1 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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except, as disclosed in the accounting policy below, certain properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries (the "Group") made up to 31st March.

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.

1 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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) *Other fixed assets*

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

(iii) *Depreciation*

Leasehold land of other properties 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%

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(iii) Depreciation (Continued)

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.

(iv) Impairment and gain or loss on sale

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 .

(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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Employee benefits (Continued)

(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.

The Group also participates in the defined contribution schemes operated by the local municipal governments in Mainland China. The relevant local municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the profit and loss account as incurred.

(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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 11).

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.

2 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:

	2005	2004
	US$'000	US$'000
Turnover		
Sales of goods	**112,666**	116,300
Other revenues		
Bank interest income	**175**	63
Gross rental income from investment properties	**492**	483
Gross rental income from other properties	**18**	20
Net gain on disposal of fixed assets	**–**	197
Subcontracting income	**54**	49
Others	**868**	694
	1,607	1,506
Total revenues	**114,273**	117,806

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

The Group is currently marketed to four 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:

	2005			
	Turnover US$'000	Segment result US$'000	Segment assets US$'000	Segment liabilities US$'000
North America	69,062	2,824	–	–
Europe	13,655	558	–	–
Asia (other than Mainland China)	10,030	410	10,042	371
Mainland China	16,059	657	50,140	17,681
Others	3,860	158	–	–
		4,607		
Unallocated costs		(380)		
Operating profit before finance cost		4,227		
Finance cost		(1)		
Operating profit		4,226		
Write back of provision for impairment loss on land and building		1,703		
Profit before taxation		5,929		
Taxation		–		
Profit attributable to shareholders		5,929		
Total	112,666		60,182	18,052

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	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)	5,094	273	8,455	403
Mainland China	15,671	838	42,454	15,791
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

	Capital expenditure		**Depreciation**	
	2005 **US$'000**	2004 US$'000	**2005** **US$'000**	2004 US$'000
Mainland China	**1,241**	2,249	**2,310**	2,216
Asia (other than Mainland China)	**–**	–	**52**	52
	1,241	2,249	**2,362**	2,268

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 OPERATING PROFIT BEFORE FINANCE COST

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

	2005	2004
	US$'000	US$'000
Charging/(crediting)		
Staff costs (including directors' emoluments) *(Note 9)*	**18,737**	18,876
Depreciation	**2,362**	2,268
Net exchange loss/(gain)	**134**	(34)
Operating lease rentals for land and buildings	**583**	573
Auditors' remuneration	**95**	86

4 FINANCE COST

	2005	2004
	US$'000	US$'000
Interest on bank overdrafts	**1**	3

5 TAXATION

(a) Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) 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 (2004: Nil).

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:

	2005	2004
	US$'000	US$'000
Profit before taxation	**5,929**	5,263
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**1,038**	921
Effect of different taxation rates in other countries	**614**	200
Income not subject to taxation	**(1,900)**	(1,142)
Expenses not deductible for taxation purposes	**248**	21
Taxation charge	**–**	–

(b) Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%)

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$2,793,000 (2004: US$2,498,000) to carry forward against future taxable income in respect of its PRC subsidiaries, of which US$624,000 will expire on 31st December 2005 and the remaining balances of US$2,169,000 will expire by 31st December 2009.

There was no other material unprovided deferred taxation for the year (2004: Nil).

5 TAXATION (Continued)

(c) During the year, Hong Kong Inland Revenue Department ("IRD") issued an additional profits tax assessments for a taxation charge of approximately HK$5,431,000 (equivalent to approximately US$696,000) relating to the year of assessment 1998/99, that is, for the financial year ended 31st March 1999, against a wholly-owned subsidiary of the Company. The Group lodged objections on 7th February 2005 with the IRD against the additional assessments. The IRD agreed to hold over the tax claimed completely subject to the Group's purchase of tax reserve certificates (the "TRC") in the above amount of approximately HK$5,431,000 (equivalent to approximately US$696,000). The TRC were purchased by the Group on 7th March 2005.

In the opinion of the directors, the subsidiary in question did not carry on any business and derived no profit in or from Hong Kong and therefore, the IRD should conclude that no profits tax is in fact payable by the Group for that year of assessment and no provision for Hong Kong profits tax in respect of the additional assessment or future additional assessment is considered necessary.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US$31,678,000 (2004: US$2,862,000).

7 DIVIDENDS

	2005	2004
	US$'000	US$'000
Interim dividend, paid of HK$0.01 (2004: HK$0.01) per ordinary share	**437**	437
Final dividend, proposed of HK$0.03 (2004: HK$0.03) per ordinary share *(Note)*	**1,310**	1,310
	1,747	1,747

Note:

At a board meeting held on 27th July 2005, 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 2006.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$5,929,000 (2004: US$5,263,000) and the weighted average number of 340,616,934 (2004: 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 2005 and 2004.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	US$'000	US$'000
Wages and salaries	**18,177**	18,418
Termination benefits	**25**	50
Pension costs less forfeited contributions		
– defined contribution plans *(Note)*	**535**	408
	18,737	18,876

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$16,965 were utilised during the year (2004: US$16,008).

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 HK$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.

10 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:

	2005	2004
	US$'000	US$'000
Fees	**15**	13
Basic salaries, housing allowances, other allowances and benefits-in-kind	**156**	167
Retirement benefit costs	**5**	5
	176	185

No discretionary bonuses, inducement fees and compensation for loss of office were paid to the directors during the year (2004: Nil).

Directors' fees disclosed above include US$15,385 (2004: US$12,821) paid to independent non-executive directors.

The emoluments of the directors fall within the following bands:

Emoluments band

	Number of directors	
	2005	2004
HK$Nil – HK$1,000,000	**4**	3
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	–
	5	4

No directors waived their emoluments in respect of the years ended 31st March 2005 and 2004.

10 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 (2004: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the four individuals (2004: four) during the year, which fall within the range of HK$Nil – HK$1,000,000 (2004: HK$Nil – HK$1,000,000), are as follows:

	2005	2004
	US$'000	US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**275**	271
Discretionary bonuses	**35**	44
Retirement benefit costs	**24**	24
	334	339

11 FIXED ASSETS

(a) Group

	Investment properties US$'000	Medium term leasehold land and buildings: Outside Hong Kong US$'000	Medium term leasehold land and buildings: In Hong Kong US$'000	Leasehold improvements US$'000	Plant, machinery and tools US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost or valuation								
At 1st April 2004	–	7,031	1,025	891	15,285	404	263	24,899
Additions	–	–	–	453	605	151	32	1,241
Write back of provision for impairment loss	1,703	–	–	–	–	–	–	1,703
Revaluation *(note 19)*	3,233	–	–	–	–	–	–	3,233
Disposals/written off	–	–	–	(91)	(944)	(54)	–	(1,089)
At 31st March 2005	**4,936**	**7,031**	**1,025**	**1,253**	**14,946**	**501**	**295**	**29,987**
Accumulated depreciation and impairment loss								
At 1st April 2004	–	2,611	806	304	9,135	234	75	13,165
Charge for the year	–	302	51	277	1,512	150	70	2,362
Disposals/written off	–	–	–	(91)	(944)	(54)	–	(1,089)
At 31st March 2005	**–**	**2,913**	**857**	**490**	**9,703**	**330**	**145**	**14,438**
Net book value								
At 31st March 2005	**4,936**	**4,118**	**168**	**763**	**5,243**	**171**	**150**	**15,549**
At 31st March 2004	–	4,420	219	587	6,150	170	188	11,734

The analysis of the cost or valuation of the above assets as at 31st March 2005 is as follows:

	Investment properties US$'000	Outside Hong Kong US$'000	In Hong Kong US$'000	Leasehold improvements US$'000	Plant, machinery and tools US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At cost	**–**	**4,118**	**168**	**763**	**5,243**	**171**	**150**	**10,613**
At valuation	**4,936**	–	**-**	**-**	**-**	**-**	**-**	**4,936**

The analysis of the cost or valuation of the above assets as at 31st March 2004 is as follows:

	Investment properties US$'000	Outside Hong Kong US$'000	In Hong Kong US$'000	Leasehold improvements US$'000	Plant, machinery and tools US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At cost	–	4,420	219	587	6,150	170	188	11,734

11 FIXED ASSETS (Continued)

(a) Group (Continued)

The Group's interests in investment properties which are all located outside Hong Kong are analysed at their net book values as follows:

	2005	2004
	US$'000	US$'000
Leases over 50 years	**–**	–
Leases of between 10 to 50 years	**4,936**	–
Leases of less than 10 years	**–**	–
	4,936	–

Investment properties were revalued at 31st March 2005 on the basis of their open market value by LCH (Asia-Pacific) Surveyors Limited, an independent firm of chartered surveyors.

Investment properties, located at 9-16 Hung Ye 9th Road, Hung Ye Industrial Park, Tangxia, Dongguan, Guangdong Province, the People's Republic of China, are for manufacturing, ancillary office, staff quarters and other supporting facilities purposes.

11 FIXED ASSETS (Continued)

(b) Company

	Medium term leasehold land and building in Hong Kong US$'000
Cost	
At 1st April 2004 and 31st March 2005	**1,025**
Accumulated depreciation and impairment loss	
At 1st April 2004	806
Charge for the year	51
At 31st March 2005	**857**
Net book value	
At 31st March 2005	**168**
At 31st March 2004	219

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	US$'000	US$'000
Unlisted shares, at cost	**39,264**	39,264
Amounts due from subsidiaries	**47,174**	89,080
Amounts due to subsidiaries	**(4,743)**	(10,742)
	81,695	117,602
Less: Provision for impairment loss	**(19,666)**	(85,495)
	62,029	32,107

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

12 INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31st March 2005:

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%
Dongguan Hung Fa Shoes Materials Co., Ltd.	People's Republic of China	Manufacture of sole units	Registered capital of HK$86,290,000	100%

[1] *directly held by the Company*

Note:

As at 31st March 2005, the issued/registered capital of each of the above subsidiaries has been fully paid up except for Dongguan Hung Yip Shoes Manufacturing Co., Ltd. and Dongguan Hung Fa Shoes Materials Co., Ltd. whose respective paid up capital are HK$123,281,520 and HK$76,331,226 (2004: HK$112,510,047 and HK$76,331,226) respectively.

12 INVESTMENTS IN SUBSIDIARIES (Continued)

The investments in the Group's non-consolidated subsidiaries, namely, PT Kong Tai Indonesia Shoes Manufacturing ("KTI") and PT Worldbest Raya Industry ("WRI") were fully written off in current year.

Both KTI and WRI have ceased operations since 1999 and 1998 respectively. Given the loss of control on these subsidiaries and the investments in these subsidiaries cannot be recovered in the foreseeable future, the directors are of the opinion that the inclusion of these subsidiaries in the accounts could be misleading and inappropriate.

Full provision had been made against the Group's total investment exposure in prior years and there will be no impact on the Group's current year profit and loss account.

13 INVESTMENT SECURITIES

	Group	
	2005	2004
	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.

14 INVENTORIES

	Group	
	2005	2004
	US$'000	US$'000
Raw materials	**6,868**	6,291
Work-in-progress	**2,291**	2,904
Finished goods	**6,090**	4,961
	15,249	14,156

At 31st March 2005 and 2004, all inventories were stated at cost.

15 ACCOUNTS RECEIVABLE AND DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Accounts receivable *(Note)*	**15,293**	14,186	**–**	–
Prepayments and deposits	**1,254**	641	**6**	4
	16,547	14,827	**6**	4

15 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	
	2005	2004
	US$'000	US$'000
Current to 30 days	**9,917**	9,203
31-60 days	**4,858**	4,657
61-90 days	**448**	234
Over 90 days	**70**	92
	15,293	14,186

16 BANK BALANCES AND CASH

Included in the bank balances and cash of the Group are Renminbi deposits and cash in Mainland China of US$3,800,000 (2004: US$2,702,000). Renminbi is not a freely convertible currency.

17 ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Accounts payable *(Note)*	**11,901**	10,014	**–**	–
Accruals and other payable	**5,913**	5,937	**130**	148
	17,814	15,951	**130**	148

17 ACCOUNTS PAYABLE AND ACCRUALS (Continued)

Note:

At 31st March 2005, the ageing analysis of accounts payable was as follows:

	Group	
	2005	2004
	US$'000	US$'000
Current to 30 days	**6,024**	4,340
31-60 days	**4,500**	3,455
61-90 days	**925**	998
Over 90 days	**452**	1,221
	11,901	10,014

18 SHARE CAPITAL

	Par value of shares	**Number of ordinary shares**	**Value**
	HK$		US$'000
Authorised:			
At 1st April 2003, 1st April 2004 and 31st March 2005	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2003, 1st April 2004 and 31st March 2005	0.01 each	340,616,934	440

19 RESERVES

Group

	Investment properties revaluation	Contributed surplus *(note a)*	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000
At 1st April 2004	–	1,466	32,809	34,275
Surplus on revaluation of investment properties	3,233	–	–	3,233
Profit for the year	–	–	5,929	5,929
2004 final dividend, paid *(Note 7)*	–	–	(1,310)	(1,310)
2005 interim dividend, paid *(Note 7)*	–	–	(437)	(437)
At 31st March 2005	3,233	1,466	36,991	41,690
Representing:				
Reserves	3,233	1,466	35,681	40,380
Proposed final dividend *(Note 7)*	–	–	1,310	1,310
Total reserves as at 31st March 2005	3,233	1,466	36,991	41,690
At 1st April 2003	–	1,466	29,302	30,768
Profit for the year	–	–	5,263	5,263
2003 final dividend, paid	–	–	(1,319)	(1,319)
2004 interim dividend, paid *(Note 7)*	–	–	(437)	(437)
At 31st March 2004	–	1,466	32,809	34,275
Representing:				
Reserves	–	1,466	31,499	32,965
Proposed final dividend *(Note 7)*	–	–	1,310	1,310
Total reserves as at 31st March 2004	–	1,466	32,809	34,275

19 RESERVES (Continued)

Company

	Contributed surplus (note a) US$'000	Retained profits US$'000	Total US$'000
At 1st April 2004	15,088	16,691	31,779
Profit for the year	–	31,678	31,678
2004 final dividend, paid *(Note 7)*	–	(1,310)	(1,310)
2005 interim dividend, paid *(Note 7)*	–	(437)	(437)
At 31st March 2005 *(Note b)*	15,088	46,622	61,710
Representing:			
Reserves	15,088	45,312	60,400
Proposed final dividend *(Note 7)*	–	1,310	1,310
Total reserves as at 31st March 2005 *(Note b)*	15,088	46,622	61,710
At 1st April 2003	15,088	15,585	30,673
Profit for the year	–	2,862	2,862
2003 final dividend, paid	–	(1,319)	(1,319)
2004 interim dividend, paid *(Note 7)*	–	(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 7)*	–	1,310	1,310
Total reserves as at 31st March 2004 *(Note b)*	15,088	16,691	31,779

19 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 2005 amounted to US$61,710,000 (2004: US$31,779,000).

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2005	2004
	US$'000	US$'000
Profit before taxation	**5,929**	5,263
Write back of provision for impairment loss on land and building	**(1,703)**	–
Depreciation	**2,362**	2,268
Gain on disposal of fixed assets	**–**	(197)
Interest income	**(175)**	(63)
Interest expenses	**1**	3
Operating profit before working capital changes	**6,414**	7,274
(Increase)/decrease in inventories	**(1,093)**	2,049
(Increase)/decrease in accounts receivable and deposits	**(1,720)**	1,616
(Increase)/decrease in bills receivable	**(30)**	424
Decrease in taxation recoverable	**4**	–
Increase/(decrease) in accounts payable and accruals	**1,863**	(2,366)
Increase/(decrease) in bills payable	**183**	(294)
Net cash inflow generated from operations	**5,621**	8,703

21 CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Guarantees executed in favour of banks to secure banking and loan facilities granted to subsidiaries	**–**	–	**1,238**	1,434

22 COMMITMENTS

(a) Capital commitments outstanding at 31st March 2005 were as follows:

	Group	
	2005	2004
	US$'000	US$'000
Contracted but not provided for	**9**	129

(b) Commitments under operating leases

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	US$'000	US$'000
Not later than one year *(Note)*	**468**	464
Later than one year and not later than five years *(Note)*	**1,728**	1,795
Later than five years *(Note)*	**11,752**	12,078
	13,948	14,337

22 COMMITMENTS (Continued)

(b) Commitments under operating leases (Continued)

Note:

Included in the balances were operating lease commitments in respect of rentals payable 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 5.25% (2004: 5%), are as follows:

	Group	
	2005	2004
	US$'000	US$'000
Not later than one year	**380**	375
Later than one year and not later than five years	**1,520**	1,499
Later than five years	**11,752**	12,078
	13,652	13,952

(c) The Company did not have any commitments at 31st March 2005 (2004: Nil)

23 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 27th July 2005.