KTP

ANNUAL REPORT
2008

KTP HOLDINGS LIMITED

Stock Code: 645

CONTENTS

CORPORATE INFORMATION

KTP Holdings Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

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

[1] *Independent non-executive directors*

AUDIT COMMITTEE

YUEN Sik Ming *(Chairman)*
NG Wai Hung
LEE Siu Leung

REMUNERATION COMMITTEE

YUEN Sik Ming *(Chairman)*
NG Wai Hung
LEE Siu Leung

NOMINATION COMMITTEE

YUEN Sik Ming *(Chairman)*
LEE Chi Keung, Russell
NG Wai Hung
LEE Siu Leung

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

YU Mee See, Maria

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISERS

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank

COMPANY WEBSITE

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

STOCK CODE

645

CHAIRMAN'S STATEMENT

KTP has a difficult year.

Same as other OEM in the Mainland China, KTP is facing the difficulties quite unlike any we have ever seen.

Over the past couple months, we have seen serious deterioration in the operating environment which have been caused by high oil prices, accelerated Renminbi appreciation against US dollars, rapid increase in minimum wages and substantial inflation in China. The industry-wide challenges are compounded for KTP by the fact that our major customer's overall worldwide sales have significantly dropped in the recent months. Furthermore, because of the land resumption by the local government of Mainland China, we are required to close down one of our factories located in Shenzhen, Mainland China, which caused significant disruption in our production. As a result, we suffer a significant loss during the year, the first loss recorded since I became the Chairman and CEO in 2001.

To face this very difficult operating environment, I believe we need to move with a sense of urgency to transform KTP. This however requires painful decisions. One of them is to lower a cost base that can match our near term revenue expectation. During the year, our headcount decreased by more than 2000 to 7000. We cut layers of management, and reorganise our operation structure. Decision to let go of so many colleagues, some of them have fought with me together for almost 20 years is really painful. I would like to take this opportunity to thank them for their past contributions.

In addition, I would like to express my sincere appreciation to our existing management team for their perseverance over the last few months. They have faced so many challenges and difficulties not experienced in their career life. In these volatile times, it is more critical than ever we need to work together.

Even though our management has made a significant progress in rebuilding the foundation of our business and setting the framework for better long term performance, I must confess that the path forward will not be easy and certain fundamental changes are needed for us to turn around KTP.

I appreciate your support in the past and look forward to your understanding and patience in this difficult time.

LEE Chi Keung, Russell
Chairman

Hong Kong, 28th July 2008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

It is undoubted that the Group faced severe challenges during the year. In spite of the encouraging results for the first half of 2007/2008, the Group reported loss attributable to shareholders amounting to US$4.1 million for the year ended 31st March 2008, an annual loss for the first time in 8 years.

The Group's major production base in Longgang, Shenzhen, Mainland China ("Shenzhen KTS Factory"), which accounted for over 50% of the Group's production capacity has to be closed as a result of the receipt of notice of early termination of leases and closure of factory by the landlords in early 2008. The reason for the early termination of the leases is that the local PRC government intends to redevelop the land occupied by the Group for town renewal purpose. The Group's consent for the early termination of the leases is due to the consideration that the local government of Mainland China will redevelop the whole Longgang district which may no longer be suitable for the manufacturing operation of the Group.

The Group is entitled to a total compensation of RMB40 million from the landlords as pursuant to the compensation agreements entered into with the landlords on 14th April 2008. The compensation amount was made with reference to a number of factors, including the obsolescence in plant and equipment, leasehold improvements, other expenses in relation to the relocation of the factory and the subsequent disruption in the Group's business.

As such, the Board had formulated a plan to relocate and closure of the Shenzhen KTS Factory as well as to streamline and restructure the overall production facilities of the Group in Mainland China during the year ("Relocation and Restructuring"). As at 31st March 2008, a restructuring provision and assets impairment of US$4.1 million were recognised, representing provision for employees compensation benefits of US$1.7 million and asset impairments on inventories and plant and machinery of US$2.4 million.

In the consideration of the above and the drop of orders placed by our major customer in the recent months, the Group's turnover decreased by 7% to US$94.6 million for the year ended 31st March 2008. The upsurge and disproportionate increase in the operating costs and administrative expenses of the Group resulting from the rising labour costs and the appreciation of the Renminbi against US dollars and most importantly, the substantial business interruption during the year had exacerbated the situation and led to a significant decline of the Group's profitability and reported a loss attributable to shareholders of US$4.1 million for the year ended 31st March 2008.

Other income for the year was US$2.6 million compared to US$3.2 million last year. The decrease was mainly due to the decrease in subcontracting income owing to the overall reduction of the Group's production capacity this year.

Other losses for the year mainly represented the fair value loss on investment properties of US$0.2 million and written off of a trademark purchased during the year at a consideration of RMB6.5million, equivalent to US$0.8 million recognised during the year.

It will be a tough road ahead. The Relocation and Restructuring is still in progress and the Shenzhen KTS Factory has been closed since May 2008. It is estimated that the Group's overall production capacity will be reduced by 50% for the coming year, which combined with the effect of the significant drop of our major customer's overall worldwide sales in the recent months, the Group's turnover is expected to be substantially reduced and it is therefore not optimistic that the Group's results will turn around in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND LIQUIDITY RESOURCES

As at 31st March 2008, the Group's financial resources and liquidity continued to be healthy. The reported cash and bank balances were US$21 million, as compared to US$22 million as at 31st March 2007. Included in the bank balances and cash of the Group were Renminbi deposits and cash of approximately US$8.6 million (31st March 2007: US$7.6 million) kept in Mainland China. Renminbi is not a freely convertible currency.

The Group continued to be essentially debt-free with minimal interest expense incurred for small balances of bills payables and bank overdrafts.

Financial Instruments

As at 31st March 2008, the Group recognised an impairment loss on held-to-maturity investments of US$57,000 which represented the investment in unlisted floating rate notes carried interests with reference to 3-months Libor. The significant decrease in the level of 3-months Libor during the year resulted in the corresponding decrease in the value of the notes held by the Group.

In addition, shares of certain Hong Kong listed companies with fair values of US$0.2 million were held by the Group as available-for-sale investments as at 31st March 2008 and the unrealised gains on the holding amounted to US$0.1 million at the balance sheet date.

Operating working capital

Trade receivables as at 31st March 2008 decreased by 10.4% over the last years' balance to US$11.4 million which was in line with the decrease in fourth quarter sales as compared to the same period last year. The average turnover days for both years were around 50 days. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

Inventories remained almost the same for both years and the average turnover days remained healthy at around 55 days for current and previously financial year respectively.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group had capital expenditures of US$2.5 million during the year for improving the production facilities and acquisition of plant and machinery in existing factories.

During the year, the Group set up a wholly-owned foreign enterprise in Mainland China, namely Huizhou Zhongguan Sporting Goods Co. Ltd. with a registered capital of US$10 million, of which US$2.1 million was paid during the year and its initial plan of operation is for the footwear manufacturing business. This company was still at a pre-operating stage as at 31st March 2008.

The Group generally relies on its internally generated cash flow and the existing banking facilities to finance its day to day operations and we believe that the Group has adequate financial resources to meet its funding requirement for our future business development.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present their report together with the audited consolidated financial statements for the year ended 31st March 2008.

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 35 to the consolidated financial statements.

An analysis of the Group's performance by geographical segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2008.

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 29 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 2008 amounted to US$46,219,000 (2007: US$47,615,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 20.

PRE-EMPTIVE RIGHTS

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

FIVE YEARS 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 56.

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.

REPORT OF THE DIRECTORS

DIRECTORS

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

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

[1] *Independent non-executive directors*

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

LEE Chi Keung, Russell, aged 51, is the chairman of the Company and chief executive officer of the Group. He is responsible for the Group's overall strategic planning as well as sales and marketing. He holds a bachelor of arts degree in economics and accounting from the University of Newcastle upon Tyne, the United Kingdom. He is a fellow of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 1993.

YU Mee See, Maria, aged 48, is the executive director of the Company and company secretary of the Group. She is responsible for the general management of the Group. She holds a bachelor degree from The London School of Economics and Political Science in the United Kingdom and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in 2001 and is the wife of Mr. LEE Chi Keung, Russell.

NG Wai Hung, aged 44, is an independent non-executive director of the Company. He is a practising solicitor and a partner in Iu Lai & Li Solicitors & Notaries, a Hong Kong law firm of solicitors and notaries. He has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong. He joined the Company in 1999. Mr. Ng is also an independent non-executive director of three companies listed on the Stock Exchange, namely Fortune Sun (China) Holdings Limited, Sanyuan Group Limited and Tomorrow International Holdings Limited.

LEE Siu Leung, aged 42, is an independent non-executive director of the Company. He is a certified public accountant practising in Hong Kong. He is a fellow of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Company in 2000.

YUEN Sik Ming, aged 51, is an independent non-executive director of the Company. He is a practising member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a member of Society of Registered Financial Planners. He is a practising director of Kingston C.P.A. Limited. Mr. Yuen is also an independent non-executive director and an audit committee member of Melbourne Enterprises Limited. He joined the Company in 2004 .

REPORT OF THE DIRECTORS

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

Senior Management

YEH Tsun Hsing, Steve, aged 52, is the vice-president of the Group. He has over 20 years of operational and management experience in footwear industry and he oversees the Group's product development and production operations. He joined the Group in 1990.

TENG Tien Tsai, aged 52, is the senior manager of the Group's production operations. He has over 20 years' experience in product management and production in footwear business. He joined the Group in 1989.

HUANG Huan Tung, aged 48, 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31st March 2008, 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 Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares of the Company

Name of directors	Number of shares held/interested		Percentage of issued share capital
LEE Chi Keung, Russell ("Mr. Lee")	191,809,484	*(Note)*	56.31%
YU Mee See, Maria ("Ms. Yu")	191,809,484	*(Note)*	56.31%

Note:

The corporate interests of 191,809,484 shares in the Company represent 81,205,184 shares held by Wonder Star Securities Limited ("Wonder Star") and 110,604,300 shares held by its wholly-owned subsidiary, Top Source Securities Limited. The entire issued share capital of Wonder Star is owned by Mr. Lee. In addition, Ms. Yu, the wife of Mr. Lee is deemed to be interested in these shares.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, none of the directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 31st March 2008.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2008, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests who are interested in 5% or more of the issued share capital of the Company.

Long position in shares of the Company

	Number of ordinary shares held, capacity and nature of interest					
Name	**Directly beneficially owned**	**Through spouse**	**Through controlled corporation**	**Investment manager**	**Total**	**Percentage of the issued share capital**
Wonder Star Securities Limited ("Wonder Star") *(Note (a))*	81,205,184	—	110,604,300	—	191,809,484	56.31%
Top Source Securities Limited ("Top Source")	110,604,300	—	—	—	110,604,300	32.47%
Yeoman Capital Management Pte. Ltd. *(Note (b))*	—	—	—	21,500,000	21,500,000	6.31%
Yeo Seng Chong *(Note (b))*	—	2,544,000	21,500,000	—	24,044,000	7.06%
Lim Mee Hwa *(Note (b))*	2,544,000	—	21,500,000	—	24,044,000	7.06%

Notes:

(a) The interests of Wonder Star include 81,205,184 shares held directly by Wonder Star and 110,604,300 shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

(b) Ms. Lim Mee Hwa ("Ms. Lim") is the spouse of Mr. Yeo Seng Chong ("Mr. Yeo") and Yeoman Capital Management Pte. Ltd is a controlled corporation of both Mr. Yeo and Ms. Lim.

MANAGEMENT CONTRACTS

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

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

CONNECTED TRANSACTION

During the year, the Group did not enter into any transactions with any connected persons.

REPORT OF THE DIRECTORS

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	4%
— five largest suppliers combined	26%

Sales

— the largest customer	75%
— five largest customers combined	92%

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 2008, the Group had a total of 7,000 (2007: 9,000) full time employees (including contracted manufacturing workers) in Hong Kong, Korea and Mainland China. 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 2008.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 12 to 15 to the annual report.

AUDITORS

Messrs. PricewaterhouseCoopers, who acted as auditors of the Company for the years ended 31st March 2004 and 2005 resigned on 29th May 2006 and Messrs. SHINEWING (HK) CPA Limited were appointed on 29th May 2006 to fill the casual vacancy following the resignation of Messrs. PricewaterhouseCoopers. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. SHINEWING (HK) CPA Limited as auditor of the Company.

On behalf of the Board
LEE Chi Keung, Russell
Chairman

Hong Kong, 28th July 2008

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 2008.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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 2008, save for the deviations from Code Provisions A.2.1., A.4.1 and A.4.2 as disclosed under the paragraphs "Chairman and chief executive officer" and "Appointment, re-election and removal of directors" respectively.

THE BOARD

Board composition and role

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

The Board is composed of two executive directors and three independent non-executive directors, whose biographical details and relevant relationships among them are disclosed under "Biographical details of directors and senior management" on pages 7 to 8.

During the year ended 31st March 2008, 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.

Chairman and executive officer

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

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

Directors' securities transactions

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March 2008. The Model Code also applies to other specified senior management of the Group.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board meetings

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

Name of directors	Number of board meetings attended	Attendance rate
Executive directors		
Mr. LEE Chi Keung, Russell *(Chairman)*	6/6	100%
Ms. YU Mee See, Maria	6/6	100%
Independent non-executive directors		
Mr. NG Wai Hung	2/6	33%
Mr. LEE Siu Leung	3/6	50%
Mr. YUEN Sik Ming	3/6	50%

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

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

Appointment, re-election and removal of directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Byelaws. The Board as a whole is responsible for reviewing the Board composition. The nomination committee was established on December 2005 to assist the Board in developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent directors. It also has the responsibility to maintain the Board's high level of skills and experience as well as ensuring transparency of the selection process with a view to diverse representation on the Board. There are three members in the nomination committee and is chaired by the Company's independent nonexecutive director. One meeting was held by nomination committee during the year to review the policy and structure for the nomination and appointment of directors and the meeting was attended by all its members. There was no nomination of directors to fill Board vacancies during the year.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years. Mr. LEE Siu Leung and Mr. Yuen Sik Ming shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The Company's circular dated 30th July 2008 contained information of the directors standing for re-election.

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

THE BOARD *(Continued)*

Appointment, re-election and removal of directors *(Continued)*

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

REMUNERATION OF DIRECTORS

The remuneration committee was established on December 2005 for the purposes of reviewing the remuneration policies of directors and senior management and satisfying itself that it is competitive and aligns directors' interests with those of shareholders. It also has the responsibility to make recommendation to the Board the criteria for assessing the performance of and considering the annual performance bonus for executive directors, senior management and the general staff. In line of good and fair practice, the committee currently consists of all independent non-executive directors.

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.

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

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for preparing all information and representations contained in the annual report for the year under review. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other 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 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 primary duty of the audit committee is to assist the Board in providing an independent review of the Group's financial accounts and internal control systems for quality, integrity and regulatory compliance. The audit committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors, including a review of the accounts for the six months ended 30th September 2007 and the year ended 31st March 2008.

The audit committee endorsed the accounting treatment adopted by the Group and had to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit committee *(Continued)*

The audit committee met three times during the financial year ended 31st March 2008 and the individual attendance of each member is set out below:

Name of directors	Number of board meetings attended	Attendance rate
Mr. NG Wai Hung	1/3	33%
Mr. LEE Siu Leung	3/3	100%
Mr. YUEN Sik Ming	3/3	100%

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 16 to 17. For the year ended 31st March 2008, the auditors of the Company only provided audit services to the Company.

The remuneration payable to the Company's external auditors in respect of audit services for the year ended 31st March 2008 amounted to US$94,000 (2007: US$61,000).

INTERNAL CONTROL

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The directors ensure that the publication and dispatch of the printed copies of corporate communications documents to shareholders are in a timely manner.

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

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

SHAREHOLDER RIGHTS

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

Details of rights to demand poll and procedures are included in the circular convening a general meeting to be dispatched to shareholders of the Company. 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
16/F., United Centre
95 Queensway, Hong Kong

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

We have audited the consolidated financial statements of KTP Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 55, which comprise the consolidated balance sheet as at 31st March 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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 2008 and of the Group's loss 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 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	Notes	2008 US$'000	2007 US$'000
Turnover	6	**94,612**	101,578
Cost of sales		**(90,039)**	(92,239)
Gross profit		**4,573**	9,339
Other income	6	**2,562**	3,216
Distribution costs		**(1,009)**	(974)
Administrative expenses		**(5,183)**	(4,129)
Other (losses)/gains, net	7	**(913)**	152
Restructuring provision and assets impairment	8	**(4,098)**	—
Finance costs	9	**(2)**	(1)
(Loss)/profit before taxation	10	**(4,070)**	7,603
Taxation	12	**—**	—
(Loss)/profit attributable to shareholders		**(4,070)**	7,603
Dividends		**—**	1,747
(Loss)/earnings per share		***US cents***	*US cents*
— Basic	14	**(1.2)**	2.2

CONSOLIDATED BALANCE SHEET

As at 31st March 2008

	Notes	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment	15	7,722	9,317
Investment properties	16	3,236	3,427
Prepaid lease payments on land use rights	17	1,151	1,185
Deposits for acquisition of land use rights	18	109	109
Held-to-maturity investments	19	444	501
Available-for-sale investments	20	247	201
Time deposit with original maturity over one year	21	—	1,000
		12,909	15,740
Current assets			
Inventories	23	14,401	14,235
Trade and bills receivables	24	11,382	12,710
Deposits, prepayments and other receivables		2,271	1,698
Prepaid lease payments on land use rights	17	34	34
Structured bank deposits	25	—	1,000
Derivative financial instruments	26	—	34
Bank balances and cash	27	20,883	22,343
		48,971	52,054
Current liabilities			
Trade and bills payables	28	7,486	8,676
Accruals and other payables		7,819	7,220
		15,305	15,896
Net current assets		33,666	36,158
Total assets less current liabilities		46,575	51,898
Capital and reserves			
Share capital	29	440	440
Reserves		46,135	50,148
Proposed final dividend		—	1,310
Total equity		46,575	51,898

The consolidated financial statements on pages 18 to 55 were approved and authorised for issue by the board of directors of the Company on 28th July 2008 and are signed on its behalf by:

LEE Chi Keung, Russell
Chairman

YU Mee See, Maria
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2008

	Share Capital	Contributed surplus	Investments revaluation reserve	Translation reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
1st April 2006	440	1,466	—	—	44,074	45,980
Fair value change on available-for-sale investments recognised directly in equity	—	—	62	—	—	62
Profit for the year	—	—	—	—	7,603	7,603
Total recognised income for the year	—	—	62	—	7,603	7,665
2006 final dividend paid	—	—	—	—	(1,310)	(1,310)
2007 interim dividend paid	—	—	—	—	(437)	(437)
At 31st March 2007/1st April 2007	440	1,466	62	—	49,930	51,898
Fair value change on available-for-sale investments recognised directly in equity	—	—	46	—	—	46
Exchange difference arising on translation of financial statements of foreign companies of the Group	—	—	—	11	—	11
Loss for the year	—	—	—	—	(4,070)	(4,070)
Total recognised income and expenses for the year	—	—	46	11	(4,070)	(4,013)
2007 final dividend paid	—	—	—	—	(1,310)	(1,310)
At 31st March 2008	**440**	**1,466**	**108**	**11**	**44,550**	**46,575**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2008

	2008 US$'000	2007 US$'000
Operating activities		
(Loss)/profit before taxation	**(4,070)**	7,603
Restructuring provision and assets impairment	**4,098**	—
Impairment on held-to-maturity investments	**57**	—
Written off of trademark	**828**	—
Gain on disposal of available-for-sale investments	**(163)**	—
Finance costs	**2**	1
Interest income	**(851)**	(918)
Dividend income from listed securities	**(1)**	—
Depreciation of property, plant and equipment	**1,796**	1,822
Amortisation of prepaid lease payment on land use rights	**34**	34
Gain on disposal of property, plant and equipment	**(11)**	(5)
Allowance for bad and doubtful debts	**30**	—
(Written back of)/allowance for inventories	**(93)**	122
Fair value loss/(gain) on investment properties	**191**	(118)
Fair value gain on derivative financial instruments	**—**	(34)
Decrease in derivative financial instruments	**34**	—
Operating cash flows before movements in working capital	**1,881**	8,507
(Increase)/decrease in inventories	**(73)**	123
Decrease in trade and bills receivables	**1,298**	465
Increase in deposits, prepayments and other receivables	**(573)**	(328)
Decrease in trade and bills payables	**(1,190)**	(1,224)
Decrease in accruals and other payables	**(1,220)**	(185)
Net cash generated from operating activities	**123**	7,358
Investing activities		
Purchase of property, plant and equipment	**(2,480)**	(1,935)
Deposits paid for acquisitions of land use rights	**—**	(109)
Purchase of trademark	**(828)**	—
Purchase of held-to-maturity investments	**—**	(501)
Purchase of available-for-sale investments	**—**	(139)
Proceeds from the disposal of available-for-sale investments	**163**	—
Decrease/(increase) in structured bank deposits	**1,000**	(1,000)
Decrease/(increase) in time deposit with original maturity over one year	**1,000**	(1,000)
Proceeds from the disposal of property, plant and equipment	**11**	5
Dividend received from listed securities	**1**	—
Interest received	**851**	918
Net cash used in investing activities	**(282)**	(3,761)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2008

	2008 *US$'000*	2007 *US$'000*
Financing activities		
Interests paid	**(2)**	(1)
2007/2006 final dividend paid	**(1,310)**	(1,310)
2007 interim dividend paid	**—**	(437)
Net cash used in financing activities	**(1,312)**	(1,748)
Net (decrease)/increase in cash and cash equivalents	**(1,471)**	1,849
Cash and cash equivalents at 1st April	**22,343**	20,494
Effect of foreign exchange rate changes	**11**	—
Cash and cash equivalents at 31st March, represented by bank balances and cash	**20,883**	22,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

1. GENERAL

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

The consolidated financial statements are presented in United States dollar ("US$"), which is the same as the functional currency of the Company. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "Board") on 28th July 2008.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention except that investment properties and certain financial instruments are measured at fair values as appropriate.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") which are relevant to the Group and effective for the Group's financial year beginning on 1st April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the new HKFRSs has resulted in the following areas:

In accordance with HKAS 1 (Amendment) "Capital Disclosures", the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 4 to the consolidated financial statements.

HKFRS 7 "Financial Instruments: Disclosures" is mandatory for reporting periods beginning on 1st January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 "Financial Instruments: Presentation and Disclosures" and has been adopted by the Group in its consolidated financial statements. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements.

The first-time application of HKAS 1 and HKFRS 7, however, has not resulted in any prior year adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior years are required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of new and revised HKFRSs *(Continued)*

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1st January 2009.
[2] Effective for annual periods beginning on or after 1st July 2009.
[3] Effective for annual periods beginning on or after 1st January 2008.
[4] Effective for annual periods beginning on or after 1st July 2008.

The directors of the Company are currently assessing the impact of these new and revised standards, amendments or interpretations but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) made up to 31st March. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

All significant intercompany transactions and balances, income and expenses within the Group are eliminated on consolidation. When 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.

In the summarised balance sheet of the Company, the investments in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Revenue recognition

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

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.

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.

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

Subcontracting income is recognised when service is rendered.

Dividend income is recognised when the shareholders' rights to receive payments have been established.

2.4 Borrowing costs

All other borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment, other than construction in progress is calculated using the straight-line method to write off their costs to their estimated residual values over their estimated useful lives at the following rates:

Leasehold buildings	5%
Leasehold improvements	25%
Plant and machinery	10% — 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Construction in progress represents plant and properties under construction and is stated at cost less any recognised impairment losses. No depreciation is provided on construction in progress until such time when construction work is completed and put into use and the costs of construction are transferred to the appropriate category of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Land use rights

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the consolidated income statement over the period of the rights using the straight-line method.

2.7 Investment properties

Investment property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement, as part of other gains, net.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

2.8 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 in the consolidated income statement immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

The Group's financial assets are classified into one of three categories, including loans and receivables, held-to-maturity investments and available-for-sale investments. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

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 on points 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.

Interest is recognised as an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, structured bank deposits, bank balances and cash and time deposit with original maturity over one year) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below). Amortised costs is calculated taking into account any discount or premium on acquisition and includes fees that are an intergral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories investments.

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date.

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 impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade 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 of 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, observable changes in national or local economic conditions that correlate with default on receivables.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The financial liabilities of the Group are mainly 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial instruments *(Continued)*

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

Equity instruments

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

Other financial liabilities

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

(c) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately.

Derivative financial instruments that are not designated as effective hedging instruments are classified as held for trading.

(d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.10 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 represents the estimated selling price in the ordinary course of business less the estimated expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.13 Foreign currency translation

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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in the consolidated income statement in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Foreign currency translation *(Continued)*

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 balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

2.14 Employee benefits

(a) Retirement benefits

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

The Group's employees in Mainland China 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, 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 entitlements

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

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 balance sheet date 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Leases

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

(a) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(b) The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statements on a straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.16 Provisions

Provisions are recognised when the Group has a present obligation as a result of past events and it is probable that the Group will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2.17 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 property, plant and equipment, investment properties, prepaid lease payments on land use rights, deposits paid for acquisition of land use rights, trademarks, held-to-maturity investment and available-for-sale investments, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure primarily comprises additions to property, plant and equipment and trademark (note 15).

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.

2.18 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION OF UNCERTAINTY

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Useful lives of property, plant and equipment

The Group's net carrying value of property, plant and equipment as at 31st March 2008 were approximately US$7,722,000 (2007: US$9,317,000). The Group's management determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment with reference to the 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 are different to previously 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 depreciation expense in the future periods.

(b) Estimate of fair values of investment properties

The fair values of investment properties have been determined with reference to independent valuations. The best evidence of fair value is current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional surveyor to determine the open market values for the investment properties of the Group. These valuations require the use of judgement and estimates.

(c) Estimated allowance for inventories

The management of the Group reviews an ageing analysis and carries out an inventory review on a product by product basis at each balance sheet date 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.

(d) Estimated allowance for bad and doubtful debts

The Group makes allowance for bad and doubtful debts based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. Allowances are recognised where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and the allowance for bad and doubtful debts is recognised in the year in which such estimates have been changed.

(e) Income taxes

As disclosed in note 12, Hong Kong Inland Revenue Department ("IRD") had initiated tax enquiries and issued additional assessments against a wholly-owned subsidiary of the Company in respect of offshore claim for its production activities in Mainland China. Objections have been filed against all these assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION OF UNCERTAINTY *(Continued)*

(e) Income taxes *(Continued)*

The board is of the opinion that the subsidiary in question did not carry on any business and derived no profit in or from Hong Kong and the payment of the additional taxes is not probable, no provision has been made in the consolidated financial statements.

If the objections made to the IRD were unsuccessful, there would be an increase in the Group's ultimate tax liability arising from this subsidiary.

(f) Estimation on restructuring provision

As disclosed in note 8, the Group has undergone extensive relocation and restructuring of its production facilities during the year. The restructuring provision recognised for the impairment of property, plant and equipment and inventories by the Group is based on management's evaluation on the Group's estimated future production capacity which requires the use of judgement and estimates.

4. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior years.

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

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings.

The Group monitors capital by maintaining a net cash position throughout the year.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in Mainland China. 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 3% and 23% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the Group.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures mainly to the extent of its receivables and payables in currencies other than US$, primarily with Hong Kong dollars ("HK$") and Renminbi ("RMB").

At the balance sheet date, the carrying amounts of the Group's foreign currencies' monetary assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	US$'000	*US$'000*	***US$'000***	*US$'000*
RMB	**8,686**	7,953	**4,647**	3,815
HK$	**1,955**	1,448	**2,589**	3,301
Others	**1,261**	1,174	**173**	240
	11,902	10,575	**7,409**	7,356

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

RMB experienced certain appreciation in recent years which is the major reason for the exchange gains recognised by the Group for the year. Further depreciation or appreciation of US$ against RMB will affect the Group's financial position and results of operations.

As at 31st March 2008, if US$ had weakened/strengthened by 5% against RMB, with all other variables held constant, the pre-tax (loss)/profit would have been approximately US$202,000 (2007: US$207,000) higher/lower. 5% is the sensitivity rate used when reporting 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 currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

(ii) Price risk

The Group is exposed to securities price risk because securities investments held by the Group are classified on the balance sheet as available-for-sale investments. Management considered that the exposure of securities investments to price risk is insignificant.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in note 27. Besides, the Group has no significant borrowing during the year.

Management considers that the interest rate risk of the Group is insignificant and therefore no sensitivity analysis is presented thereon.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and bank deposits.

It is the Group's policy to enter into transactions with creditworthy parties. Although the five largest customers of the Group constitute approximately 92% (2007: 97%) of the Group's sales, the directors are of the view that credit risk is limited since the financial background of the Group's customers is strong and they are credit trustworthy. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date 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.

All banks deposits and bank balances of the Group are placed with reputable financial institutions.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the Group has steady cash inflow from operations and has adequate financial resources to fund its day to day operations.

The Group aims to maintain flexibility in and availability of funding by keeping credit lines available at all time. At 31st March 2008, the Group has available unutilised overdraft and short-term bank borrowing facilities of approximately US$128,000 (2007: US$128,000) and US$3,718,000 (2007: US$3,564,000) respectively.

As at 31st March 2008, the Group's financial liabilities were mainly trade and bills payables and other payables amounting to US$8,697,000 (2007: US$10,161,000), where were due within 12 months.

5.2 Fair value estimation

The fair value of the Group's financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The fair value of derivative financial instruments (i.e. forward currency option contracts) are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

The directors of the Company consider that carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

5.3 Categories of financial instruments

	2008 *US$'000*	2007 *US$'000*
Financial assets		
Held-to-maturity investments	**444**	501
Loans and receivables (including cash and cash equivalents)	**34,251**	38,647
Available-for-sale investments	**247**	201
Derivative financial instruments	**—**	34
Financial liabilities		
Other financial liabilities at amortised cost	**8,697**	10,161

6. TURNOVER, OTHER INCOME 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:

	2008 *US$'000*	2007 *US$'000*
Turnover		
Sales of goods	**94,612**	101,578
Other income		
Bank interest income	**822**	894
Interest income from unlisted debt securities	**29**	24
Gross rental income from investment properties	**418**	546
Gross rental income from other properties	**—**	5
Gain on disposal of property, plant and equipment	**11**	5
Dividend income from listed securities	**1**	—
Subcontracting income	**20**	537
Net exchange gain	**177**	—
Others	**1,084**	1,205
	2,562	3,216
Total revenues	**97,174**	104,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's results by geographical segment based on the location of customers and geographical analysis on segment assets and liabilities based on the locations of assets are as follows:

	North America US$'000	Europe US$'000	Asia (other than Mainland China) US$'000	Mainland China US$'000	Others US$'000	Total US$'000
For the year ended 31st March 2008						
Turnover	54,982	12,952	5,969	18,598	2,111	94,612
Segment results	1,055	249	115	357	40	1,816
Unallocated costs						(873)
Other losses, net						(913)
Restructuring provision and assets impairment						(4,098)
Finance costs						(2)
Loss before taxation						(4,070)
Taxation						—
Loss attributable to shareholders						(4,070)
As at 31st March 2008						
Segment assets	—	—	14,555	47,325	—	61,880
Segment liabilities	—	—	518	14,787	—	15,305
For the year ended 31st March 2008						
Capital expenditure of property, plant and equipment and trademark	—	—	—	3,308	—	3,308
Depreciation of property, plant and equipment	—	—	59	1,737	—	1,796
Amortisation of prepaid lease payment on land use rights	—	—	—	34	—	34
Written back of allowance for inventories	—	—	—	(93)	—	(93)
Allowance for bad and doubtful debts	30	—	—	—	—	30
Impairment on property, plant and equipment	—	—	—	2,279	—	2,279
Gain on disposal of property, plant and equipment	—	—	—	(11)	—	(11)
Impairment on held-to-maturity investments	—	—	57	—	—	57
Gain on disposal of available-for-sales investments	—	—	(163)	—	—	(163)
Written off of trademark	—	—	—	828	—	828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

	North America *US$'000*	Europe *US$'000*	Asia (other than Mainland China) *US$'000*	Mainland China *US$'000*	Others *US$'000*	Total *US$'000*
For the year ended 31st March 2007						
Turnover	60,854	14,636	8,452	16,463	1,173	101,578
Segment results	4,832	1,162	671	1,307	94	8,066
Unallocated costs						(614)
Other gains, net						152
Finance costs						(1)
Profit before taxation						7,603
Taxation						—
Profit attributable to shareholders						7,603
As at 31st March 2007						
Segment assets	—	—	18,982	48,812	—	67,794
Segment liabilities	—	—	187	15,709	—	15,896
For the year ended 31st March 2007						
Capital expenditure of property, plant and equipment	—	—	—	1,935	—	1,935
Depreciation of property, plant and equipment	—	—	51	1,771	—	1,822
Amortisation of prepaid lease payments on land use rights	—	—	—	34	—	34
Allowance for inventories	—	—	—	122	—	122
Gain on disposal of property, plant and equipment	—	—	—	5	—	5

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.

7. OTHER (LOSSES)/GAINS, NET

	2008 *US$'000*	2007 *US$'000*
Fair value (loss)/gain on investment properties	(191)	118
Gain on disposal of available-for-sale investments	163	—
Impairment on held-to-maturity investments	(57)	—
Written off of trademark	(828)	
Fair value gain on derivative financial instruments	—	34
	(913)	152

8. RESTRUCTURING PROVISION AND ASSETS IMPAIRMENT

	2008 *US$'000*	2007 *US$'000*
Impairment on property, plant and equipment	2,279	—
Provision for employees termination benefits	1,711	—
Allowance for inventories	108	—
	4,098	—

During the year, management of the Group decided to close down two factories located in Shenzhen, Mainland China, which are respectively owned by Kong Tai Shoes Manufacturing Company Limited ("KTS") and Choy Fung Industrial Limited ("CF"), both of which are wholly-owned subsidiaries of the Company.

The closure of factory owned by KTS ("KTS Factory") was due to the resumption of land occupied by KTS Factory by the local government of Mainland China, consequently, the landlords had issued formal notice to KTS regarding the early termination of leases and closure of factory during the year. The said leases were terminated on 31st May 2008 in accordance with the compensation agreements for the early termination of leases and closure of factory entered into with the landlords on 14th April 2008, details of the compensation agreements are disclosed in note 34.

KTS Factory was the major operating arm of the Group's business, which accounted for over 50% of the Group's overall production capacity before its closure. A detailed plan for closing down and relocating the production facilities of KTS Factory to the Group's production base in Dongguan, Mainland China ("Dongguan Production Base") as well as the restructuring of the Group's production capacity in Dongguan Production Base (the "Relocation and Restructuring") was agreed by the Board and implemented during the year. KTS Factory was closed in May 2008.

It is estimated that the Group's overall production capacity will be reduced by 50% as a result of the consequential disruption by the Relocation and Restructuring as well as the restrictions on sufficient supply of premises for production and the corresponding supply of labour resources.

In addition, as part of the Relocation and Restructuring plan, the factory owned by CF that carries out materials lamination primarily used for the Group's footwear production will also be closed prior to August 2008.

As at 31st March 2008, the Relocation and Restructuring was still in progress and a significant assets impairment loss including obsolescence in plant and equipment, leasehold improvements and inventories amounting to approximately US$2,387,000 and a provision for employees termination benefits of approximately US$1,711,000 were recognised during the year. The provision for employees termination benefits is expected to be settled within one year from the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

9. FINANCE COSTS

	2008 *US$'000*	2007 *US$'000*
Interest on bank overdrafts	**2**	1

10. (LOSS)/PROFIT BEFORE TAXATION

	2008 *US$'000*	2007 *US$'000*
(Loss)/profit before taxation has been arrived at after charging and (crediting):		
Auditors' remuneration	**94**	61
Depreciation of property, plant and equipment	**1,796**	1,822
Amortisation of prepaid lease payments on land use rights	**34**	34
Cost of inventories recognised as an expense	**90,039**	92,239
Allowance for bad and doubtful debts	**30**	—
Operating lease rentals in respect of land and buildings	**588**	558
Staff costs (including directors' emoluments) *(Note 11)*	**22,508**	18,497
(Written back of)/ allowance for inventories	**(93)**	122
Net exchange loss	**—**	273

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 *US$'000*	2007 *US$'000*
Wages and salaries	**20,532**	18,208
Termination benefits	**1,711**	10
Contributions to retirement benefit schemes *(Note (a))*	**265**	279
	22,508	18,497

Notes:

(a) Contributions to retirement benefit schemes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

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

Notes: (Continued)

(b) Directors' emoluments

The emoluments paid or payable to each of the five directors (2007: five) were as follows:

At 31st March 2008		**Other emoluments**		
	Fees	**Basic salaries, other allowances and benefits in kinds**	**Contributions to retirement benefit scheme**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
LEE Chi Keung, Russell	**—**	**256**	**2**	**258**
YU Mee See, Maria	**—**	**15**	**—**	**15**
NG Wai Hung	**5**	**—**	**—**	**5**
LEE Siu Leung	**5**	**—**	**—**	**5**
YUEN Sik Ming	**5**	**—**	**—**	**5**
Total emoluments	**15**	**271**	**2**	**288**

At 31st March 2007		Other emoluments		
	Fees	Basic salaries, other allowances and benefits in kinds	Contributions to retirement benefit scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
LEE Chi Keung, Russell	—	92	2	94
YU Mee See, Maria	—	1	—	1
NG Wai Hung	5	—	—	5
LEE Siu Leung	5	—	—	5
YUEN Sik Ming	5	—	—	5
Total emoluments	15	93	2	110

(c) Senior management's emoluments

The five individuals whose emoluments were the highest in the Group for the year include one (2007: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals (2007: four) during the year which fall within the range of Nil – HK$1,000,000 (2007: Nil – HK$1,000,000) are as follows:

	2008	2007
	US$'000	*US$'000*
Basic salaries, other allowances and benefits-in-kinds	**339**	304

No directors and senior management waived or agreed to waive any emoluments in any of two years ended 31st March 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

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

Notes: (Continued)

(c) Senior management's emoluments *(Continued)*

No emoluments were paid to the directors and senior management as inducement to join or upon joining the Group or as compensation for loss of office in the two years ended 31st March 2008 and 2007.

The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

12. TAXATION

(a) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries have no assessable profit for both years. No provision for Mainland China Enterprise Income Tax as there is no assessable profit for both years for the subsidiaries operated in Mainland China.

Taxation on overseas profits has been calculated on the estimated assessable profits 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 consolidated financial statements as the Group has no assessable overseas profits for both years.

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate as follows:

	2008	2007
	US$'000	*US$'000*
(Loss)/profit before taxation	**(4,070)**	7,603
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**(712)**	1,331
Effect of different taxation rates in other countries	**101**	366
Income not subject to taxation	**(539)**	(1,819)
Expenses not deductible for taxation purposes	**1,150**	122
Taxation	**—**	—

(b) Two of the four Mainland China subsidiaries are entitled to the benefit of full exemption from Enterprise Income Tax ("EIT") for the first two years commencing on the profit-making year followed by 50% reduction in EIT for each of the subsequent three years. The application of the New Tax Law will not affect the entitlement of the tax benefits for these two subsidiaries. The remaining two Mainland China subsidiaries were established and registered during the year and do not entitle to any exemption from EIT.

(c) From February 2005 to March 2007, IRD had issued additional profits tax assessments, in aggregate, of approximately HK$12,545,000 (equivalent to approximately US$1,608,000) relating to the years of assessment 1998/1999, 1999/2000 and 2000/2001, that is, for the financial years ended 31st March 1999, 2000 and 2001, respectively, against a wholly-owned subsidiary of the Company. The Group lodged objections with the IRD against the additional assessments. The IRD agreed to hold over the tax claimed completely subject to the subsidiary in question purchasing tax reserve certificates (the "TRCs") in the above amounts. These TRCs have been purchased by the Group and included in deposits, prepayments and other receivables in the consolidated balance sheet.

12. TAXATION *(Continued)*

(c) In addition, on 18th February 2008, a tax audit was commenced by the IRD on the said subsidiary in respect of the year of assessment 2006/2007. On 22nd April 2008, whilst this case is still under investigation, the IRD issued an additional assessment for the year of assessment 2001/2002 of approximately of HK$3,058,000 (equivalent to approximately US$392,000) to the above-mentioned subsidiary in order not to jeopardise the assessment powers of the IRD which will be time-barred after 6 years of assessment. Objection has been filed against this assessment and the same amount of TRC was purchased by the Group in May 2008.

Up to the date of this report, the total amount of TRCs purchased by the Group was HK$15,603,000, equivalent to approximately US$2,000,000.

The Board is of the opinion that the payment of additional taxes is not probable and therefore, no provision for any liability from these assessments that may result has been made.

13. DIVIDENDS

	2008	2007
	US$'000	*US$'000*
Interim dividend, paid of Nil (2007: HK$0.01) per ordinary share	—	437
Final dividend, proposed of Nil (2007: HK$0.03) per ordinary share	—	1,310
	—	1,747

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2008.

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's (loss)/profit attributable to shareholders of US$4,070,000 (2007: profit of US$7,603,000) and the weighted average number of 340,616,934 (2007: 340,616,934) shares in issue during the year.

No fully diluted (loss)/earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st March 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress US$'000	Leasehold buildings US$'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 2006	—	6,439	1,100	11,398	527	321	19,785
Additions	555	—	235	1,018	127	—	1,935
Transfer from investment properties *(Note 16)*	—	1,517	—	—	—	—	1,517
Disposals/written off	—	—	(116)	(4,243)	(181)	(150)	(4,690)
At 31st March 2007/ 1st April 2007	555	7,956	1,219	8,173	473	171	18,547
Additions	597	—	575	931	290	87	2,480
Reclassification	(1,152)	—	958	—	194	—	—
Disposals/written off	—	—	(431)	(1,441)	(195)	(49)	(2,116)
At 31st March 2008	**—**	**7,956**	**2,321**	**7,663**	**762**	**209**	**18,911**
Accumulated depreciation and impairment							
At 1st April 2006	—	3,762	597	7,124	413	202	12,098
Charge for the year	—	322	277	989	158	76	1,822
Disposals/written off	—	—	(116)	(4,243)	(181)	(150)	(4,690)
At 31st March 2007/ 1st April 2007	—	4,084	758	3,870	390	128	9,230
Charge for the year	—	406	387	780	184	39	1,796
Disposals/written off	—	—	(431)	(1,441)	(195)	(49)	(2,116)
Impairment loss recognised	—	137	17	2,054	71	—	2,279
At 31st March 2008	**—**	**4,627**	**731**	**5,263**	**450**	**118**	**11,189**
Carrying values							
At 31st March 2008	**—**	**3,329**	**1,590**	**2,400**	**312**	**91**	**7,722**
At 31st March 2007	555	3,872	461	4,303	83	43	9,317

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

	2008	2007
	US$'000	*US$'000*
The Group's property interests comprise:		
Properties situated on land in Mainland China and held under medium-term leases	**3,322**	3,806
Property situated on land in Hong Kong and held under medium-term lease	**7**	66
	3,329	3,872

During the year, the Board conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to the Relocation and Restructuring. Accordingly, impairment losses of leasehold buildings, leasehold improvements, plant and machinery and furniture, fixtures and equipment of US$137,000, US$17,000, US$2,054,000 and US$71,000 respectively have been recognised.

16. INVESTMENT PROPERTIES

	US$'000
Fair value	
At 1st April 2006	4,826
Fair value gain on investment properties *(Note 7)*	118
Transfer to property, plant and equipment *(Note 15)*	(1,517)
At 31st March 2007/1st April 2007	3,427
Fair value loss on investment properties *(Note 7)*	(191)
At 31st March 2008	**3,236**

The investment properties are situated on land in Mainland China and are held under medium-term leases.

The fair value of the Group's investment properties were revalued at 31st March 2008 on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. BMI Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2008 *US$'000*	2007 *US$'000*
The Group's prepaid lease payments on land use rights comprise:		
Medium leasehold term land in Mainland China	**1,185**	1,219
Analysed for reporting purpose as:		
Non-current assets	**1,151**	1,185
Current assets	**34**	34
	1,185	1,219

18. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

Deposit of US$109,000 was paid last year for the acquisition of land use rights in Mainland China. The Group is in the process of obtaining the land use rights certificates from the relevant authority. Details of the capital commitments are set out in note 31(a).

19. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprise:

	2008 *US$'000*	2007 *US$'000*
Non-current		
Unlisted debt securities outside Hong Kong, at amortised cost	**501**	501
Less: Impairment loss recognised	**(57)**	—
	444	501

Unlisted debt securities comprise floating rate notes denominated in United States dollars and earn interest with reference to 3-months Libor. They will be matured in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008 *US$'000*	2007 *US$'000*
Non-current		
Listed equity securities in Hong Kong	**247**	201
Unlisted equity securities outside Hong Kong	—	1,718
Less: Impairment loss recognised	—	(1,718)
	—	—
	247	201

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for the above unlisted equity investments which represent investments in unlisted securities issued by private entities incorporated in Indonesia. They are measured at cost less impairment loss at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of opinion that their fair values cannot be measured reliably. Fair values of listed investments are based on quoted market prices.

Included in unlisted equity securities above was the Group's investment in PT Korean Polymer Indonesia, which was disposed of at a consideration of US$163,000 during the year. Full provision had been made against the Group's investment exposure in this company in prior years and a gain on disposal of US$163,000 was recognised in the consolidated income statement for the year.

Except for the investment in PT Korean Polymer Indonesia, the Group's investments in other unlisted securities were fully written off in current year. 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 consolidated income statement.

21. TIME DEPOSIT WITH ORIGINAL MATURITY OVER ONE YEAR

The deposit carried interests at 4.5% and 4% per annum as at 31st March 2008 and 31st March 2007 respectively. It will be withdrawn in May 2008 and was reclassified as bank balances and cash as at 31st March 2008.

22. TRADEMARK

During the year, the Group purchased the "Promarks" trademark from a third party at a consideration of RMB 6,500,000, equivalent to approximately US$828,000 for the rights of the use of "Promarks" trademark in Mainland China. The trademark was written off due to the change in market condition and economic environment during the year and this amount represented the total investment exposure to the Group and the directors do not expect any further liabilities would arise in respect of the trademark.

23. INVENTORIES

	2008 *US$'000*	2007 *US$'000*
Raw materials	**9,265**	8,944
Work-in-progress	**1,958**	1,649
Finished goods	**4,645**	5,202
	15,868	15,795
Less: Allowance for inventories	**(1,467)**	(1,560)
	14,401	14,235

The Group has written back of allowance for inventories of US$93,000 for the year relating to those inventories that were subsequently sold during the year.

At 31st March 2008 and 2007, all inventories were stated at cost.

24. TRADE AND BILLS RECEIVABLES

	2008 *US$'000*	2007 *US$'000*
Trade and bills receivables	**11,412**	12,710
Less: Allowance for bad and doubtful debts	**(30)**	—
	11,382	12,710

The Group allows an average credit period of 30 to 90 days to its trade customers and the ageing analysis of trade and bills receivables net of allowance for bad and doubtful debts is as follows:

	2008 *US$'000*	2007 *US$'000*
Current to 30 days	**4,673**	6,570
31-60 days	**5,571**	4,591
61-90 days	**702**	749
Over 90 days	**436**	800
	11,382	12,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

24. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in the Group's trade and bills receivables are debtors with an aggregate carrying amount of approximately US$654,000 (2007:US$353,000), which are past due at the reporting date for which the Group has not provided for impairment loss as the sales is made with the creditworthy customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	2008 *US$'000*	2007 *US$'000*
Current to 30 days	575	284
31 days to 90 days	16	60
Over 90 days	63	9
	654	353

Impairment loss in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movements in the allowance for bad and doubtful debts during the year are as follows:

	2008 *US$'000*	2007 *US$'000*
Balance at beginning of year	—	102
Allowance recognised on receivables	30	—
Receivables written off during the year as uncollectible	—	(102)
Balance at end of year	30	—

25. STRUCTURED BANK DEPOSITS

The structured bank deposit of US$1,000,000 as at 31st March 2007 represented deposit denominated in USD with maturity over 3 months after 31st March 2007 and earned interest at rates offered by the bank. Such deposit was matured during the year.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments of US$34,000 as at 31st March 2007 represented the forward currency option contracts which were measured at fair values determined based on the quoted market prices for equivalent instruments at 31st March 2007. The said contracts were matured during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st March 2008

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances carry interest at prevailing market rates from 0% to 1.5% (2007: 0% to 1.5%) and short-term bank deposits of fixed interest rates ranging from 0.08% to 5.55% (2007: 0.42% to 5.2%) with an original maturity of three months or less.

Included in the bank balances and cash of the Group are Renminbi bank deposits and cash in Mainland China of US$ 8,631,000 (2007: US$7,602,000). The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control Mainland China.

28. TRADE AND BILLS PAYABLES

At 31st March 2008, the ageing analysis of trade and bills payables is as follows:

	2008 ***US$'000***	2007 *US$'000*
Current to 30 days	**3,996**	4,705
31-60 days	**2,030**	2,031
61-90 days	**607**	1,045
Over 90 days	**853**	895
	7,486	8,676

The average credit period on purchases of goods ranging from 14 days to 90 days.

29. SHARE CAPITAL

	Par value of shares *HK$*	**Number of ordinary shares**	**Value** *US$'000*
Authorised:			
At 1st April 2006, 31st March 2007, 1st April 2007 and 31st March 2008	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2006, 31st March 2007, 1st April 2007 and 31st March 2008	0.01 each	340,616,934	440

30. OPERATING LEASE COMMITMENTS

(a) The Group as a lessee

At 31st March 2008, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2008	2007
	US$'000	*US$'000*
Not later than one year *(Note)*	106	460
Later than one year and not later than five years *(Note)*	—	1,536
Later than five years *(Note)*	—	8,282
	106	10,278

Note:

Included in the above balances were operating lease commitments in respect of lease payments for the use of factory premises in Shenzhen, Mainland China with an original expiry date on 31st December 2041. The said leases were early terminated on 31st May 2008 as disclosed in note 34 and these balances as at 31st March 2008 and 2007 were as follows:

	2008	2007
	US$'000	*US$'000*
Not later than one year	77	374
Later than one year and not later than five years	—	1,496
Later than five years	—	8,282
	77	10,152

(b) The Group as a lessor

At 31st March 2008, the Group had commitments for future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2008	2007
	US$'000	*US$'000*
Not later than one year	445	404
Later than one year and not later than five years	74	472
	519	876

Property rental income earned during the year was approximately US$418,000 (2007: US$546,000). The properties held for rental purposes have committed tenant until 31st May 2009.

The properties are expected to generate rental yields of 13% (2007: 11%) on an ongoing basis.

31. CAPITAL COMMITMENTS

(a) Capital commitments contracted but not provided for in respect of:

	2008	2007
	US$'000	*US$'000*
Acquisition of land use rights	**1,070**	963
Leasehold improvements	**—**	368
	1,070	1,331

(b) Commitment in respect of capital contributions in wholly-owned foreign enterprise in Mainland China in respect of:

	2008	2007
	US$'000	*US$'000*
Huizhou Zhongguan *(Note)*	**7,900**	—

Note:

Huizhou Zhongguan is a wholly-owned foreign enterprise established in Huizhou, Mainland China on 2nd August 2007 and its registered capital is US$10,000,000, of which US$2,100,000 was paid as at 31st March 2008. Huizhou Zhongguan was still at a pre-operating stage as at 31st March 2008.

32. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of the key management during the year are given in notes 11(b) and (c).

33. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008	2007
	US$'000	*US$'000*
Property, plant and equipment	**7**	66
Investments in subsidiaries	**46,672**	48,071
Deposits and prepayments	**6**	4
Bank balances and cash	**126**	75
Accruals and other payables	**(152)**	(161)
	46,659	48,055
Share capital	**440**	440
Reserves	**46,219**	47,615
	46,659	48,055

34. EVENT AFTER BALANCE SHEET DATE

On 14th April 2008, KTS entered into compensation agreements (the "Compensation Agreements") with both 深圳市華特實業有限公司 and 深圳市龍崗區龍崗鎮南聯村瑞合經濟合作社 (collectively known as the "Landlords") in respect of the early termination of the lease agreements (the "Leases") by the Landlords for the use of factory premises by KTS located at Longgang, Shenzhen, Mainland China.

KTS was entitled to a lump sum compensation of RMB40,000,000, equivalent to US$5,714,000 for the early termination of Leases and the closure of factory, of which RMB 38,000,000, equivalent to US$5,429,000 had been received by KTS up to the date of this report. In consideration of the receipt of the above lump sum, KTS undertook not to make further claim or demand against the Landlords and to hand back in an orderly manner the said factory not later than May 2008. The said factory was closed and returned to the Landlords and the Leases were terminated on 31st May 2008.

35. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March 2008 are as follows:

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/Mainland 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/Mainland 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/Mainland 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.	Mainland China	Manufacture of footwear	Registered capital of HK$125,480,000	100%
Dongguan Hung Fa Shoes Materials Co. Ltd	Mainland China	Manufacture of sole units	Registered capital of HK$86,290,000	100%

[1] directly held by the Company

Notes:

As at 31st March 2008, 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 is HK$123,281,520 and HK$76,331,226 (2007: HK$123,281,520 and HK$76,331,226) respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors resulted in particular excessive length.

None of these subsidiaries had any debt securities subsisting at 31st March 2008 or at any time during the year.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31st March				
	2008	2007	2006	2005	2004
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	**94,612**	101,578	102,245	112,666	116,300
(Loss)/profit before taxation	**(4,070)**	7,603	5,597	5,929	5,263
Taxation	**—**	—	—	—	—
(Loss)/profit attributable to shareholders	**(4,070)**	7,603	5,597	5,929	5,263

ASSETS AND LIABILITIES

	As at 31st March				
	2008	2007	2006	2005	2004
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**61,880**	67,794	63,285	60,182	50,909
Total liabilities	**(15,305)**	(15,896)	(17,305)	(18,052)	(16,194)
Equity	**46,575**	51,898	45,980	42,130	34,715