1 CHANGE IN REPORTING CURRENCY

With effect from 1st April 2003, the Group has changed its reporting currency from Hong Kong Dollars to US Dollars as most of the Group's transactions are conducted and denominated in US Dollars. The comparative figures in these accounts have been translated from Hong Kong Dollars to US Dollars using the exchange rates ruling at 31st March 2002 and 31st March 2003.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the revised Statement of Standard of Accounting Practice No. 12 "Income Taxes" ("SSAP 12") issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The effect of adopting revised SSAP 12 is set out in the accounting policies note 2 (l) below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries (the "Group") made up to 31st March, with the exception of the accounts of the subsidiaries in Indonesia because the directors are of the opinion that their inclusion would be misleading and inappropriate, given the Group's control of their operations has been significantly impaired since February 1999. The Group's interest in these subsidiaries is stated at the attributable net asset value at the time the restrictions came into force less provision for impairment losses, as more fully explained in note 14 to the accounts.

Subsidiaries are those entities in which the Company controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital, or by way of having the power to govern its financial and operating policies so that the Company obtains benefits from these activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January 2001 was taken to reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously taken to reserves has not been restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill taken to reserves to the extent it has not been previously realised in the profit and loss account.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the remaining period of the lease. Other property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	2% or over the lease term, if shorter
Buildings	5%
Leasehold improvements	25%
Plant, machinery and tools	10% – 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods .

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Investment securities

Investment securities are held for long-term and are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.

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

(ii) Bonus plan

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group and the Company 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.

(iii) Pension obligations

The Group operates defined contribution plans. The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held in separate trustee-administered fund.

Commencing from 1st December 2000, the Group's Hong Kong employees may elect to join the Mandatory Provident Fund (the "MPF"). The Group's contributions to the MPF are expensed as incurred and are 100% vested in the employees as soon as they are paid to the MPF 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 is a defined contribution retirement scheme administered by independent trustees.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 does not have material impact to the current year and prior year's financial statements of the Group.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group and the Company.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated into US Dollars at an average rate. Exchange differences are dealt with in the profit and loss account.

(o) Revenue recognition

Revenue from the 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.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

Subcontracting income is recognised when service is rendered.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets (note 12).

No analysis of segment information by business segment is presented as the Group has been engaged in the manufacturing and sale of footwear products only.

3 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. Turnover represents gross invoiced sales of sports footwear net of returns and discounts. Revenues recognised during the year are as follows:

	2004	2003
	US$'000	US$'000
Turnover		
Sales of goods	**116,300**	115,219
Other revenues		
Bank interest income	**63**	6
Rental income	**503**	499
Net gain on disposal of fixed assets	**197**	80
Interest on rental advances	**–**	7
Subcontracting income	**49**	97
Others	**694**	711
	1,506	1,400
Total revenues	**117,806**	116,619

3 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

The Group is currently marketed to five major geographical segments based on the locations of its customers. An analysis of the Group's result by geographical segment based on the country in which the customer is located and geographical analysis on segment assets, liabilities, capital expenditure and depreciation based on the locations of assets are as follows:

	2004			
	Turnover US$'000	Segment result US$'000	Segment assets US$'000	Segment liabilities US$'000
North America	78,370	4,192	–	–
Europe	14,407	771	–	–
Asia (other than Mainland China and Hong Kong)	4,371	234	105	–
Mainland China	15,671	838	42,454	15,791
Hong Kong	723	39	8,350	403
Others	2,758	148	–	–
		6,222		
Unallocated costs		(956)		
Operating profit before finance cost		5,266		
Finance cost		(3)		
Profit before taxation		5,263		
Taxation		–		
Profit attributable to shareholders		5,263		
Total	116,300		50,909	16,194

3 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	2003			
	Turnover US$'000	Segment result US$'000	Segment assets US$'000	Segment liabilities US$'000
North America	73,181	4,849	–	–
Europe	20,115	1,333	–	–
Asia (other than Mainland China and Hong Kong)	5,761	382	251	–
Mainland China	11,278	747	44,210	18,059
Hong Kong	847	56	5,530	724
Others	4,037	268	–	–
		7,635		
Unallocated costs		(310)		
Operating profit before finance cost		7,325		
Finance cost		(1)		
Provision for impairment loss on land and buildings		(387)		
Profit before taxation		6,937		
Taxation		–		
Profit attributable to shareholders		6,937		
Total	115,219		49,991	18,783

3 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	Capital expenditure		Provision for impairment loss		Depreciation	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Mainland China	**2,249**	1,708	**–**	–	**2,216**	2,445
Hong Kong	**–**	–	**–**	387	**52**	52
	2,249	1,708	**–**	387	**2,268**	2,497

No analysis of segment information by business segment is presented as the Group has been engaged in the manufacturing and sale of footwear products only.

4 OPERATING PROFIT BEFORE FINANCE COST

Operating profit before finance cost is stated after charging and crediting the following:

	2004	2003
	US$'000	US$'000
Charging/(crediting)		
Staff costs (including directors' emoluments) *(Note 10)*	**18,876**	19,324
Depreciation	**2,268**	2,497
Exchange gain, net	**(34)**	(158)
Operating lease rentals for land and buildings	**573**	549
Auditors' remuneration	**86**	72

5 FINANCE COST

	2004	2003
	US$'000	US$'000
Interest on bank overdrafts	**3**	1

6 TAXATION

(a) Hong Kong profits tax is provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profits for the year (2003: Nil). In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. No provision for overseas taxation has been made in the accounts as the Group has no assessable overseas profits for the year.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2004	2003
	US$'000	US$'000
Profit before taxation	**5,263**	6,937
Calculated at a taxation rate of 17.5% (2003: 16%)	**921**	1,110
Effect of different taxation rates in other countries	**200**	(95)
Income not subject to taxation	**(1,142)**	(1,015)
Expenses not deductible for taxation purposes	**21**	–
Taxation charge	**–**	–

6 TAXATION (Continued)

(b) Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$2,498,000 (2003: US$4,263,000) to carry forward against future taxable income in respect of its PRC subsidiaries, of which US$324,000 will expire on 31st December 2004 and the remaining balances of US$2,174,000 will expire by 31st December 2006.

There was no other material unprovided deferred taxation for the year (2003: Nil).

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US$2,862,000 (2003: US$7,620,000).

8 DIVIDENDS

	2004	2003
	US$'000	US$'000
Interim dividend, paid of HK$0.01 (2003: HK$0.01) per ordinary share	**437**	440
Final dividend, proposed of HK$0.03 (2003: HK$0.03) per ordinary share *(Note)*	**1,310**	1,319
	1,747	1,759

Note:

At a board meeting held on 22nd July 2004, the directors recommended a final dividend of HK$0.03 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2005.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$5,263,000 (2003: US$6,937,000) and the weighted average number of 340,616,934 (2003: 340,616,934) shares in issue during the year.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st March 2004 and 2003.

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	US$'000	US$'000
Wages and salaries	**18,418**	18,891
Termination benefits	**50**	94
Pension costs less forfeited contributions		
– defined contribution plans *(Note)*	**408**	339
	18,876	19,324

Note:

The Group contributes to a defined contribution retirement scheme for those eligible employees who have elected to participate in the scheme. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The Group's contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions of US$16,008 were utilised during the year (2003: US$52,000).

Commencing from 1st December 2000, the Group's Hong Kong employees may elect to join the Mandatory Provident Fund Scheme ("MPF"). Both employer and employee have to contribute 5% of the "relevant income" of such employee or US$1,000, whichever is lower, to the MPF.

The Group is also required to make contributions to defined contribution schemes managed by the local municipal governments of various cities in Mainland China at certain percentages of the employee's salaries and bonus.

The retirement benefit scheme cost charged to the profit and loss account represents contributions paid by the Group to the schemes.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments payable to the directors of the Company during the year are as follows:

	2004	2003
	US$'000	US$'000
Fees	**13**	21
Basic salaries, housing allowances, other allowances and benefits-in-kind	**167**	217
Retirement benefit costs	**5**	23
	185	261

No discretionary bonuses, inducement fees and compensation for loss of office were paid to the directors during the year (2003: Nil).

Directors' fees disclosed above include US$12,821 (2003: US$20,645) paid to independent non-executive directors.

The emoluments of the directors fall within the following bands:

Emoluments band

	Number of directors	
	2004	2003
HK$Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	1
	4	4

No directors waived their emoluments in respect of the years ended 31st March 2004 and 2003.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2003: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the four individuals (2003: four) during the year, which fall within the range of HK$Nil – HK$1,000,000 (2003: HK$Nil – HK$1,000,000), are as follows:

	2004	2003
	US$'000	US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**271**	259
Discretionary bonuses	**44**	127
Retirement benefit costs	**24**	20
	339	406

12 FIXED ASSETS

(a) Group

	Medium term leasehold land and buildings: Outside Hong Kong	Medium term leasehold land and buildings: In Hong Kong	Leasehold improvements	Plant, machinery and tools	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost							
At 1st April 2003	7,031	1,025	601	16,040	312	177	25,186
Additions	–	–	431	1,534	198	86	2,249
Disposals/written off	–	–	(141)	(2,289)	(106)	–	(2,536)
At 31st March 2004	**7,031**	**1,025**	**891**	**15,285**	**404**	**263**	**24,899**
Accumulated depreciation and impairment loss							
At 1st April 2003	2,309	754	270	9,866	212	15	13,426
Charge for the year	302	52	175	1,551	128	60	2,268
Disposals/written off	–	–	(141)	(2,282)	(106)	–	(2,529)
At 31st March 2004	**2,611**	**806**	**304**	**9,135**	**234**	**75**	**13,165**
Net book value							
At 31st March 2004	**4,420**	**219**	**587**	**6,150**	**170**	**188**	**11,734**
At 31st March 2003	4,722	271	331	6,174	100	162	11,760

12 FIXED ASSETS (Continued)

(b) Company

	Medium term leasehold land and building in Hong Kong US$'000
Cost	
At 1st April 2003 and 31st March 2004	**1,025**
Accumulated depreciation and impairment loss	
At 1st April 2003	754
Charge for the year	52
At 31st March 2004	**806**
Net book value	
At 31st March 2004	**219**
At 31st March 2003	271

13 INVESTMENTS IN SUBSIDIARIES

	Company 2004 US$'000	2003 US$'000
Unlisted shares, at cost	**39,264**	39,264
Amounts due from subsidiaries	**89,080**	83,696
Amounts due to subsidiaries	**(10,742)**	(8,439)
	117,602	114,521
Less: Provision for impairment loss	**(85,495)**	(83,495)
	32,107	31,026

Balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13 INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31st March 2004:

Name	Place of incorporation/ operations	Principal activity	Issued share capital/ registered capital	Group equity interest
KTP (BVI) Company Limited	British Virgin Islands/ Hong Kong	Investment holding	100 ordinary shares of US$1 each	100%[1]
Kong Tai Shoes Manufacturing Company Limited	Hong Kong/ People's Republic of China	Manufacture of footwear	1,000 ordinary shares of HK$1 each and 31,500,000 non-voting deferred shares of HK$1 each	100%
Brave Win Industries Limited	Hong Kong/ People's Republic of China	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%
Choy Fung Industrial Limited	Hong Kong/ People's Republic of China	Provision of poly-clothing work	100 ordinary shares of HK$1 each and 4,500,000 non-voting deferred shares of HK$1 each	100%
Dongguan Hung Yip Shoes Manufacturing Co. Ltd.	People's Republic of China	Manufacture of footwear	Registered capital of HK$125,480,000	100%
TP Industrial Limited	Hong Kong	Investment holding	10,000 ordinary shares of HK$1 each, 10,300,000 non-voting deferred shares of HK$1 each and 800,000 non-voting ordinary "A" shares of HK$1 each	100%

[1] *directly held by the Company*

Note:

As at 31st March 2004, the issued/registered capital of each of the above subsidiaries has been fully paid up except for Dongguan Hung Yip Shoes Manufacturing Co. Ltd. whose paid up capital is HK$112,510,047 (2003: HK$112,510,047).

14 NON-CONSOLIDATED SUBSIDIARIES

	Group 2004 US$'000	2003 US$'000
Unlisted shares, at cost	**4,589**	4,589
Attributable post-acquisition reserves	**(54,530)**	(54,530)
	(49,941)	(49,941)
Amounts receivable	**65,714**	65,714
	15,773	15,773
Less: Provision for impairment loss	**(15,773)**	(15,773)
	–	–

Details of the non-consolidated subsidiaries, which are incorporated in Indonesia are as follows:

Name	Principal activity	Issued share capital	Group equity interest
P T Kong Tai Indonesia Shoes Manufacturing ("KTI")	Dormant	4,000 ordinary shares of US$1,000 each	80%
P T Worldbest Raya Industry ("WRI")	Dormant	1,700 ordinary shares of US$1,000 each	80%

The Group's control of both KTI and WRI has been significantly impaired by severe restriction since February 1999 and they have been excluded from consolidation since 1st February 1999.

Given the Group's loss of control of the non-consolidated subsidiaries, the directors are of the opinion that the cost of obtaining the financial information, for the disclosure of the Group's share of post-de-consolidation results of these subsidiaries pursuant to paragraph 24 of the Tenth Schedule to the Hong Kong Companies Ordinance, would involve delay and expense out of proportion to the benefit of the shareholders of the Company. Accordingly, the required information is not disclosed.

15 INVESTMENT SECURITIES

	Group	
	2004	2003
	US$'000	US$'000
Unlisted equity securities outside Hong Kong, at cost	**1,718**	1,718
Less: Provision for impairment loss	**(1,718)**	(1,718)
	–	–

Details of the investee companies which are incorporated in Indonesia are as follows:

Name	Principal activity	Issued share capital	Group equity interest
PT Sung Shin Indonesia	Manufacture of sole units	15,525,000 ordinary shares of Rp1,000 each	35%
PT Hanif Dinamika	Dormant	1,840,000 ordinary shares of Rp1,000 each	35%
PT Korea Polymer Indonesia	Manufacture of sole units	1,680,000 ordinary shares of Rp1,000 each	44%

The Group has no significant influence in the management of the above investment companies and accordingly they are not treated as associated companies of the Group.

16 INVENTORIES

	Group	
	2004	2003
	US$'000	US$'000
Raw materials	**6,291**	6,804
Work-in-progress	**2,904**	3,570
Finished goods	**4,961**	5,831
	14,156	16,205

At 31st March 2004 and 2003, all inventories were stated at cost.

17 ACCOUNTS RECEIVABLE AND DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Accounts receivable *(Note)*	**14,186**	15,946	**–**	–
Prepayments and deposits	**641**	497	**4**	4
	14,827	16,443	**4**	4

17 ACCOUNTS RECEIVABLE AND DEPOSITS (Continued)

Note:

The Group allows an average credit period of 30 to 60 days to its trade customers and the ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) was as follows:

	Group	
	2004	2003
	US$'000	US$'000
Current to 30 days	**9,203**	8,547
31-60 days	**4,657**	6,844
61-90 days	**234**	555
Over 90 days	**92**	–
	14,186	15,946

18 BANK BALANCES AND CASH

Included in the bank balances and cash of the Group are Renminbi deposits and cash in Mainland China of US$2,702,000 (2003: US$348,000). Renminbi is not a freely convertible currency.

19 ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Accounts payable *(Note)*	**10,014**	12,326	**–**	–
Accruals and other payable	**5,937**	5,991	**148**	254
	15,951	18,317	**148**	254

19 ACCOUNTS PAYABLE AND ACCRUALS (Continued)

Note:

At 31st March 2004, the ageing analysis of accounts payables was as follows:

	Group	
	2004	2003
	US$'000	US$'000
Current to 30 days	**4,340**	4,256
31-60 days	**3,455**	5,274
61-90 days	**998**	2,796
Over 90 days	**1,221**	–
	10,014	12,326

20 SHARE CAPITAL

	Par value of shares	Number of ordinary shares	Value
	HK$		US$'000
Authorised:			
At 1st April 2002, 1st April 2003 and 31st March 2004	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2002, 1st April 2003 and 31st March 2004	0.01 each	340,616,934	440

21 RESERVES

Group

	Contributed surplus *(note a)* US$'000	Retained profits US$'000	Total US$'000
At 1st April 2003	1,466	29,302	30,768
Profit for the year	–	5,263	5,263
2003 final dividend, paid *(Note 8)*	–	(1,319)	(1,319)
2004 interim dividend, paid *(Note 8)*	–	(437)	(437)
At 31st March 2004	1,466	32,809	34,275
Representing:			
Reserves	1,466	31,499	32,965
Proposed final dividend *(Note 8)*	–	1,310	1,310
Total reserves as at 31st March 2004	1,466	32,809	34,275
At 1st April 2002	1,466	24,124	25,590
Profit for the year	–	6,937	6,937
2002 final dividend, paid *(Note 8)*	–	(1,319)	(1,319)
2003 interim dividend, paid *(Note 8)*	–	(440)	(440)
At 31st March 2003	1,466	29,302	30,768
Representing:			
Reserves	1,466	27,983	29,449
Proposed final dividend *(Note 8)*	–	1,319	1,319
Total reserves as at 31st March 2003	1,466	29,302	30,768

21 RESERVES (Continued)

Company

	Contributed surplus (note a) US$'000	Retained profits US$'000	Total US$'000
At 1st April 2003	15,088	15,585	30,673
Profit for the year	–	2,862	2,862
2003 final dividend, paid *(Note 8)*	–	(1,319)	(1,319)
2004 interim dividend, paid *(Note 8)*	–	(437)	(437)
At 31st March 2004 *(Note b)*	15,088	16,691	31,779
Representing:			
Reserves	15,088	15,381	30,469
Proposed final dividend *(Note 8)*	–	1,310	1,310
Total reserves as at 31st March 2004 *(Note b)*	15,088	16,691	31,779
At 1st April 2002	15,088	9,724	24,812
Profit for the year	–	7,620	7,620
2002 final dividend, paid *(Note 8)*	–	(1,319)	(1,319)
2003 interim dividend, paid *(Note 8)*	–	(440)	(440)
At 31st March 2003 *(Note b)*	15,088	15,585	30,673
Representing:			
Reserves	15,088	14,266	29,354
Proposed final dividend *(Note 8)*	–	1,319	1,319
Total reserves as at 31st March 2003 *(Note b)*	15,088	15,585	30,673

21 RESERVES (Continued)

Notes:

(a) 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.

(b) The reserve of the Company available for distribution to shareholders as calculated under the Act as at 31st March 2004 amounted to US$31,779,000 (2003: US$ 30,673,000).

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the year to net cash inflow from operations

	2004	2003
	US$'000	US$'000
Profit before taxation	**5,263**	6,937
Provision for impairment loss on land and buildings	**–**	387
Depreciation	**2,268**	2,497
Gain on disposal of fixed assets	**(197)**	(80)
Interest income	**(63)**	(6)
Interest expenses	**3**	1
Operating profit before working capital changes	**7,274**	9,736
Decrease/(increase) in inventories	**2,049**	(4,003)
Decrease/(increase) in accounts receivable and deposits	**1,616**	(6,465)
Decrease in rental advances	**–**	258
Decrease in bills receivable	**424**	397
(Decrease)/increase in accounts payable and accruals	**(2,366)**	4,241
Decrease in bills payable	**(294)**	(172)
Net cash inflow generated from operations	**8,703**	3,992

23 CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Guarantees executed in favour of banks to secure banking and loan facilities granted to subsidiaries	**–**	–	**1,434**	3,423

24 COMMITMENTS

(a) Capital commitments outstanding at 31st March 2004 were as follows:

	Group	
	2004	2003
	US$'000	US$'000
Contracted but not provided for	**129**	–

(b) Commitments under operating leases

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	US$'000	US$'000
Not later than one year *(Note)*	**464**	458
Later than one year and not later than five years *(Note)*	**1,795**	1,820
Later than five years *(Note)*	**12,078**	12,012
	14,337	14,290

24 COMMITMENTS (Continued)

(b) Commitments under operating leases (Continued)

Note:

Included in the balances were operating lease commitments in respect of rentals payable to Bao An Xian provincial government for the use of factory premises by the Group pursuant to a non-cancellable operating lease for a lease term of fifty years. These balances, which are stated at the present value of the future aggregate minimum lease payments at the applicable prevailing prime rate of 5% (2003: 5%), are as follows:

	Group	
	2004	2003
	US$'000	US$'000
Not later than one year	**375**	369
Later than one year and not later than five years	**1,499**	1,474
Later than five years	**12,078**	11,972
	13,952	13,815

(c) The Company did not have any commitments at 31st March 2004 (2003: Nil)

25 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22nd July 2004.