive experience in footwear manufacturing and sole unit production.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 33 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 31st March 2010, the interests and short positions of each of the directors in the shares, underlying shares and debentures 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 required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares of the Company

Name of directors	Number of shares held/interested		Percentage of issued share capital
LEE Chi Keung, Russell ("Mr. Lee")	203,581,484	*(Note)*	59.76%
YU Mee See, Maria ("Ms. Yu")	203,581,484	*(Note)*	59.76%

Note:

The corporate interests of 203,581,484 shares in the Company represent 92,977,184 shares held by Wonder Star Securities Limited ("Wonder Star") and 110,604,300 shares held by its wholly-owned subsidiary, Top Source Securities Limited. The entire issued share capital of Wonder Star is owned by Mr. Lee. In addition, Ms. Yu, the wife of Mr. Lee is deemed to be interested in these shares.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, none of the directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 31st March 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the directors believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

The maximum number of option shares can be granted under the Scheme shall not exceed 3,406,169, which is 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK$1.00.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the participants.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or its subsidiary companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2010, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests who are interested in 5% or more of the issued share capital of the Company.

Long position in shares of the Company

	Number of ordinary shares held, capacity and nature of interest			
Name	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the issued share capital**
Wonder Star Securities Limited ("Wonder Star") *(Note (a))*	92,977,184	110,604,300	203,581,484	59.76%
Top Source Securities Limited ("Top Source")	110,604,300	—	110,604,300	32.47%
Webb David Michael	17,052,000	—	17,052,000	5.01%

Notes:

(a) The interests of Wonder Star include 92,977,184 shares held directly by Wonder Star and 110,604,300 shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

None of the directors of the Company in their respective associates had any interests in business which compete or may compete with the Group's business.

RELATED PARTY TRANSACTIONS

Where any transaction mentioned in note 33 to the consolidated financial statements constitutes a connected transaction, the disclosure and approval requirements, if any, under the Listing Rules have been complied with.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	37%
— five largest suppliers combined	71%

Sales

— the largest customer	45%
— five largest customers combined	79%

None of the directors, their associates or any shareholder (which to the knowledge of the directors, owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2010, the Group had a total of 1,600 (2009: 1,600) full time employees (including contracted manufacturing workers) in Hong Kong and the PRC. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes and bonus on performance basis.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March 2010.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 15 to 23 to the annual report.

REPORT OF THE DIRECTORS

AUDITORS

The consolidated financial statements for the year have been audited by Messrs. SHINEWING (HK) CPA Limited. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general.

On behalf of the Board
Lee Chi Keung, Russell
Chairman

Hong Kong, 16th July 2010

The Board is please to present the corporate governance report in the annual report of the Company for the year ended 31st March 2010.

The Board is dedicated to sound governance practices and strives to meet the standard at all levels of the organisation. We have designed our corporate governance policies and practices to ensure that we are focused on our responsibilities to our shareholders and on increasing shareholder value. We recognise the vital importance of trust in relationship with our shareholders and investors and solid corporate governance practices ensure the alignment of corporate behaviours with shareholder interests by promoting the principles of transparency, accountability and independence in the Group's business activities and decision making processes.

The Company has applied the principles of the code provisions ("Code Provisions") under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31st March 2010, save for the deviations from Code Provisions A.2.1., A.4.1 and A.4.2 as disclosed under the paragraphs "Chairman and chief executive officer" and "Appointment, re-election and removal of directors" respectively.

THE BOARD

Board composition and role

The Board is responsible for overseeing our management and business affairs as well as approving strategic plans and major policy decisions for the Group.

The Board is composed of two executive directors and three independent non-executive directors, whose biographical details and relevant relationships among them are disclosed under "Biographical details of directors and senior management" on pages 8 to 9.

During the year ended 31st March 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, all of them possess appropriate professional qualifications, or accounting or related financial management expertise. In addition, 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 Listing Rules. The Board considers that all of them are independent to the Company.

The directors are kept abreast of their responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to directors and the Board committee members in a timely manner to keep them appraised of the latest development of the Group. The Board and each director also have separate and independent access to the senior management and to seek independent professional advice whenever necessary.

The Board has established audit committee, remuneration committee and nomination committee with defined terms of reference. The role and function of each committee are described in the relevant sections to this report.

THE BOARD *(Continued)*

Chairman and executive officer

Mr. LEE Chi Keung, Russell is currently the chairman of the Board and the chief executive officer of the Group. These derivates from Code Provision A.2.1 that stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about of the Group's business and that vesting the roles of both chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans.

Directors' securities transactions

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March 2010. The Model Code also applies to other specified senior management of the Group.

Board meetings

The Board held nine meetings during the year and the attendance record of each individual Director is as follows:

Name of directors	Number of board meetings attended	Attendance rate
Executive directors		
Mr. LEE Chi Keung, Russell *(Chairman)*	9/9	100%
Ms. YU Mee See, Maria	9/9	100%
Independent non-executive directors		
Mr. NG Wai Hung	3/9	33%
Mr. LEE Siu Leung	4/9	36%
Mr. YUEN Sik Ming	4/9	36%

THE BOARD *(Continued)*

Board meetings *(Continued)*

One independent board committee meeting was held during the year, which was attended by all three independent non-executive directors of the Company, for approving a connected transaction as disclosed in note 33(a).

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner (at least 3 days before the date of board or board committee meetings), which enable the Board to make an informed decision on matters placed before it. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Appointment, re-election and removal of directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Byelaws. The Board as a whole is responsible for reviewing the Board composition.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years. Mr. Ng Wai Hung and Mr. Lee Siu Leung shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The Company's circular dated 23rd July 2010 contained information of the directors standing for re-election.

Code Provision A.4.1 specifies that the non-executive directors should be appointed for a specific term, subject to reelection. The term of the independent non-executive directors is not fixed but they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 87 of the Bye-laws of the Company.

In addition, Code Provision A.4.2 stipulates that all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Company's Bye-laws deviate from Code Provision A.4.2 which provides that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

NOMINATION OF DIRECTORS

The nomination committee was established in December 2005 and there are four members in the nomination committee including all three independent non-executive directors of the Company and Mr. Lee Chi Keung, Russell, the chairman of the Company. It is chaired by Mr. Yuen Sik Ming, the Company's independent non-executive director.

The terms of reference of which describe the authority and duties of the nomination committee were adopted or amended to conform with the provisions of the Code.

The role and function of the nomination committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive directors;

(d) to make recommendations to the Board on relevant matters relating to, among others, the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer of the Company;

(e) to give full consideration to, among others, the skills and expertise required from members of the Board and the relevant requirements of the Listing Rules with regard to directors and etc., in the discharge of the nomination committee's duties;

(f) to ensure that on appointment to the Board, non-executive directors (including independent non-executive Directors) receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(g) to conduct exit interviews with any director upon their resignation in order to ascertain the reasons for his/her departure; and

(h) to consider other matters, as defined or assigned by the Board from time to time.

One meeting was held by nomination committee during the year to review the policy and structure for the nomination and appointment of directors and the meeting was attended by all its members. There was no nomination of directors to fill Board vacancies during the year.

REMUNERATION OF DIRECTORS

The remuneration committee was established in December 2005 and the committee currently consists of all independent non-executive directors of the Company and is chaired by Mr. Yuen Sik Ming.

The terms of reference of which describe the authority and duties of the remuneration committee were adopted or amended to conform with the provisions of the Code.

The role and function of the remuneration committee of the Company include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.

During the year, one meeting was held which was attended by all members of the remuneration committee to review the remuneration packages of the executive directors and of the senior management for the year.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for preparing all information and representations contained in the annual report for the year under review. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with. The management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

Audit committee

The audit committee was established in 1999 and its current members comprises all independent non-executive directors who possess appropriate professional qualifications, accounting and related financial management expertise as required under the Listing Rules. The chairman of the audit committee is Mr. Yuen Sik Ming.

The terms of reference of which describe the authority and duties of the audit committee were adopted or amended to conform with the provisions of the Code.

The role and function of the audit committee include the following:

(a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The audit committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(e) to monitor integrity, accuracy and fairness of financial statements of an issuer and the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit committee *(Continued)*

(f) to review the Group's financial and accounting policies and practices;

(g) members of the audit committee must liaise with the Board, senior management the audit committee must meet, at least once a year, with the Company's auditor and (in the absence of the management) meet at least once a year with the Company's external auditor. The audit committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the auditor;

(h) to review the system of financial control, internal control and risk management and to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

(k) to review the Company's arrangements for its employees to raise concerns, in confidence and/or anonymous, about possible wrongdoing in financial reporting, internal controls or other matters and the audit committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

(l) to report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to report to the Board on the matters set out in the terms of reference of the audit committee; and

(p) to consider other matters, as defined or assigned by the Board from time to time.

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit committee *(Continued)*

The audit committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors, including a review of the accounts for the six months ended 30th September 2009 and the year ended 31st March 2010.

The audit committee met two times during the financial year ended 31st March 2010 and the individual attendance of each member is set out below:

Name of directors	Number of board meetings attended	Attendance rate
Mr. NG Wai Hung	1/2	50%
Mr. LEE Siu Leung	1/2	50%
Mr. YUEN Sik Ming	2/2	100%

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 24 to 25. For the year ended 31st March 2010, the auditors of the Company only provided audit services to the Company.

The remuneration payable to the Company's external auditors in respect of audit services for the year ended 31st March 2010 amounted to US$53,000 (2009: US$54,000).

INTERNAL CONTROL

The Group maintains an effective internal control structure. It consists, in part, of organizational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures.

The Board has conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management functions.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain a high level of transparency in communicating with shareholders and investors.

The directors ensure that the publication and dispatch of the printed copies of corporate communications documents to shareholders are in a timely manner, which at least 20 clear business days before annual general meeting and 10 clear business days before all other general meetings.

The annual general meeting and other general meeting of the Company provide a forum for shareholders and investors to raise and exchange views with the Board. The chairman of the Board as well as the Board Committees or senior management of the Company is available to answer questions raised by the shareholders and investors.

To promote effective communication, the Company maintains a website at www.ktpgroup.com and at irasia.com at www.irasia.com/listco/hk/ktp/index.htm, where up-to-date information and updates on the Company's operations, financial information and other information are posted available for public access.

SHAREHOLDER RIGHTS

To safeguard the shareholders' rights and interests, separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

Details of rights to demand poll and procedures are included in the circular convening a general meeting to be dispatched to shareholders of the Company. In addition, at the commencement of a general meeting, the chairman of a general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll. Poll results will be posted on the website of the Stock Exchange and the Company on the business day following the general meeting.

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
KTP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of KTP Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated statement of financial position as at 31st March 2010, and the 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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 judgement, 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 affairs of the Group as at 31st March 2010 and of the Group's 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
16th July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	Notes	2010 US$'000	2009 US$'000
Turnover	8	**18,082**	64,275
Cost of sales		**(17,248)**	(58,782)
Gross profit		**834**	5,493
Other income	9	**810**	3,510
Distribution costs		**(242)**	(705)
Administrative expenses		**(2,480)**	(3,860)
Other gains, net	10	**480**	5,240
Restructuring provision and assets impairment	11	**—**	(6,407)
Gain on disposal of subsidiaries	30	**2,893**	—
Profit before tax	12	**2,295**	3,271
Income tax expense	14	**—**	(3,009)
Profit for the year attributable to owners of the Company		**2,295**	262
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operation		**—**	(7)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operation		**(4)**	—
Gain on fair value changes of available-for-sale financial assets		**8**	—
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		**—**	(108)
Other comprehensive income (expense) for the year		**4**	(115)
Total comprehensive income for the year attributable to owners of the Company		**2,299**	147
		US cents	*US cents*
Earnings per share — basic and diluted	16	**0.7**	0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2010

	Notes	**2010 US$'000**	2009 US$'000
Non-current assets			
Property, plant and equipment	17	**766**	816
Investment properties	18	**—**	2,692
Prepaid lease payments on land use rights	19	**85**	1,117
Held-to-maturity investments	20	**—**	444
		851	5,069
Current assets			
Inventories	21	**4,106**	3,107
Trade receivables	22	**1,935**	3,240
Deposits, prepayments and other receivables		**236**	357
Deposits paid for acquisition of land use rights	23	**—**	252
Prepaid lease payments on land use rights	19	**85**	34
Available-for-sale financial assets	24	**452**	—
Held for trading investments	25	**5,273**	—
Tax reserve certificates		**—**	2,000
Cash held at a non-bank financial institution	26	**554**	—
Bank balances and cash	26	**24,594**	39,074
		37,235	48,064
Current liabilities			
Trade payables	27	**852**	900
Accruals and other payables		**1,314**	2,502
Income tax liabilities		**—**	3,009
		2,166	6,411
Net current assets		**35,069**	41,653
Total assets less current liabilities		**35,920**	46,722
Capital and reserves			
Share capital	28	**440**	440
Reserves		**35,480**	46,282
Total equity		**35,920**	46,722

The consolidated financial statements on pages 26 to 79 were approved and authorised for issue by the board of directors of the Company on 16th July 2010 and are signed on its behalf by:

LEE Chi Keung, Russell	**YU Mee See, Maria**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2010

	Share capital US$'000	Contributed surplus US$'000	Investments revaluation reserve US$'000	Translation reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1st April 2008	440	1,466	108	11	44,550	46,575
Total comprehensive income (expense) for the year	—	—	(108)	(7)	262	147
At 31st March 2009 and 1st April 2009	440	1,466	—	4	44,812	46,722
Total comprehensive income (expense) for the year	—	—	8	(4)	2,295	2,299
Special dividend paid and recognised as distribution *(Note 15)*	—	—	—	—	(13,101)	(13,101)
Release of contributed surplus upon disposal of subsidiaries	—	13,622	—	—	(13,622)	—
At 31st March 2010	440	15,088	8	—	20,384	35,920

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2010

	2010	2009
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	**2,295**	3,271
Adjustments for:		
Allowance for inventories	**—**	190
Amortisation of prepaid lease payments on land use rights	**58**	34
Depreciation of property, plant and equipment	**229**	1,341
Dividend income from available-for-sale financial assets	**—**	(67)
Gain on disposal of available-for-sale financial assets	**—**	(70)
Gain on disposal of held for trading investments	**(125)**	—
(Gain) loss on disposal of property, plant and equipment	**(34)**	127
Gain on disposal of subsidiaries *(Note 30)*	**(2,893)**	—
Gain on fair value changes of held for trading investments	**(355)**	—
Impairment loss recognised in respect of property, plant and equipment	**—**	5,549
Interest income	**(208)**	(616)
Loss on fair value changes of investment properties	**—**	544
Provision for employees termination benefits	**—**	188
Written off of inventories	**—**	670
Operating cash flows before movements in working capital	**(1,033)**	11,161
(Increase) decrease in inventories	**(999)**	10,434
Decrease in trade receivables	**1,305**	8,142
(Increase) decrease in deposits, prepayments and other receivables	**(496)**	306
Increase (decrease) in trade payables	**145**	(6,586)
Increase (decrease) in accruals and other payables	**185**	(5,505)
Cash (used in) generated from operations	**(893)**	17,952
Purchase of tax reserve certificates	**(479)**	(392)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,372)**	17,560

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2010

	2010	2009
	US$'000	*US$'000*
INVESTING ACTIVITIES		
Purchase of held for trading investments	**(8,977)**	—
Increase in cash held at a non-bank financial institution	**(554)**	—
Purchase of property, plant and equipment	**(209)**	(172)
Net cash inflow on disposal of subsidiaries *(Note 30)*	**5,307**	—
Proceeds on disposal of held for trading investments	**4,184**	—
Interest received	**208**	616
Proceeds on disposal of property, plant and equipment	**34**	61
Proceeds on disposal of available-for-sale financial assets	**—**	209
Dividend received from available-for-sale financial assets	**—**	67
Deposits paid for acquisition of land use rights	**—**	(143)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(7)**	638
CASH USED IN FINANCING ACTIVITY		
Special dividend paid	**(13,101)**	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(14,480)**	18,198
CASH AND CASH EQUIVALENTS AT 1ST APRIL	**39,074**	20,883
Effect of foreign exchange rate changes	**—**	(7)
CASH AND CASH EQUIVALENTS AT 31ST MARCH, represented by bank balances and cash	**24,594**	39,074

1. GENERAL INFORMATION

KTP Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. The parent and ultimate holding company is Wonder Star Securities Limited, a company incorporated in the British Virgin Islands ("BVI").

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

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 to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of Hong Kong Accounting Standard ("HKAS") 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs had no material effects on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

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.

Improving Disclosure about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issue[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1st July 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
3 Amendments that are effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate.
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 January 2010.
7 Effective for annual periods beginning on or after 1st July 2010.
8 Effective for annual periods beginning on or after 1st January 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

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

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

3. CHANGE OF ACCOUNTING ESTIMATES

Change of depreciation and amortisation rates in the year

In previous years, the Group's leasehold buildings and prepaid lease payments on land use rights were depreciated at 5% per annum and amortised at 2% per annum respectively. With effect from 1st October 2009, certain leasehold buildings and prepaid lease payments on land use rights of the Group are to be depreciated and amortised at 40% per annum.

The estimated useful lives of the leasehold buildings and prepaid lease payments on land use rights held by Brave Win Industries Limited ("Brave Win"), a wholly-owned subsidiary of the Company, have been re-determined according to the earliest date when Brave Win might lose the rights to use the assets in 2012 as detailed in note 30(a). The changes in depreciation and amortisation rates have increased the depreciation charge and amortisation charge for the year by approximately US$15,000 and US$38,000 respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at 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 and by the Hong Kong Companies Ordinance.

4.1 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 statement of comprehensive income 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.

4.2 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 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 stated at their fair value 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.

4.4 Prepaid lease payments on land use rights

Prepaid lease payments on land use rights represent lease payments paid for the right to use the land on which various plants and buildings are situated. Prepaid lease payments are stated at cost less subsequent amortisation and accumulated impairment losses and are provided to write off the cost over the term of the relevant leases, using the straight-line basis.

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

4.6 Financial instruments

Financial assets and financial liabilities are recognised in 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 or financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial instruments *(Continued)*

(a) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair values through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

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 or interest earned in the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial instruments *(Continued)*

(a) *Financial assets* *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, deposits paid for acquisition of land use rights, cash held at a non-bank financial institution and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy in respect of impairment losses on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy in respect of impairment losses 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.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments revaluation 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 investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment losses on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial instruments *(Continued)*

(a) ***Financial assets*** *(Continued)*

Impairment losses on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 into bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial instruments *(Continued)*

(a) *Financial assets* *(Continued)*

Impairment losses on 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

(b) *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 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.

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial instruments *(Continued)*

(b) *Financial liabilities and equity* *(Continued)*

Equity instruments

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

Derivative financial instruments

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

(c) *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.

4.7 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settled the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Revenue recognition

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

(a) Revenue from sales of sports footwear

Revenue from sales of sports footwear is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Interest income

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

(c) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the period of the relevant lease terms.

(d) Dividend income

Dividend income from investments including financial assets at FVTPL is recognised when the shareholders' rights to receive payment have been established.

4.9 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 the 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 each 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Foreign currencies *(Continued)*

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.

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. US$) 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

4.10 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 statement of comprehensive income 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 income 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 generally recognised for all deductible temporary 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Taxation *(Continued)*

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 assets and liabilities 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.

4.11 Employee benefits

(a) Retirement benefits

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

The Group's employees in the People's Republic of China (the "PRC") are covered by various government sponsored pension plans. These government agencies are responsible for the pension liabilities to these employees.

The relevant group companies pay monthly contributions to these pension plans based on certain percentages of the salaries, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Payments are charged as an expense when employees have rendered services entitling them to the contributions.

The Group's Hong Kong employees are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"), the Group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month, and are expensed when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Employee benefits *(Continued)*

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

Provisions for bonus plans due wholly within 12 months after the end of the reporting period are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

4.12 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.

(a) 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.

(b) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(c) Leasehold land and buildings

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 operation leases and amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where 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 impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5.1 Critical judgements in applying the entity's accounting policies

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.1 Critical judgements in applying the entity's accounting policies *(Continued)*

(a) Leasehold buildings

Despite full purchase consideration has been paid, the Group has not yet obtained the building reality certificates of certain of the Group's buildings from relevant government authorities as detailed in note 17. In the opinion of the directors, the risks and rewards of using these assets have been transferred to the Group and the absence of building reality certificates to these buildings does not impair the value of the relevant buildings to the Group.

(b) Prepaid lease payments on land use rights

Despite full purchase consideration has been paid, the Group has not yet obtained the formal titles of certain of the Group's land use rights from relevant government authorities as detailed in note 19. In the opinion of the directors, the risks and rewards of using these assets have been transferred to the Group and the absence of formal titles to these land use rights does not impair the value of the relevant land use rights to the Group.

(c) Current and deferred tax

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The income tax liabilities recognised are based on management's assessment of the likely outcome.

For the year ended 31st March 2010, no deferred tax asset has been recognised in respect of tax losses of approximately US$204,000 (2009: US$3,692,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

(d) Reclassification of held-to-maturity investments

The directors of the Company have reviewed the Group's debt securities classified as held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have concluded that the Group intends to dispose of those debt securities in the forseeable future. The carrying amount of the held-to-maturity investments amounted to approximately US$444,000 has been reclassified into available-for-sale financial assets with fair value of approximately US$452,000 at the date of reclassification.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.2 Key sources of estimation uncertainty

The followings 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.

(a) *Useful lives and residual value of property, plant and equipment*

The Group's net carrying value of property, plant and equipment as at 31st March 2010 was approximately US$766,000 (2009: US$816,000). The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives and residual values are different to previous estimated, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual values and therefore expense in the future periods.

(b) *Estimated impairment loss in respect of property, plant and equipment*

The Group assesses annually whether the carrying amounts of property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted.

During the year ended 31st March 2009, impairment loss in respect of property, plant and equipment amounted to approximately US$5,549,000 (2010: Nil) had been recognised which was based on management's evaluation on the Group's estimated future production capacity requirement in relation to the extensive restructuring of its production capacity following the cessation of manufacturing Original Equipment Manufacturer ("OEM") footwear products for the Group's largest customer as disclosed in note 11.

(c) *Estimated fair values of investment properties*

The Group's fair value of investment properties as at 31st March 2009 was approximately US$2,692,000 (2010: Nil). The fair value of investment properties had been determined with reference to independent valuations. The best evidence of fair value is current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional surveyor to determine the open market value for the investment properties of the Group. These valuations required the use of judgement and estimates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.2 Key sources of estimation uncertainty *(Continued)*

(d) *Estimated allowance for inventories and written off of inventories*

Management of the Group reviews an ageing analysis and carries out an inventory review on a product by product basis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sales. Management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. As at 31st March 2010, the carrying amounts of inventories are approximately US$4,106,000 (2009: US$3,107,000).

The Group writes off inventories based on an assessment of the realisability of inventories. Written off of inventories is recorded where events or changes in circumstances indicate that the balances may not be realised.

The identification of written off requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and written off of inventories in the period is recognised in which such estimates have been changed. During the year ended 31st March 2009, inventories of approximately US$670,000 had been written off (2010: Nil) in relation to the extensive restructuring of its production capacity following the cessation of manufacturing OEM footwear products for the Group's largest customer as disclosed in note 11.

(e) *Estimated impairment loss in respect of trade and other receivables*

The Group's management determines the provision for impairment loss in respect of trade and other receivables based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. Impairment loss is recognised where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss in respect of trade and other receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and the impairment loss in respect of trade and other receivables is recognised in the year in which such estimates have been changed.

6. 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 return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of new borrowings.

7. FINANCIAL INSTRUMENTS

7.1 Categories of financial instruments

	2010	2009
	US$'000	*US$'000*
Financial assets		
Held-to-maturity investments	**—**	444
Loans and receivables (including cash and cash equivalents)	**27,267**	42,582
Available-for-sale financial assets	**452**	—
Financial assets at FVTPL — held for trading investments	**5,273**	—
	32,992	43,026
Financial liabilities		
Other financial liabilities at amortised cost	**2,166**	2,324

7.2 Reclassification of financial assets

During the year ended 31st March 2010, the Group has made the reclassification of debt securities classified as held-to-maturity investments amounted to approximately US$444,000 into available-for-sale financial assets with fair value of approximately US$452,000 at the date of reclassification as the directors of the Company consider that the Group intends to dispose of the debt securities in the forseeable future.

7. FINANCIAL INSTRUMENTS *(Continued)*

7.3 Financial risk management objectives and policies

The Group's major financial instruments include held-to-maturity investments, trade receivables, deposits and other receivables, deposits paid for acquisition of land use rights, available-for-sale financial assets, held for trading investments, cash held at a non-bank financial institution, bank balances and cash, trade payables, accruals and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, price risk and interest rate 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.

(a) *Market risk*

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. A significant portion of the Group's sales and purchases of raw materials are denominated in the functional currency of the Group (i.e. US$) and, only approximately 29% and 21% (2009: 1% and 20%) of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the Group.

The Group's exposure to foreign currency risk relates principally to its receivables, bank balances and payables denominated in foreign currencies other than US$, mainly Renminbi ("RMB"), Hong Kong dollars ("HK$"), Australian dollars ("AU$") and Euro.

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*
RMB	**107**	13,364	**1,486**	1,756
HK$	**5,267**	2,449	**383**	306
AU$	**507**	—	**—**	—
Euro	**500**	—	**—**	—
	6,381	15,813	**1,869**	2,062

7. FINANCIAL INSTRUMENTS *(Continued)*

7.3 Financial risk management objectives and policies *(Continued)*

(a) ***Market risk*** *(Continued)*

(i) Foreign currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency risk and will consider hedging significant foreign currency risk exposure should the need arise.

HK$ is pegged to US$ and the foreign exchange exposure between US$ and HK$ is therefore limited.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. A negative number below indicates an increase in post-tax profit where US$ strengthens 5% (2009: 5%) against the relevant currencies. For a 5% (2009: 5%) weakening of US$ against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	Profit or loss	
	2010	2009
	US$'000	*US$'000*
RMB impact	**69**	(580)
AU$ impact	**(25)**	—
Euro impact	**(25)**	—

7. FINANCIAL INSTRUMENTS *(Continued)*

7.3 Financial risk management objectives and policies *(Continued)*

(a) ***Market risk*** *(Continued)*

(ii) *Price risk*

The Group is exposed to equity price risk through its investments in listed equity securities, standard 995 fine gold and investment fund on listed equity securities. These investments are for treasury management purpose. The Group has established guidelines to monitor the price risk and will consider hedging the significant price risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 8% in the current year.

If the price of the respective equity instruments had been 8% (2009: Nil) higher/lower:

- post-tax profit for the year ended 31st March 2010 would increase/decrease by US$422,000 (2009: Nil) as a result of the changes in fair value of held for trading investments.
- investments revaluation reserve would increase/decrease by US$36,000 (2009: Nil) as a result of the changes in fair value of available-for-sale financial assets.

(iii) *Interest rate risk*

As at 31st March 2010 and 2009, the Group had no bank and other borrowings and all of the Group's financial liabilities are non-interest bearing and their maturity dates are within one year. The Group's exposure to fair value interest rate risk is minimal.

The Group is exposed to cash flow interest rate risk in relation to the bank balances. The directors consider the Group's exposure of bank balances to interest rate risk is not significant as interest bearing bank balances and short-term deposits are within short maturity period. Therefore, no sensitivity analysis is presented thereon.

Management monitors interest rate risk and will consider hedging the interest rate risk exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

7.3 Financial risk management objectives and policies *(Continued)*

(b) Credit risk

As at 31st March 2010, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 each 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.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2009: the PRC and North America account for 36% and 54% respectively) of the total trade receivables as at 31st March 2010.

The Group has concentration of credit risk as 29% (2009: 36%) and 73% (2009: 80%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31st March 2010 and 2009, all of the Group's financial liabilities were non-interest bearing and their maturity dates were within one year.

7. FINANCIAL INSTRUMENTS *(Continued)*

7.4 Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the consolidated 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 — quoted market prices:*

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

- *Level 2 — valuation technique using observable inputs:*

  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 — valuation technique with significant unobservable inputs:*

  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).

7. FINANCIAL INSTRUMENTS *(Continued)*

7.4 Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	Level 1	Level 2	Total
	US$'000	*US$'000*	*US$'000*
As at 31st March 2010			
Available-for-sale financial assets			
Unlisted debt securities	—	452	452
Financial assets at FVTPL			
Non-derivative financial assets held for trading	1,962	—	1,962
Standard 995 fine gold	2,226	—	2,226
Investment fund on listed equity securities	—	1,085	1,085
	4,188	1,537	5,725

There is no transfers between Level 1 and 2 during the year ended 31st March 2010.

8. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on gross invoiced sales of athletic and sports leisure footwear products, net of returns, discounts and sales related taxes.

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April 2009. HKFRS 8 is a disclosure standard that 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 for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenues, results, assets and liabilities

The Group's revenues, results, assets and liabilities are primarily attributable to the sales of athletic and sports leisure footwear products. The directors of the Company consider that there is only one operating and reportable segment for the Group.

(b) Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed as below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC	**17,250**	23,715	**851**	4,625
Asia (other than the PRC)	**831**	1,942	**—**	—
North America	**—**	31,539	**—**	—
Europe	**—**	5,520	**—**	—
Others	**1**	1,559	**—**	—
	18,082	64,275	**851**	4,625

Note: Non-current assets exclude financial instruments.

(c) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	US$'000	*US$'000*
Customer A	**8,145**	9,491
Customer B	**2,745**	N/A[1]
Customer C	**1,844**	N/A[1]
Customer D	**N/A[1]**	40,172

[1] The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year.

9. OTHER INCOME

	2010 **US$'000**	2009 *US$'000*
Bank interest income	**189**	598
Interest income from derivative financial assets	**13**	—
Interest income from unlisted debt securities	**6**	18
Gross rental income from investment properties	**237**	454
Gain on disposal of property, plant and equipment	**34**	—
Dividend income from available-for-sale financial assets	**—**	67
Scrap sales	**203**	1,032
Mould transfer income	**—**	599
Net exchange gain	**—**	22
Others	**128**	720
	810	3,510

10. OTHER GAINS, NET

	2010 **US$'000**	2009 *US$'000*
Compensation *(Note (a))*	**—**	5,714
Gain on fair value changes of held for trading investments	**355**	—
Loss on fair value changes of investment properties	**—**	(544)
Gain on disposal of available-for-sale financial assets	**—**	70
Gain on disposal of held for trading investments	**125**	—
	480	5,240

Note:

(a) For the year ended 31st March 2009, the compensation income represented a lump sum consideration of RMB40,000,000, equivalent to approximately US$5,714,000 received by Kong Tai Shoes Manufacturing Company Limited ("KTS"), a then wholly-owned subsidiary of the Company for entering into compensation agreements with both 深圳市華特實業有限公司 and 深圳市龍崗區龍崗鎮南聯村瑞合經濟合作社 (collectively known as the "Landlords") on 14th April 2008, in respect of the early termination of the lease agreements by the Landlords for the use of factory premises by KTS located at Longgang, Shenzhen, the PRC.

11. RESTRUCTURING PROVISION AND ASSETS IMPAIRMENT

	2010	2009
	US$'000	*US$'000*
Impairment loss recognised in respect of property, plant and equipment	—	5,549
Provision for employees termination benefits	—	188
Written off of inventories	—	670
	—	6,407

For the year ended 31st March 2009, the restructuring provision and assets impairment related to the redundancy of the Group's production facilities in Shenzhen, the PRC as well as the two factories located in Dongguan, the PRC following the land resumption of the Group's largest factory in Shenzhen, the PRC by the local PRC government and the cessation of manufacturing OEM footwear products for the Group's largest customer.

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2010	2009
	US$'000	*US$'000*
Auditor's remuneration	**53**	54
Depreciation of property, plant and equipment	**229**	1,341
Amortisation of prepaid lease payments on land use rights	**58**	34
Impairment loss recognised in respect of property, plant and equipment	—	5,549
Loss on disposal of property, plant and equipment	—	127
Cost of inventories recognised as expenses	**17,248**	58,782
Allowance for inventories (included in cost of sales)	—	190
Written off of inventories	—	670
Staff costs (including directors' emoluments) *(Note 13)*	**5,129**	13,394
Net exchange loss	**147**	—
Operating lease rentals in respect of land and buildings	—	148

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 US$'000	2009 US$'000
Wages and salaries	5,053	12,374
Termination benefits	2	794
Contributions to retirement benefit schemes *(Note (a))*	74	226
	5,129	13,394

Notes:

(a) Contributions to retirement benefit schemes

All Hong Kong employees of the Group are eligible to join a MPF Scheme registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group's contributions to the MPF Scheme are expensed as incurred and are 100% vested in the employees as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employees reach the age of 65 subject to a few exceptions. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The Group is also required to make contributions to pension schemes operated by the municipal governments of various cities in the PRC at certain percentage of payroll costs of its employees. The governments are responsible for the entire pension obligation payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes.

(b) Directors' emoluments

The emoluments paid or payable to each of the five (2009: five) directors are as follows:

At 31st March 2010

		Other emoluments		
	Fees US$'000	Basic salaries, other allowances and benefits in kinds US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Executive directors				
LEE Chi Keung, Russell	—	501	2	503
YU Mee See, Maria	—	90	2	92
Independent non-executive directors				
NG Wai Hung	5	—	—	5
LEE Siu Leung	5	—	—	5
YUEN Sik Ming	5	—	—	5
Total emoluments	15	591	4	610

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Notes: (Continued)

(b) Directors' emoluments *(Continued)*

At 31st March 2009

		Other emoluments		
	Fees	Basic salaries, other allowances and benefits in kinds	Contributions to retirement benefit scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Executive directors				
LEE Chi Keung, Russell	—	133	2	135
YU Mee See, Maria	—	15	2	17
Independent non-executive directors				
NG Wai Hung	5	—	—	5
LEE Siu Leung	5	—	—	5
YUEN Sik Ming	5	—	—	5
Total emoluments	15	148	4	167

(c) Senior management's emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31st March 2010 include two (2009: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: four) individuals during the year which fall within the bands of below HK$1,000,000 (2010: equivalent to US$128,787 and 2009: equivalent to US$129,024) are as follows:

	2010	2009
	US$'000	*US$'000*
Basic salaries, other allowance and benefits in kinds	**129**	226

No directors and senior management waived or agreed to waive any emoluments during the two years ended 31st March 2010 and 2009.

No emoluments were paid by the Company to any of the directors and senior management as inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31st March 2010 and 2009.

14. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2010 US$'000	2009 US$'000
Hong Kong Profits Tax		
Under-provision in prior years *(Note (d))*	—	3,009

Notes:

(a) No Hong Kong Profits Tax had been provided for the two years ended 31st March 2010 and 2009 as the Group has no assessable profits arising in or deriving from Hong Kong.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions in which the Group operates. No taxation had been provided for the two years ended 31st March 2010 and 2009 as the Group has no assessable profits arising in or deriving from the relevant jurisdictions.

The income tax expense for the years can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2010 US$'000	2009 US$'000
Profit before tax	2,295	3,271
Tax calculated at the statutory tax rate of 16.5% (2009: 16.5%)	379	540
Effect of different tax rates of subsidiaries operating in other jurisdictions	(11)	(1)
Tax effect of income not taxable for tax purpose	(519)	(1,181)
Tax effect of expenses not deductible for tax purpose	160	177
Utilisation of tax losses previously not recognised	(43)	—
Tax effect of tax losses not recognised	34	465
Under-provision in prior years	—	3,009
Income tax expense	—	3,009

(b) For the year ended 31st March 2009, two of the four PRC subsidiaries were entitled to the benefit of full exemption from the PRC Corporate Income Tax ("CIT") for the first two years commencing on the profit-making year followed by 50% reduction in CIT for each of the subsequent three years. The remaining two PRC subsidiaries did not entitle to any exemption from CIT.

During the year ended 31st March 2010, all the PRC subsidiaries have been disposed of by the Group.

14. INCOME TAX EXPENSE *(Continued)*

Notes: (Continued)

(c) Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

At the end of the reporting period, the Group has unused tax losses of approximately US$204,000 (2009: US$3,692,000) available for offsetting against future profits. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses as at 31st March 2010 may be carried forward indefinitely. Included in unrecognised tax losses for the year ended 31st March 2009 were losses of approximately US$377,000 which has expired on 31st December 2009 and the remaining balances of approximately US$3,315,000 will expire by 31st December 2013.

There is no other material unprovided deferred tax for the year ended 31st March 2010 (2009: Nil).

(d) Since February 2005, Inland Revenue Department ("IRD") had initiated tax enquiries and issued additional profits tax assessments, in aggregate, of approximately HK$22,945,000 (equivalent to approximately US$2,942,000) relating to the years of assessment 1998/1999 to 2002/2003 against KTS.

The Group had lodged objections with the IRD against all these additional assessments ("Objections") and the IRD agreed to hold over the tax claimed completely as KTS had purchased tax reserve certificates ("TRCs") amounting to HK$19,338,000 (equivalent to approximately US$2,479,000) (2009: US$2,000,000) up to 30th September 2009 when KTS was disposed of together with KTP (BVI) Company Limited and its subsidiaries ("KTP (BVI) Group"). Details of the disposal are set out in note 30(a).

The Group had made provision for the potential income tax liabilities for the years of assessment 1998/1999 to 2006/2007 as at 31st March 2009 amounting to HK$23,469,000 (equivalent to approximately US$3,009,000) pending the outcome of the Objections. No conclusion has been reached up to the disposal of KTS on 30th September 2009. The directors of the Company considered that there was no material under-provision of income tax liabilities in relation to the tax enquiries as at 31st March 2009 and up to the date of the disposal of KTS as at 30th September 2009.

The TRCs and the income tax liabilities had been released upon the disposal of KTS as at 30th September 2009.

15. DIVIDEND

	2010	2009
	US$'000	*US$'000*
Dividend paid and recognised as distribution during the year:		
Special dividend: HK$0.3 (2009: Nil) per ordinary share	**13,101**	—

No final dividend was paid or proposed during the year ended 31st March 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

16. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the two years ended 31st March 2010 and 2009.

	2010	2009
Profit for the year attributable to owners of the Company *(US$)*	**2,295,000**	262,000
Weighted average number of ordinary shares in issue	**340,616,934**	340,616,934
Basic earnings per share *(US cents)*	**0.7**	0.1

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31st March 2010 and 2009.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost						
At 1st April 2008	7,956	2,321	7,663	762	209	18,911
Additions	—	69	94	9	—	172
Disposals/written off	(619)	(449)	(2,542)	(188)	—	(3,798)
At 31st March 2009 and 1st April 2009	7,337	1,941	5,215	583	209	15,285
Additions	—	42	167	—	—	209
Disposals/written off	—	(139)	—	(23)	—	(162)
Eliminated on disposal of subsidiaries	(5,252)	(1,611)	(4,552)	(526)	(78)	(12,019)
At 31st March 2010	2,085	233	830	34	131	3,313
Accumulated depreciation and impairment						
At 1st April 2008	4,627	731	5,263	450	118	11,189
Charged for the year	323	266	425	295	32	1,341
Disposals/written off	(619)	(418)	(2,385)	(188)	—	(3,610)
Impairment loss recognised	2,745	1,281	1,513	10	—	5,549
At 31st March 2009 and 1st April 2009	7,076	1,860	4,816	567	150	14,469
Charged for the year	68	55	75	9	22	229
Disposals/written off	—	(139)	—	(23)	—	(162)
Eliminated on disposal of subsidiaries	(5,252)	(1,611)	(4,552)	(525)	(49)	(11,989)
At 31st March 2010	1,892	165	339	28	123	2,547
Carrying values						
At 31st March 2010	193	68	491	6	8	766
At 31st March 2009	261	81	399	16	59	816

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

(a) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	5% and 40% (2009: 5%)
Leasehold improvements	25%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

(b) The carrying value of the Group's buildings shown above comprises:

	2010 **US$'000**	2009 *US$'000*
Properties situated on land in the PRC and held under medium-term lease	**193**	261
Property situated on land in Hong Kong and held under medium-term lease	**—**	—
	193	261

(c) As at 31st March 2010, the Group had not yet obtained the building reality certificates of certain buildings from the relevant government authorities with the aggregate carrying values of approximately US$193,000 (2009: US$261,000). In the opinion of the directors, the risks and rewards of using these assets have been transferred to the Group and the absence of building reality certificates to these buildings does not impair the value of the relevant buildings to the Group.

(d) During the year ended 31st March 2009, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to redundancy of the Group's production facilities following the implementation of restructuring plan and the cessation of manufacturing of OEM footwear products for the largest customer as mentioned in note 11. Accordingly, impairment losses of approximately US$2,745,000, US$1,281,000, US$1,513,000 and US$10,000 respectively had been recognised in the consolidated statement of comprehensive income in respect of leasehold buildings, leasehold improvements, plant and machinery and furniture, fixtures and equipment. The recoverable amounts of the relevant assets had been determined on the basis of their value in use. No impairment loss has been recognised in the consolidated statement of comprehensive income in respect of property, plant and equipment for the year ended 31st March 2010.

18. INVESTMENT PROPERTIES

	US$'000
Fair value	
At 1st April 2008	3,236
Loss on fair value changes	(544)
At 31st March 2009 and 1st April 2009	2,692
Disposal of subsidiaries	(2,692)
At 31st March 2010	—

(a) The investment properties are situated on land in the PRC and are held under medium term leases.

(b) The fair value of the Group's investment properties at 31st March 2009 had been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

19. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2010 ***US$'000***	2009 *US$'000*
Analysed for reporting purposes as:		
Non-current assets	**85**	1,117
Current assets	**85**	34
	170	1,151

(a) The land use rights comprise leasehold lands which are situated in the PRC and are held under medium term leases.

(b) As at 31st March 2010, the Group has not yet obtained the title of certain of its land use rights with the aggregate carrying values of US$170,000 (2009: US$215,000). The directors are of the opinions that the risks and rewards of using these assets have been transferred to the Group and the absence of formal title to these land use rights does not impair the value of the relevant land use rights to the Group.

20. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprise:

	2010 **US$'000**	2009 *US$'000*
Unlisted debt securities outside Hong Kong, at amortised cost	**—**	444

As at 31st March 2009, unlisted debt securities comprised floating rate notes denominated in US$ and earned interest with reference to 3-month London Interbank Offered Rate. The held-to-maturity investments would be matured in 2021.

During the year ended 31st March 2010, the Group has reclassified the held-to-maturity investments to available-for-sale financial assets.

21. INVENTORIES

	2010 **US$'000**	2009 *US$'000*
Raw materials	**2,858**	1,937
Work-in-progress	**277**	240
Finished goods	**971**	930
	4,106	3,107

22. TRADE RECEIVABLES

	2010 **US$'000**	2009 *US$'000*
Trade receivables	**1,935**	3,240
Less: Impairment loss recognised	**—**	—
	1,935	3,240

22. TRADE RECEIVABLES *(Continued)*

(a) The Group allows a credit period ranging from 30 to 90 days to its trade customers. Ageing analysis of the Group's trade receivables net of impairment loss at the end of the reporting period presented based on the invoice date is as follows:

	2010	2009
	US$'000	*US$'000*
Within 30 days	**1,206**	1,141
31 to 60 days	**724**	1,623
61 to 90 days	**—**	473
Over 90 days	**5**	3
	1,935	3,240

The Group does not hold any collateral over these balances.

(b) The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures.

(c) Included in the Group's trade receivables are debtors with aggregate carrying amount of US$33,000 (2009: US$77,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the sales are made with creditworthy customers and the amounts are still considered recoverable.

Ageing analysis of trade receivables which are past due but not impaired is as follows:

	2010	2009
	US$'000	*US$'000*
31 to 90 days	**33**	74
Over 90 days	**—**	3
	33	77

22. TRADE RECEIVABLES *(Continued)*

(d) Movements on the impairment loss of trade receivables are as follows:

	2010	2009
	US$'000	*US$'000*
At 1st January	—	30
Receivables written off as uncollectible	—	(30)
At 31st March	—	—

(e) The carrying amounts of the Group's trade receivables are denominated in the following currencies other than the functional currency:

	2010	2009
	US$'000	*US$'000*
RMB	—	4
HK$	**726**	—
	726	4

23. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

As at 31st March 2009, deposits of US$252,000 (2010: Nil) was paid for the acquisition of land use rights in the PRC. Details of the capital commitment are set out in note 32.

The amounts has been released upon the disposal of subsidiaries on 30th September 2009.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2010	2009
	US$'000	*US$'000*
Unlisted debt securities outside Hong Kong, at fair value	**452**	—

25. HELD FOR TRADING INVESTMENTS

Held for trading investments comprise:

	2010 US$'000	2009 US$'000
Equity securities listed in Hong Kong	**1,962**	—
Standard 995 fine gold	**2,226**	—
Investment fund on listed equity securities	**1,085**	—
	5,273	—

26. CASH HELD AT A NON-BANK FINANCIAL INSTITUTION/BANK BALANCES AND CASH

(a) Bank balances carry interest at floating rates based on daily bank deposit rates. The short term bank deposits carry fixed interest rate ranging 0.02% to 3.58% (2009: 0.05% to 4.66%) per annum with an original maturity of three months or less.

(b) Cash at bank denominated in RMB of approximately US$89,000 (2009: US$13,089,000) are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(c) The carrying amounts of the Group's cash held at a non-bank financial institution and bank balances and cash are denominated in the following currencies other than the functional currency:

	2010 US$'000	2009 US$'000
RMB	**93**	13,094
HK$	**4,542**	446
AU$	**507**	—
Euro	**500**	—
	5,642	13,540

27. TRADE PAYABLES

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date is as follows:

	2010	2009
	US$'000	*US$'000*
Within 30 days	**458**	289
31 to 60 days	**382**	283
61 to 90 days	**3**	136
Over 90 days	**9**	192
	852	900

The credit period on purchases of goods ranges from 14 days to 90 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

(b) The carrying amounts of the Group's trade payables are denominated in the following currencies other than the functional currency:

	2010	2009
	US$'000	*US$'000*
RMB	**754**	563
HK$	**58**	87
	812	650

28. SHARE CAPITAL

	Par value of shares	**Number of ordinary shares**	**Value**
	HK$		*US$'000*
Authorised:			
At 1st April 2008, 31st March 2009 and 31st March 2010	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2008, 31st March 2009 and 31st March 2010	0.01 each	340,616,934	440

29. SHARE OPTIONS

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the directors believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The maximum number of option shares can be granted under the Scheme shall not exceed 3,406,169, which is 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK$1.00.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the participants.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

30. DISPOSAL OF SUBSIDIARIES

(a) KTP (BVI) Group

On 22nd July 2009, the Company entered into a sale and purchase agreement with Peak Rise Holdings Limited ("Peak Rise") (a connected person to the Company) to dispose of its entire equity interests in KTP (BVI) Group, wholly-owned subsidiaries of the Company, and its shareholder's loan for a total cash consideration of US$18,000,000. Details of the disposal of KTP (BVI) Group were set out in the Company's circular dated 13th August 2009. Upon completion of the disposal of KTP (BVI) Group on 30th September 2009, the Group ceased to hold any equity interests in the KTP (BVI) Group. The net assets of KTP (BVI) Group at the date of disposal were as follows:

	US$'000
Investment properties	2,692
Prepaid lease payments on land use rights	923
Deposits paid for acquisition of land use rights	252
Prepayment and deposits	617
Tax reserve certificates	2,479
Bank balances and cash	8,031
Trade payables	(193)
Accruals and other payables	(1,271)
Income tax liabilities	(3,009)
Net assets disposed of	10,521
Costs directly attributable to disposal	85
Gain on disposal	2,823
	13,429
Satisfied by:	
Cash consideration	18,000
Assignment of shareholder's loan	(4,571)
	13,429
Net cash inflow arising from disposal:	
Cash consideration received (net of shareholder's loan)	13,429
Bank balances and cash disposed of	(8,031)
Costs directly attributable to disposal	(85)
	5,313

30. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) KTP (BVI) Group *(Continued)*

The subsidiaries disposed of during the year ended 31st March 2010 had no significant contribution to the Group's turnover and no significant impact on the results of the Group. The subsidiaries contributed approximately US$3,482,000 to the Group's net operating cash flow, and no significant cash flow impacts in respect of investing and financing activities were noted.

Note:

As part of the disposal of KTP (BVI) Group, an agreement was reached among Brave Win, the Company and Peak Rise regarding the land use rights situated at 東莞市長安鎮宵邊社區第二工業區 (the "Land") and the buildings (the "Buildings") constructed thereon in the PRC, which Brave Win has no legal ownership but the right to use the Land together with the Buildings until 4th August 2040 or 1st December 2046 (as the case may be) as follows:

On 15th April 2009, the PRC authority issued the《東莞市已建房屋補辦房地產權手續總體方案》, pursuant to which the user of the Land is granted a right (the "Right") to perfect its legal ownership of the Land together with the Buildings by applying to the PRC authority and the deadline of approving the legal ownership applications by the PRC authority will be on 19th April 2012, failing which the PRC authority shall deal with such Land and Buildings strictly in accordance with the relevant law and regulations.

Pursuant to the legal opinion obtained by the Group, Brave Win is not a legal entity in the PRC for the purpose of making the relevant applications and Brave Win at the material time resolved to have Dongguan Hung Yip Shoes Manufacturing Company Limited ("Dongguan Hung Yip"), a fellow subsidiary of Brave Win and a wholly-owned subsidiary of the Company before the disposal of KTP (BVI) Group to take up the Right in place of Brave Win. A memorandum of understanding ("Memorandum") was entered into between both parties, which agreed that:

(a) Subject to paragraph (b) below, Brave Win shall be entitled to use the Land together with the Buildings until 4th August 2040 or 1st December 2046, as the case may be; and

(b) In the event that Dongguan Hung Yip successfully obtains the legal ownership of the Land together with the Buildings and Brave Win wishes to continue to use the Land together with the Buildings, the terms in relation to the use of the Land together with the constructions thereon shall be negotiation by both parties.

Relevant applications (the "Applications") had been made by Dongguan Hung Yip to the PRC authority in respect of the Right.

Dongguan Hung Yip was disposed of together with KTP (BVI) Group on 30th September 2009 and an agreement was then reached among Brave Win, the Company and Peak Rise to confirm the above mentioned Memorandum and an option was further granted to Brave Win to purchase or lease the Land together with the Buildings from Dongguan Hung Yip after Dongguan Hung Yip had obtained the legal ownership of the Land together with the Buildings, subject to such terms and conditions as negotiated by Peak Rise and the Company and Brave Win, taking into account the carrying value of the Land together with the Buildings in the accounts of Brave Win as at 31st March 2009.

The Applications are currently pending approval by the PRC authority and all the costs to be incurred from the Applications will be borne by Dongguan Hung Yip.

In consideration of the above, during the year ended 31st March 2010, the estimated useful lives of the Land and Buildings held by Brave Win has been re-determined according to the earliest date when Brave Win might lose the rights to use the assets in 2012 as disclosed in note 3.

30. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) China Global International Holdings Limited and its subsidiary ("China Global Group")

On 30th March 2010, the Group disposed of its entire equity interests in China Global Group, the wholly-owned subsidiaries of the Company, to an independent third party for a total cash consideration of HK$100 (equivalent to approximately US$13). The net assets of China Global Group at the date of disposal were as follows:

	US$'000
Plant and equipment	30
Bank balances and cash	6
Accruals and other payables	(102)
Net assets disposed of	(66)
Release of translation reserve upon disposal	(4)
	(70)
Gain on disposal	70
	—
Satisfied by:	
Cash consideration	—
Net cash outflow arising from disposal:	
Cash consideration	—
Bank balances and cash disposed of	(6)
	(6)

The subsidiaries disposed of during the year ended 31st March 2010 had no significant contribution to the Group's turnover, results and cash flow.

31. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year ended 31st March 2010 is approximately US$237,000 (2009: US$454,000). The Group's properties held for rental purposes, with a carrying amount of US$2,692,000, have been disposed of during the year ended 31st March 2010. No properties are held by the Group at the end of the reporting period and expected to generate any rental yield (2009: 17%) on an ongoing basis.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases as follows:

	2010 ***US$'000***	2009 *US$'000*
Within one year	—	455
In the second to fifth year inclusive	—	341
	—	796

32. CAPITAL COMMITMENT

Capital commitment contracted for but not provided in respect of:

	2010 ***US$'000***	2009 *US$'000*
Acquisition of land use rights	—	927

33. RELATED PARTY TRANSACTIONS

(a) During the year ended 31st March 2010, the Group has disposed of its entire equity interests in KTP (BVI) Group to Peak Rise, a wholly-owned company of LEE Chi Keung, Russell and in which LEE Chi Keung, Russell and YU Mee See, Maria are the common directors, for a total consideration of US$18,000,000. Details of the disposal are set out in note 30(a).

33. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 **US$'000**	2009 *US$'000*
Short-term benefits	**735**	389
Post-employment benefits	**4**	4
	739	393

The remuneration of directors and senior management is determined by the remuneration committee having regard to the performance of individual and market trends.

34. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 **US$'000**	2009 *US$'000*
Non-current assets		
Property, plant and equipment	**—**	—
Investments in subsidiaries	**31,968**	46,743
	31,968	46,743
Current assets		
Deposits and prepayments	**2**	2
Bank balances and cash	**86**	144
	88	146
Current liability		
Accruals and other payables	**42**	167
Net current assets (liabilities)	**46**	(21)
Total assets less current liabilities	**32,014**	46,722
Capital and reserves		
Share capital	**440**	440
Reserves *(Note (a))*	**31,574**	46,282
Total equity	**32,014**	46,722

34. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) The reserves' movements of the Company

	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2008	15,088	31,132	46,220
Total comprehensive income for the year	—	62	62
At 31st March 2009 and 1st April 2009	15,088	31,194	46,282
Total comprehensive expense for the year	—	(1,607)	(1,607)
Special dividend paid and recognised as distribution *(Note 15)*	—	(13,101)	(13,101)
At 31st March 2010	15,088	16,486	31,574

35. EVENT AFTER THE END OF THE REPORTING PERIOD

On 9th July 2010, the Company entered into a memorandum of sale and purchase with Joyart Corporation Limited, an independent third party, to dispose of its leasehold building in Hong Kong for a consideration of HK$8,500,000 (equivalent to approximately US$1,090,000).

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31st March 2010 and 2009, the Company had direct and indirect equity interests in the following principal subsidiaries:

Name	Place of incorporation/ operations	Principal activity	Issued share capital/ registered capital	Group equity interests 2010	Group equity interests 2009
China Compass Investments Limited	BVI/Hong Kong	Investment holding	1,000 ordinary shares of US$1 each	**100%**[1]	100%[1]
Brave Win	Hong Kong/the PRC	Manufacture of sole units	21,000,000 ordinary shares of HK$1 each and 9,000,000 non-voting deferred shares of HK$1 each	**100%**	100%
TP Industrial Limited	BVI/Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100%**	100%

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Principal activity	Issued share capital/ registered capital	Group equity interests	
				2010	2009
KTP (BVI) Company Limited	BVI/Hong Kong	Investment holding	100 ordinary shares of US$1 each	— *(Note a)*	100%[1]
KTS	Hong Kong/the PRC	Investment holding	1,000 ordinary shares of HK$1 each and 31,500,000 non-voting deferred shares of HK$1 each	— *(Note a)*	100%
Kenmate Industrial Limited	Hong Kong/the PRC	Inactive	1,000 ordinary shares of HK$1 each and 8,000,000 non-voting deferred shares of HK$1 each	— *(Note a)*	100%
Dongguan Hung Yip	The PRC	Manufacture of footwear	Registered capital of HK$125,480,000	— *(Note a)*	100%
Dongguan Hung Fa Shoes Materials Co. Ltd. ("Dongguan Hung Fa")	The PRC	Inactive	Registered capital of HK$86,290,000	— *(Note a)*	100%

[1] *directly held by the Company*

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

None of the subsidiaries had issued any debt securities subsisting at 31st March 2010 and 2009 or any time during the years.

Notes:

(a) The subsidiaries have been disposed of during the year ended 31st March 2010.

(b) As at 31st March 2009, the registered capital of Dongguan Hung Yip and Dongguan Hung Fa had yet been fully paid up and their respective paid up capital as at 31st March 2009 was HK$123,281,520 and HK$76,331,226 respectively. Dongguan Hung Yip and Dongguan Hung Fa have been disposed of during the year end 31st March 2010.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31st March				
	2010	2009	2008	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	**18,082**	64,275	94,612	101,578	102,245
Profit (loss) before tax	**2,295**	3,271	(4,070)	7,603	5,597
Income tax expense	**—**	(3,009)	—	—	—
Profit (loss) for the year attributable to owners of the Company	**2,295**	262	(4,070)	7,603	5,597

ASSETS AND LIABILITIES

	As at 31st March				
	2010	2009	2008	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**38,086**	53,133	61,880	67,794	63,285
Total liabilities	**(2,166)**	(6,411)	(15,305)	(15,896)	(17,305)
Total equity	**35,920**	46,722	46,575	51,898	45,980