KTP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 645

ANNUAL REPORT 2011

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CORPORATE INFORMATION

KTP Holdings Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

CHUA Chun Kay *(Chairman)*
LAM Pun Yuen, Frank[1]
NGAN Hing Hon[1]
YEUNG Kin Bond, Sydney[1]

[1] *Independent non-executive directors*

COMPANY SECRETARY

NG Wai Hung

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
17th 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

It is my pleasure to present my first report as Chairman of KTP Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year 2010/2011.

Without question, year 2010/2011 is another difficult year. The soaring costs of raw materials and labour as well as the accelerating appreciation of RMB are eroding the already thin profit margin of the Group's manufacturing business. We have taken appropriate actions to pass on certain cost increases to our customers. We have tightened the control over expense management and implemented a number of cost control policies striving to increase operating margins.

We will maintain our strategic focus to achieve on profitability and strengthen its competitive edge by delivering greater value to its customers through quality management, cost control and customer service. We will cautiously explore and identify any new business and investment opportunities in order to enhance the Group's future development, thus create greater shareholders' value.

Four new directors of the Company were appointed in both January and February 2011 and five directors of the Company resigned in February 2011 following the close of the mandatory offer for all issued shares of the Company not already owned or acquired by Star Crown Capital Ltd and parties acting in concert with it.

With the new sense of energy and expertise we have bought to the Group and the solid business framework established by the existing management, we believe that the synergy will benefit the Group in the long run.

On behalf of our new board of directors, I would like to take this opportunity to thank our shareholders, business partners and customers for their continuous support and encouragement and our employees for their hard work and dedication. I look forward to having a brighter future ahead.

CHUA Chun Kay
Chairman

Hong Kong, 28th June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover increased by 61% to US$29.1 million from US$18.1 million for the last year.
- Profit for the year attributable to owners of the Company was US$0.8 million, a decrease of US$1.5 million as compared to the previous year.

BUSINESS REVIEW

For the year ended 31st March 2011, the Group's turnover significantly increased by 61% to US$29.1 million from US$18.1 million for the last year. Geographically, Asian countries contributed 100% of the Group's turnover for the year under review.

In line with the increase in turnover for the year, the Group's gross profit for the year 2010/2011 was US$2.3 million, an increase of US$1.5 million compared to US$0.8 million recorded in the previous year. The gross profit margin also increased from 4.6% for the last year to 7.9% during the year. Nevertheless, the increase was partially offset by the higher costs of raw materials, rising labour costs and Renminbi appreciation.

Other income for the year was US$1.4 million compared to US$0.8 million recorded in the last year, due primarily to the gain on disposal of the Group's leasehold building in Hong Kong amounting to US$1.1 million during the year. No rental income from investment properties was reported during the year (2010: US$0.2 million) as the Group disposed of its investment properties together with the disposal of subsidiaries on 30th September 2009.

General and administrative expenses increased by 25% to US$3.1 million, nevertheless, as a percentage of sales, general and administrative expenses, actually improved from 13.7% for the previous year to 10.7% this year as last year included 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.

During the year 2010/2011, other gains, net were US$0.5 million, the same as the previous year. Other gains, net during the year mainly represented the gain on disposal of held for trading securities amounting to US$0.5 million while last year mainly represented the gain on fair value changes of held for trading securities amounting US$0.4 million.

Despite the increase in the Group's gross profit of US$1.5 million and the reported gains on disposal of leasehold building and held for trading securities amounting to an aggregate of US$1.6 million, profit for the year attributable to owners of the Company decreased significantly to US$0.8 million compared to US$2.3 million for the last year. The decrease was mainly due mainly to the absence of one-off gain from disposal of subsidiaries amounting to US$2.8 million which were recorded in the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

There is no question that the rising labour costs in the People's Republic of China, the strengthening of Renminbi against US Dollars as well as higher material prices remained the norm throughout the financial year of 2010/2011 and it is likely that these trends will persist in the near future. We will continue to exercise tight cost control and striving to minimize margin impacts. In addition, we have taken appropriate actions to pass on certain cost increases to our customers. However, it is expected that the profitability of the Group will continue to be under pressure for the coming year.

With our strong financial position, the Group will cautiously explore investment opportunities which will result in a steady growth in the Group's long term performance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources continued to be healthy and it is debt-free as at 31st March 2011. During the year ended 31st March 2011, the Group had unwound its investment portfolio in the financial instruments and has maintained full cash position since then. The reported cash and bank balances were US$31.3 million as at 31st March 2011, as compared to last year's US$24.6 million.

The Group will maintain its conservative strategy in managing the surplus cash. Faced with the recent volatility in the financial market, the Group will continue to exercise prudence when making investment decision with the primary objective of maintaining high level of liquidity and generating sufficient cash flow for the operation.

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 increase in the last two months sales for the current year as compared to the last two months sales for the year ended 31st March 2010 brought an increase in trade receivables and payables to US$4 million and US$2.3 million respectively as compared to US$1.9 million and US$0.8 million respectively as at 31st March 2010.

The working capital position of the Group's remained strong with an average collection period of trade receivables of approximately 49 days (31st March 2010: 45 days) and the average stock turnover of approximately 71 days (31st March 2010: 85 days).

CAPITAL EXPENDITURES AND COMMITMENTS

The Group generally relies on its internally generated cash flow 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.

REPORT OF THE DIRECTORS

The board of directors (the "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 2011.

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 28 to the consolidated financial statements.

An analysis of the Group's performance by geographical segments is set out in note 7 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 25.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 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 2011 amounted to US$ 34,009,000 (2010: US$31,574,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 27.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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 76.

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:

Executive Directors

Mr. CHUA Chun Kay *(Chairman) (appointed on 27th January 2011)*
Mr. LEE Chi Keung, Russell *(resigned on 16th February 2011)*
Ms. YU Mee See, Maria *(resigned on 16th February 2011)*

Independent non-executive Directors

Mr. LAM Pun Yuen, Frank *(appointed on 16th February 2011)*
Mr. NGAN Hing Hon *(appointed on 16th February 2011)*
Mr. YEUNG Kin Bond, Sydney *(appointed on 16th February 2011)*
Mr. NG Wai Hung *(resigned on 16th February 2011)*
Mr. LEE Siu Leung *(resigned on 16th February 2011)*
Mr. YUEN Sik Ming *(resigned on 16th February 2011)*

In accordance with the Bye-laws of the Company, Mr. CHUA Chun Kay and Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon, Mr. YEUNG Kin Bond, Sydney shall retire at the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election.

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

Mr. CHUA Chun Kay, aged 57, is the chairman and executive Director of the Company. He is a businessman in Singapore who owns businesses that engage in trading various kinds of commodities, including but not limited to pulp and paper, waste-paper, chemicals and spare-parts. Mr. Chua is a fellow member of the Chartered Management Institute and holds a master's degree in business administration from the University of Leicester, United Kingdom. He joined the Company in 2011.

Mr. LAM Pun Yuen, Frank, aged 60, is an independent non-executive Director. He has considerable experience in the financial and investment banking industry. He possesses extensive experience in corporate banking and investment banking including loan syndication, initial public offerings, mergers and acquisitions, fund raising and corporate finance advisory. He graduated with a bachelor of science in marketing from Utah State University, Logan, Utah and a master of business administration from Armstrong College, Berkeley, California, USA. Mr. Lam was a registered responsible officer and principal supervisor under the SFO. He was a founding committee member and a Vice-Chairman of the Association of Shenzhen Foreign Financial Institutions, China in 1998 and 1999 respectively. He joined the Company in 2011.

Mr. NGAN Hing Hon, aged 54, is an independent non-executive Director. He is currently the audit associate director of World Link CPA Limited. Mr. Ngan graduated from the Chinese University of Hong Kong with a bachelor of business administration. He is the associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Ngan had worked in two international audit firms for approximately 4 years, and was then employed by several listed and private companies in Hong Kong as financial controller. Mr. Ngan has extensive experience in auditing, accounting and corporate finance. He was the chief financial officer of a listed company in Singapore for the period from May 2004 to September 2007. He joined the Company in 2011.

Mr. YEUNG Kin Bond, Sydney, aged 37, is an independent non-executive Director. He started his career at Morgan Stanley in 1996 in New York. He then worked at Van der Moolen, a US securities specialist firm then listed on the New York Stock Exchange, as the director of international trading. Mr. Yeung is one of the founders of Verde Asia Fund LLC and the managing director of Pioneer Capital Mgmt, Inc. He is also the director and member of Global Strategic Events Pte Ltd, a media company which is engaged in sponsoring and the coordination of Asia's most prolific business forums and television programs. He is currently the director of Roots Capital Asia Limited which engages in advisory services. He joined the Company in 2011.

Senior Management

Mr. HUANG Huan Tung, aged 51, 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

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 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 2011, 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 Director	Number of ordinary shares held/interested	Percentage of issued share capital
CHUA Chun Kay ("Mr. Chua")	209,707,416 *(Note)*	61.57%

Note:

The 209,707,416 shares in the Company are owned by Star Crown Capital Ltd ("Star Crown") and the entire issued share capital of Star Crown is owned by Mr. Chua.

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 2011.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

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 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 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 2011, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholder's interest who is interested in 5% or more of the issued share capital of the Company. The following interest has been disclosed in respect of the Director.

Long position in shares of the Company

Name	Number of ordinary shares held/interested	Percentage of issued share capital
Star Crown Capital Ltd	209,707,416	61.57%

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 in their respective associates had any interests in business which compete or may compete with the Group's business.

CONNECTED AND RELATED PARTY TRANSACTIONS

Where any transaction mentioned in note 26 to the consolidated financial statements constitutes, a connected and related party 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	23%
— five largest suppliers combined	68%

Sales

— the largest customer	41%
— five largest customers combined	80%

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

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 2011, the Group had a total of 1,500 (2010: 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 2011.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 13 to 22 to the annual report.

AUDITOR

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

On behalf of the Board
CHUA Chun Kay
Chairman

Hong Kong, 28th June 2011

CORPORATE GOVERNANCE REPORT

The Board is please to present the corporate governance report in the annual report of the Company for the year ended 31st March 2011.

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 2011, save for the deviation from Code Provisions A.2.1 and A.4.1 as disclosed under paragraphs "Board composition and role" 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 one executive Director 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 page 8.

During the year ended 31st March 2011, 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 whenever necessary.

THE BOARD *(Continued)*

Board composition and role *(Continued)*

Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LEE Chi Keung, Russell was the chairman & chief executive officer of the Company before his resignation as chairman and executive directors of the Company on 16th February 2011. Currently, the Company does not appoint chief executive officer. In view of the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for the benefits of the Group. Moreover, the day to day operations of the Group's businesses are shared among the executive Director and the management of the Group. Therefore, there should be a clear division of the responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Board meetings

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

Name of Directors		Attendance/Number of board meetings held
Executive Directors		
Mr. CHUA Chun Kay *(Chairman)*	*Note 1*	0/9
Mr. LEE Chi Keung, Russell	*Note 2*	9/9
Ms. YU Mee See Maria	*Note 2*	8/9
Independent non-executive Directors		
Mr. LAM Pun Yuen, Frank	*Note 2*	0/9
Mr. NGAN Hing Hon	*Note 2*	0/9
Mr. YEUNG Kin Bond, Sydney	*Note 2*	0/9
Mr. NG Wai Hung	*Note 2*	2/9
Mr. LEE Siu Leung	*Note 2*	2/9
Mr. YUEN Sik Ming	*Note 2*	2/9

Notes:

1. Mr. CHUA Chun Kay was appointed as an executive Director on 27th January 2011. For the year ended 31st March 2011, no Board meeting was attended by Mr. CHUA Chun Kay. Only one Board meeting was convened between 27th January 2011 and 31st March 2011 which was not attended by Mr. CHUA Chun Kay.

2. On 16th February 2011, Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney were appointed as independent non-executive Directors whereas Mr. LEE Chi Keung, Russell and Ms. YU Mee See, Maria resigned as executive Directors and Mr. NG Wai Hung, Mr. LEE Siu Leung and Mr. YUEN Sik Ming resigned as independent non-executive Directors. No Board meeting was attended by Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney for the year ended 31st March 2011 as no Board meeting had been convened between 16th February 2011 to 31st March 2011.

THE BOARD *(Continued)*

Board meetings *(Continued)*

The company secretary of the Company 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 and at least 3 days before the date of Board or Board committee meeting, 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.

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 2011.

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. Any new Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. CHUA Chun Kay and Mr. LAM Pun Yuen, Frank, Mr. NGAN Hin Hong, Mr. YEUNG Kin Bond, Sydney shall retire at the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election . The Company's circular dated 28th July 2011 contained information of the Directors standing for re-election.

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

NOMINATION OF DIRECTORS

The Nomination Committee was established on December 2005 and it currently consists of all independent non-executive Directors and is chaired by the Mr. Yeung Kin Bond, Sydney.

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

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

NOMINATION OF DIRECTORS *(Continued)*

Two meetings were held by Nomination Committee during the year and details of Nomination Committee members and their attendance record in the year are as follows:

Committee members		Attendance/Number of meetings held
Executive Director		
Mr. LEE Chi Keung, Russell	*Note 1*	2/2
Independent non-executive Directors		
Mr. LAM Pun Yuen, Frank	*Note 2*	0/2
Mr. NGAN Hing Hon	*Note 2*	0/2
Mr. YEUNG Kin Bond, Sydney	*Note 2*	0/2
Mr. NG Wai Hung	*Note 1*	2/2
Mr. LEE Siu Leung	*Note 1*	0/2
Mr. YUEN Sik Ming	*Note 1*	1/2

Notes:

1. Mr. LEE Chi Keung, Russell, Mr. NG Wai Hung, Mr. LEE Siu Leung and Mr. YUEN Sik Ming resigned as members of Nomination Committee on 16th February 2011.

2. Mr. YEUNG Kin Bond, Sydney (chairman of Nomination Committee), Mr. LAM Pun Yuen, Frank and Mr. NGAN Hing Hon were appointed as members of Nomination Committee on 16th February 2011 and no committee meeting had been convened between 16th February 2011 and 31st March 2011.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established on December 2005 and it currently consists of all independent non-executive Directors and is chaired by the Mr. LAM Pun Yuen, Frank.

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;

REMUNERATION OF DIRECTORS *(Continued)*

(b) to review and approve the specific remuneration packages of all executive Directors, 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 to review the remuneration packages of the Directors and of the senior management for the year. Details of Remuneration Committee members and their attendance record in the year are as follows:

Committee members		**Attendance/Number of meetings held**
Independent non-executive Directors		
Mr. LAM Pun Yuen, Frank	*Note 1*	0/1
Mr. NGAN Hing Hon	*Note 1*	0/1
Mr. YEUNG Kin Bond, Sydney	*Note 1*	0/1
Mr. NG Wai Hung	*Note 2*	1/1
Mr. LEE Siu Leung	*Note 2*	0/1
Mr. YUEN Sik Ming	*Note 2*	1/1

REMUNERATION OF DIRECTORS *(Continued)*

Notes:

1. Mr. LAM Pun Yuen, Frank (chairman of Remuneration Committee), Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney were appointed as members of remuneration committee on 16th February 2011 and no committee meeting had been convened between 16th February 2011 and 31st March 2011.

2. Mr. NG Wai Hung, Mr. LEE Siu Leung and Mr. YUEN Sik Ming resigned as members of remuneration committee on 16th February 2011.

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. Ngan Hing Hon.

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;

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee *(Continued)*

(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 the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;

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

(g) members of the Audit Committee must meet, at least once a year, with the Company's 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 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;

(k) 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;

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

(m) 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 met two times during the year ended 31st March 2011 and the individual attendance of each member is set out below:

Committee members		Attendance/Number of meetings held
Independent non-executive Directors		
Mr. LAM Pun Yuen, Frank	*Note 1*	0/2
Mr. NGAN Hing Hon	*Note 1*	0/2
Mr. YEUNG Kin Bond, Sydney	*Note 1*	0/2
Mr. NG Wai Hung	*Note 2*	1/2
Mr. LEE Siu Leung	*Note 2*	2/2
Mr. YUEN Sik Ming	*Note 2*	1/2

Notes:

1. No meeting was attended by Mr. NGAN Hing Hon (chairman of Audit Committee), Mr. LAM Pun Yuen, Frank and Mr. YEUNG Kin Bond, Sydney for the year ended 31st March 2011 as they were appointed as committee members on 16th February 2011 and no committee meeting had been convened between 16th February 2011 and 31st March 2011.

2. Mr. NG Wai Hung, Mr. LEE Siu Leung and Mr. YUEN Sik Ming resigned as members of Audit Committee on 16th February 2011.

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 23 to 24.

The fees paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31st March 2011 amounted to US$44,000 and US$9,100 respectively (2010: US$53,000 and US$13,000).

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. Areas for improvement have been identified and appropriate measures taken so as to provide assurance that key business and operational risks are identified and managed.

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 and the Company gave at least 21 clear days notice to shareholders before annual general meeting and 14 clear days before all other general meetings.

The annual general meeting and other general meetings 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 websites 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 MEMBERS 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 25 to 75, which comprise the consolidated statement of financial position as at 31st March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 of the consolidated financial statements that give a true and fair view 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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 2011 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
28th June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2011

	Notes	2011 US$'000	2010 US$'000
Turnover	7	**29,099**	18,082
Cost of sales		**(26,804)**	(17,248)
Gross profit		**2,295**	834
Other income	8	**1,441**	810
Distribution expenses		**(253)**	(242)
Administrative expenses		**(3,100)**	(2,480)
Other gains, net	9	**462**	480
Gain on disposal of subsidiaries	25	**—**	2,893
Profit before tax	10	**845**	2,295
Income tax expense	12	**(48)**	—
Profit for the year attributable to owners of the Company		**797**	2,295
Other comprehensive (expense) income			
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		**(8)**	—
Other comprehensive (expense) income for the year		**(8)**	4
Total comprehensive income for the year attributable to owners of the Company		**789**	2,299
		US cents	*US cents*
Earnings per share — basic and diluted	14	**0.2**	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2011

	Notes	2011 US$'000	2010 US$'000
Non-current assets			
Property, plant and equipment	15	**428**	766
Prepaid lease payments on land use rights	16	**—**	85
		428	851
Current assets			
Inventories	17	**5,306**	4,106
Trade receivables	18	**3,983**	1,935
Deposits, prepayments and other receivables		**252**	236
Prepaid lease payments on land use rights	16	**—**	85
Available-for-sale financial assets	19	**—**	452
Held for trading investments	20	**—**	5,273
Cash held at a non-bank financial institution	21	**—**	554
Bank balances and cash	21	**31,272**	24,594
		40,813	37,235
Current liabilities			
Trade payables	22	**2,304**	852
Accruals and other payables		**2,180**	1,314
Tax payable		**48**	—
		4,532	2,166
Net current assets		**36,281**	35,069
Total assets less current liabilities		**36,709**	35,920
Capital and reserves			
Share capital	23	**440**	440
Reserves		**36,269**	35,480
Total equity		**36,709**	35,920

The consolidated financial statements on pages 25 to 75 were approved and authorised for issue by the board of directors of the Company on 28th June 2011 and are signed on its behalf by:

CHUA Chun Kay	**YEUNG Kin Bond, Sydney**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2011

	Share capital	Contributed surplus	Investments revaluation reserve	Translation reserve	Retained earnings	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 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 13)*	—	—	—	—	(13,101)	(13,101)
Release of contributed surplus upon disposal of subsidiaries	—	13,622	—	—	(13,622)	—
At 31st March 2010 and 1st April 2010	440	15,088	8	—	20,384	35,920
Total comprehensive (expense) income for the year	—	—	(8)	—	797	789
At 31st March 2011	**440**	**15,088**	**—**	**—**	**21,181**	**36,709**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2011

	2011	2010
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	**845**	2,295
Adjustments for:		
Allowance for inventories	**114**	—
Amortisation of prepaid lease payments on land use rights	**49**	58
Depreciation of property, plant and equipment	**171**	229
Dividend income from held for trading investments	**(54)**	—
Loss on disposal of available-for-sale financial assets	**14**	—
Gain on disposal of held for trading investments	**(476)**	(125)
Gain on disposal of property, plant and equipment	**(1,084)**	(34)
Gain on disposal of subsidiaries	**—**	(2,893)
Gain on fair value changes of held for trading investments	**—**	(355)
Interest income	**(26)**	(208)
Written off of prepaid lease payment on land use rights	**121**	—
Written off of property, plant and equipment	**185**	—
Operating cash flows before movements in working capital	**(141)**	(1,033)
Increase in inventories	**(1,314)**	(999)
(Increase) decrease in trade receivables	**(2,048)**	1,305
Increase in deposits, prepayments and other receivables	**(16)**	(496)
Increase in trade payables	**1,452**	145
Increase in accruals and other payables	**866**	185
Cash used in operations	**(1,201)**	(893)
Purchase of tax reserve certificates	**—**	(479)
NET CASH USED IN OPERATING ACTIVITIES	**(1,201)**	(1,372)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2011

	2011	2010
	US$'000	*US$'000*
INVESTING ACTIVITIES		
Proceeds on disposal of held for trading investments	**8,197**	4,184
Proceeds on disposal of property, plant and equipment	**1,084**	34
Decrease (increase) in cash held at a non-bank financial institution	**554**	(554)
Proceeds on disposal of available-for-sale financial assets	**430**	—
Dividend received from held for trading investments	**54**	—
Interest received	**26**	208
Purchase of held for trading investments	**(2,448)**	(8,977)
Purchase of property, plant and equipment	**(18)**	(209)
Net cash inflow on disposal of subsidiaries *(Note 25)*	**—**	5,307
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**7,879**	(7)
CASH USED IN FINANCING ACTIVITY		
Special dividend paid	**—**	(13,101)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,678**	(14,480)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	**24,594**	39,074
CASH AND CASH EQUIVALENTS AT 31ST MARCH,		
represented by bank balances and cash	**31,272**	24,594

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. During the year, the parent and ultimate holding company of the Company had changed from Wonder Star Securities Limited, a company incorporated in the British Virgin Islands ("BVI"), to Star Crown Capital Ltd, a company incorporated in the 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 28.

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

Application of new and revised standards, amendments and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong — Interpretation ("Int") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretations Committee) ("HK (IFRIC)") — Int 17	Distributions of Non-cash Assets to Owners

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

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results, of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

New or revised standards, amendments and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[7]
HKFRS 10	Consolidated Financial Statements[7]
HKFRS 11	Joint Arrangements[7]
HKFRS 12	Disclosure of Interests in Other Entities[7]
HKFRS 13	Fair Value Measurement[7]
HKAS 1	Presentation of Financial Statements[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (2011)	Employee Benefits[7]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[7]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July 2010.
3 Effective for annual periods beginning on or after 1st January 2011.
4 Effective for annual periods beginning on or after 1st July 2011.
5 Effective for annual periods beginning on or after 1st January 2012.
6 Effective for annual periods beginning on or after 1st July 2012.
7 Effective for annual periods beginning on or after 1st January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1st April 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (Revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some investees of the key management personnel that did not previously meet the definition of a related party may come within the scope of the standard.

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

HK (IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK (IFRIC) — Int 19 will affect the required accounting. In particular, under HK (IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

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.

3.1 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 and 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 in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.3 Inventories

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

3.4 Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

3.5 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(a) *Financial assets*

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 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, 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).

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).

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
- breach of contract, such as default or delinquency in interest and principal payments; or

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

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

Impairment losses on financial assets (Continued)

- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(a) *Financial assets* (Continued)

Impairment losses on financial assets (Continued)

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 instruments*

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.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(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 in its entirety, 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 and accumulated in equity is recognised in profit or loss.

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

3.6 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Revenue recognition *(Continued)*

(c) Dividend income

Dividend income from investments including financial assets at FVTPL is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3.7 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.

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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 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 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 difference 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 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.

(b) Employee leave entitlement

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified 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, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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.

4.1 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.

(a) Income 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.

(b) Written off of property, plant and equipment and prepaid lease payments on land use rights

During the year ended 31st March 2011, the Group has written off property, plant and equipment and prepaid lease payments on land use rights with carrying amounts of US$185,000 (2010: Nil) and US$121,000 (2010: Nil) respectively as the Group no longer entitled to the benefits and interests or required to bear any costs and expenses arising from and/or incurred in respect of these property, plant and equipment and prepaid lease payments on land use rights and the written off does not affect the operation of the Group.

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

4.2 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 2011 was approximately US$428,000 (2010: US$766,000). 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.

No impairment loss had been recognised in respect of property, plant and equipment for the two years ended 31st March 2011 and 2010.

(c) Estimated allowance for 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. During the year ended 31st March 2011, allowance of approximately US$114,000 (2010: Nil) has been recognised.

5. 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.

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

	2011	2010
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**35,493**	27,267
Available-for-sale financial assets	**—**	452
Financial assets at FVTPL — held for trading investments	**—**	5,273
	35,493	32,992
Financial liabilities		
Other financial liabilities at amortised cost	**4,375**	2,166

6.2 Reclassification of financial assets

During the year ended 31st March 2010, the Group had 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 considered that the Group intended to dispose of the debt securities in the foreseeable future.

6. FINANCIAL INSTRUMENTS *(Continued)*

6.3 Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, 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

The Group has 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 39% and 25% (2010: 29% and 21%) 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	
	2011	2010	**2011**	2010
	US$'000	*US$'000*	***US$'000***	*US$'000*
RMB	**71**	107	**2,788**	1,486
HK$	**31,984**	5,267	**657**	383
AU$	**—**	507	**—**	—
Euro	**—**	500	**—**	—
	32,055	6,381	**3,445**	1,869

6. FINANCIAL INSTRUMENTS *(Continued)*

6.3 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% (2010: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2010: 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 end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. A negative number below indicates an increase in post-tax profit where US$ strengthens 5% (2010: 5%) against the relevant currencies. For a 5% (2010: 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	
	2011	2010
	US$'000	*US$'000*
RMB impact	**136**	69
AU$ impact	—	(25)
Euro impact	—	(25)

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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

(ii) *Price risk*

The Group was exposed to equity price risk through its investments in listed equity securities, standard 995 fine gold and investment fund on listed and unlisted equity securities as at 31st March 2010. The management monitors 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 was 8% in the last year.

If the price of the respective equity instruments had been 8% (2011: Nil) higher/lower:

- post-tax profit for the year ended 31st March 2010 would increase/decrease by approximately US$422,000 (2011: Nil) as a result of the changes in fair value of held for trading investments.
- investments revaluation reserve would increase/decrease by approximately US$36,000 (2011: Nil) as a result of the changes in fair value of available-for-sale financial assets.

(iii) *Interest rate risk*

As at 31st March 2011 and 2010, 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 are within short maturity period. Therefore, no sensitivity analysis is presented thereon.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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

(iii) Interest rate risk (Continued)

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

(b) Credit risk

As at 31st March 2011, 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% (2010: 98%) of the total trade receivables as at 31st March 2011.

The Group has concentration of credit risk as 30% (2010: 29%) and 79% (2010: 73%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(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 2011 and 2010, all of the Group's financial liabilities were non-interest bearing and their maturity dates are within one year.

6.4 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.

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 provided an analysis of financial instruments that were 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 as at 31st March 2010.

- *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).

6. FINANCIAL INSTRUMENTS *(Continued)*

6.4 Fair value *(Continued)*

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

- *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).

	Level 1 *US$'000*	Level 2 *US$'000*	Total *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 securities	—	1,085	1,085
	4,188	1,537	5,725

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

All available-for-sale financial assets and financial assets at FVTPL have been disposed of during the year ended 31st March 2011.

7. 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.

(a) Segment revenues, results, assets and liabilities

The Group's operating segment based on information reported to the chief operating decision makers, who have been identified as the directors of the Company, for the purpose of resources allocation and performance assessment.

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 of the assets are detailed as below:

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC	**27,111**	17,250	**428**	851
Asia (other than the PRC)	**1,988**	831	**—**	—
Others	**—**	1	**—**	—
	29,099	18,082	**428**	851

(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:

	2011	2010
	US$'000	*US$'000*
Customer A	**11,966**	8,145
Customer B	**5,973**	2,745
Customer C	**N/A**[1]	1,844

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

8. OTHER INCOME

	2011	2010
	US$'000	*US$'000*
Bank interest income	**25**	189
Interest income from derivative financial assets	**—**	13
Interest income from unlisted debt securities	**1**	6
Gross and net rental income from investment properties	**—**	237
Gain on disposal of property, plant and equipment	**1,084**	34
Dividend income from held for trading investments	**54**	—
Scrap sales	**241**	203
Others	**36**	128
	1,441	810

9. OTHER GAINS, NET

	2011	2010
	US$'000	*US$'000*
Gain on fair value changes of held for trading investments	**—**	355
Loss on disposal of available-for-sale financial assets	**(14)**	—
Gain on disposal of held for trading investments	**476**	125
	462	480

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2011	2010
	US$'000	*US$'000*
Auditor's remuneration	**44**	53
Depreciation of property, plant and equipment	**171**	229
Amortisation of prepaid lease payments on land use rights	**49**	58
Cost of inventories recognised as expenses	**26,804**	17,248
Allowance for inventories (included in cost of sales)	**114**	—
Written off of prepaid lease payment on land use rights	**121**	—
Written off of property, plant and equipment	**185**	—
Staff costs (including directors' emoluments) *(Note 11)*	**7,189**	5,129
Operating lease in respect of rented premises	**22**	—
Net exchange loss	**278**	147

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2011	2010
	US$'000	*US$'000*
Wages and salaries	**7,114**	5,053
Termination benefits	**—**	2
Contributions to retirement benefit schemes *(Note (a))*	**75**	74
	7,189	5,129

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 state-managed retirement benefit scheme operated by the PRC government at certain percentage of payroll costs of its employees. The government is responsible for the entire pension obligation payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under the scheme.

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

Notes: (Continued)

(b) Directors' emoluments

The emoluments paid or payable to each of the nine (2010: five) directors are as follows:

At 31st March 2011

		Other emoluments		
	Fees	Basic salaries, other allowances and benefits in kinds	Contributions to retirement benefit schemes	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Executive directors				
CHUA Chun Kay (appointed on 27th January 2011)	—	—	—	—
LEE Chi Keung, Russell (resigned on 16th February 2011)	—	423	2	425
YU Mee See, Maria (resigned on 16th February 2011)	—	141	2	143
Independent non-executive directors				
LAM Pun Yuen, Frank (appointed on 16th February 2011)	—	—	—	—
NGAN Hing Hon (appointed on 16th February 2011)	—	—	—	—
YEUNG Kin Bond, Sydney (appointed on 16th February 2011)	—	—	—	—
NG Wai Hung (resigned on 16th February 2011)	38	—	—	38
LEE Siu Leung (resigned on 16th February 2011)	15	—	—	15
YUEN Sik Ming (resigned on 16th February 2011)	15	—	—	15
Total emoluments	68	564	4	636

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

Notes: (Continued)

(b) Directors' emoluments *(Continued)*

At 31st March 2010

		Other emoluments		
	Fees	Basic salaries, other allowances and benefits in kinds	Contributions to retirement benefit schemes	Total
	US$'000	*US$'000*	*US$'000*	*US$'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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31st March 2011 include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three individuals are as follow:

	2011	2010
	US$'000	*US$'000*
Basic salaries, other allowance and benefits in kinds	**600**	129
Contributions to retirement benefit schemes	**2**	—
	602	129

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

Notes: (Continued)

(c) Five highest paid individuals *(Continued)*

Their emoluments are within the following bands:

	2011 Number of empolyees	2010 Number of employees
Nil to HK$1,000,000 (equivalent to approximately Nil to US$128,000)	**—**	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$128,001 to US$192,300)	**1**	—
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$192,301 to US$256,000)	**2**	—
	3	3

No directors and senior management waived or agreed to waive any emoluments during the two years ended 31st March 2011 and 2010.

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 2011 and 2010.

12. INCOME TAX EXPENSE

	2011 ***US$'000***	2010 *US$'000*
Current tax — Hong Kong	**48**	—

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31st March 2011. No Hong Kong Profits Tax had been provided for the year ended 31st March 2010 as the Group had no assessable profits for that year.

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 2011 and 2010 as the Group had no assessable profits arising in or deriving from the relevant jurisdictions.

12. INCOME TAX EXPENSE *(Continued)*

(a) *(Continued)*

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

	2011	2010
	US$'000	*US$'000*
Profit before tax	**845**	2,295
Tax calculated at the statutory tax rate of 16.5% (2010: 16.5%)	**139**	379
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	(11)
Tax effect of income not taxable for tax purpose	**(318)**	(519)
Tax effect of expenses not deductible for tax purpose	**261**	160
Utilisation of tax losses previously not recognised	**(34)**	(43)
Tax effect of tax losses not recognised	**—**	34
Income tax expense	**48**	—

(b) At 31st March 2010, the Group had unused tax losses of approximately US$204,000 (2011: Nil) available for offsetting against future profits. No deferred tax assets had 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.

There is no other material unprovided deferred tax for the two years ended 31st March 2011 and 2010.

13. DIVIDEND

	2011	2010
	US$'000	*US$'000*
Dividend paid and recognised as distribution:		
Special dividend: HK$0.3 (2011: Nil) per ordinary share	**—**	13,101

No final dividend was paid or proposed during the year ended 31st March 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

14. 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 2011 and 2010.

	2011	2010
Profit for the year attributable to owners of the Company *(US$)*	**797,000**	2,295,000
Weighted average number of ordinary shares in issue	**340,616,934**	340,616,934
Basic earnings per share *(US cents)*	**0.2**	0.7

(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 2011 and 2010.

15. 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 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 and 1st April 2010	2,085	233	830	34	131	3,313
Additions	—	—	12	6	—	18
Disposals/written off	(2,085)	(233)	—	(22)	—	(2,340)
At 31st March 2011	**—**	**—**	**842**	**18**	**131**	**991**
Accumulated depreciation						
At 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 and 1st April 2010	1,892	165	339	28	123	2,547
Charged for the year	48	28	84	6	5	171
Disposals/written off	(1,940)	(193)	—	(22)	—	(2,155)
At 31st March 2011	**—**	**—**	**423**	**12**	**128**	**563**
Carrying values						
At 31st March 2011	**—**	**—**	**419**	**6**	**3**	**428**
At 31st March 2010	193	68	491	6	8	766

15. 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	40% (2010: 5% and 40%)
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 comprised:

	2011 **US$'000**	2010 *US$'000*
Properties situated on land in the PRC and held under medium-term lease	—	193

(c) During the year ended 31st March 2010, the estimated useful lives of the leasehold buildings held by the Group had been re-determined according to the earliest date when the Group might lose the rights to use the assets in 2012 as detailed in note 25(a).

During the year ended 31st March 2011, the Group had written off these leasehold buildings and the leasehold improvements on these buildings amounting to an aggregate of US$185,000 as the Group was notified by the PRC authority that Dongguan Hung Yip Shoes Manufacturing Company Limited ("Dongguan Hung Yip"), a wholly-owned subsidiary of the Company before completion of the disposal of KTP (BVI) Company Limited and its subsidiaries ("KTP (BVI) Group") as set out in note 25(a), had finalised the legal ownership applications as detailed in note 25(a) and was confirmed as the formal applicant of these buildings. In the opinion of the directors of the Company, the Group no longer entitled to the benefits and interests or required to bear any costs and expenses arising from and/or incurred in respect of these buildings.

16. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2011 **US$'000**	2010 *US$'000*
Analysed for reporting purposes as:		
Non-current assets	—	85
Current assets	—	85
	—	170

16. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS *(Continued)*

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

(b) During the year ended 31st March 2010, the estimated useful lives of the land use rights held by the Group had been re-determined according to the earliest date when the Group might lose the rights to use the assets in 2012 as detailed in note 25(a).

During the year ended 31st March 2011, the Group had written off these land use rights amounting to US$121,000 as the Group was notified by the PRC authority that Dongguan Hung Yip had finalised the legal ownership applications as detailed in note 25(a) and was confirmed as the formal applicant of these land use rights. In the opinion of the directors of the Company, the Group no longer entitled to the benefits and interests or required to bear any costs and expenses arising from and/or incurred in respect of these land use rights.

17. INVENTORIES

	2011	2010
	US$'000	*US$'000*
Raw materials	**3,114**	2,858
Work-in-progress	**493**	277
Finished goods	**1,699**	971
	5,306	4,106

18. TRADE RECEIVABLES

	2011	2010
	US$'000	*US$'000*
Trade receivables	**3,983**	1,935

18. 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 at the end of the reporting period presented based on the invoice date is as follows:

	2011	2010
	US$'000	*US$'000*
Within 30 days	**2,443**	1,206
31 to 60 days	**1,297**	724
61 to 90 days	**224**	—
Over 90 days	**19**	5
	3,983	1,935

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$238,000 (2010: US$33,000) 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:

	2011	2010
	US$'000	*US$'000*
Within 30 days	**218**	—
31 to 90 days	**1**	33
Over 90 days	**19**	—
	238	33

(d) There were no impairment losses of trade receivables for two years ended 31st March 2011 and 2010.

18. TRADE RECEIVABLES *(Continued)*

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

	2011	2010
	US$'000	*US$'000*
HK$	**1,161**	726

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprised:

	2011	2010
	US$'000	*US$'000*
Unlisted debt securities outside Hong Kong, at fair value	—	452

20. HELD FOR TRADING INVESTMENTS

Held for trading investments comprised:

	2011	2010
	US$'000	*US$'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

21. 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 0.01% to 0.3% (2010: 0.02% to 3.58%) per annum with an original maturity of three months or less.

(b) Cash at bank denominated in RMB of approximately US$67,000 (2010: US$89,000) 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.

21. CASH HELD AT A NON-BANK FINANCIAL INSTITUTION/BANK BALANCES AND CASH *(Continued)*

(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:

	2011	2010
	US$'000	*US$'000*
RMB	**71**	93
HK$	**30,823**	4,542
AU$	**—**	507
Euro	**—**	500
	30,894	5,642

22. TRADE PAYABLES

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

	2011	2010
	US$'000	*US$'000*
Within 30 days	**1,506**	458
31 to 60 days	**706**	382
61 to 90 days	**85**	3
Over 90 days	**7**	9
	2,304	852

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:

	2011	2010
	US$'000	*US$'000*
RMB	**1,536**	754
HK$	**44**	58
	1,580	812

23. SHARE CAPITAL

	Par value of shares *HK$*	Number of ordinary shares	Value *US$'000*
Authorised:			
At 1st April 2009, 31st March 2010 and 31st March 2011	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2009, 31st March 2010 and 31st March 2011	0.01 each	340,616,934	440

24. 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 of directors at the time the option is offered to the participants.

24. SHARE OPTIONS *(Continued)*

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.

25. 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 the 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
Deposits and prepayments	617
Tax reserve certificates	2,479
Bank balances and cash	8,031
Trade payables	(193)
Accruals and other payables	(1,271)
Tax payable	(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

25. 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.

As part of the disposal of KTP (BVI) Group, an agreement was reached among Brave Win Industries Limited ("Brave Win"), the Company and Peak Rise according to the《東莞市已建房屋補辦房地產權手續總體方案》issued by the PRC authority on 15th April 2009. Pursuant to the《東莞市已建房屋補辦房地產權手續總體方案》, a right was granted to the user of the land situated in the PRC together with leasehold buildings constructed thereon to perfect its legal ownership by applying to the PRC authority with a deadline on 19th April 2012, failing which the PRC authority shall deal with such land use rights and leasehold buildings strictly in accordance with the relevant law and regulations.

Brave Win, a wholly-owned subsidiary of the Company and the user of the land use rights and leasehold buildings, is not a legal entity in the PRC for the purpose of making the relevant applications pursuant to the legal opinion obtained by the Group. Pursuant to the above-mentioned agreement, Brave Win had resolved to have Dongguan Hung Yip to take up the right in place of Brave Win for making the relevant applications. An option was further granted to Brave Win to purchase or lease the land use rights and leasehold buildings from Dongguan Hung Yip for continuing of operations after Dongguan Hung Yip had obtained the legal ownership of the land use rights and leasehold buildings, subject to such terms and conditions as negotiated by both parties.

During the year ended 31st March 2011, Dongguan Hung Yip had finalised the legal ownership applications and was confirmed as a formal applicant of these land use rights and leasehold buildings by the PRC authority.

25. 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 Group, 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.

26. RELATED PARTY TRANSACTIONS

(a) During the year ended 31st March 2010, the Group had 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 cash consideration of US$18,000,000. Details of the disposal are set out in note 25.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the two years ended 31st March 2011 and 2010 were as follows:

	2011	2010
	US$'000	*US$'000*
Short-term benefits	**1,232**	735
Post-employment benefits	**6**	4
	1,238	739

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

27. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2011** **US$'000**	2010 US$'000
Non-current assets			
Property, plant and equipment		**—**	—
Investment in a subsidiary		**1**	1
		1	1
Current assets			
Deposits and prepayments		**2**	2
Amount due from a subsidiary	*(a)*	**3,692**	31,967
Bank balances and cash		**30,785**	86
		34,479	32,055
Current liability			
Accruals and other payables		**31**	42
Net current assets		**34,448**	32,013
Total assets less current liabilities		**34,449**	32,014
Capital and reserves			
Share capital		**440**	440
Reserves	*(b)*	**34,009**	31,574
Total equity		**34,449**	32,014

Notes:

(a) The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

(b) The reserves' movements of the Company

	Contributed surplus *US$'000*	**Retained earnings** *US$'000*	**Total** *US$'000*
At 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 13)*	—	(13,101)	(13,101)
At 31st March 2010 and 1st April 2010	15,088	16,486	31,574
Total comprehensive income for the year	—	2,435	2,435
At 31st March 2011	15,088	18,921	34,009

28. PARTICULARS OF SUBSIDIARIES

As at 31st March 2011 and 2010, the Company had direct and indirect equity interests in the following subsidiaries:

Name	Place of incorporation/ operations	Principal activity	Issued share capital	Group equity interests
China Compass Investments Limited	BVI/Hong Kong	Investment holding	1,000 ordinary shares of US$1 each	100%[1]
Brave Win Industries Limited	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%
TP Industrial Limited	BVI/Hong Kong	Investment holding	100 ordinary shares of US$1 each	100%

[1] *directly held by the Company*

None of the subsidiaries had issued any debt securities subsisting at 31st March 2011 and 2010 or any time during the years.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31st March				
	2011	2010	2009	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	**29,099**	18,082	64,275	94,612	101,578
Profit (loss) before tax	**845**	2,295	3,271	(4,070)	7,603
Income tax expense	**(48)**	—	(3,009)	—	—
Profit (loss) for the year attributable to owners of the Company	**797**	2,295	262	(4,070)	7,603

ASSETS AND LIABILITIES

	As at 31st March				
	2011	2010	2009	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**41,241**	38,086	53,133	61,880	67,794
Total liabilities	**(4,532)**	(2,166)	(6,411)	(15,305)	(15,896)
Total equity	**36,709**	35,920	46,722	46,575	51,898