COUBER.G

FORLERIA
nuova collezione italiana

acupuncture
London

# Walker Group
## Holdings Limited

Incorporated in the Cayman Islands with limited liability
Stock Code:1386

artemis

Annual Report 2011

Walker GROUP

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

CHAN Mei Sheung *(Chairman)*
KIU Wai Ming
CHU Yin Man

### Independent non-executive Directors

SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian
(from 1 April 2010 to 1 February 2011)
LEE Kwan Hung (from 1 February 2011)

## AUDIT COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian
(from 1 April 2010 to 1 February 2011)
LEE Kwan Hung (from 1 February 2011)

## REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP (Chairman)*
CHAN Mei Sheung
SZE Tsai Ping, Michael
TSANG Link Carl, Brian
(from 1 April 2010 to 1 February 2011)
LEE Kwan Hung (from 1 February 2011)

## NOMINATION COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian
(from 1 April 2010 to 1 February 2011)
LEE Kwan Hung (from 1 February 2011)

## COMPANY SECRETARY

CHU Yin Man

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISOR

Baker & McKenzie

## REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
Hope Sea Industrial Centre
26 Lam Hing Street
Kowloon Bay, Kowloon
Hong Kong

## REGISTRAR IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

## REGISTRAR IN THE CAYMAN ISLANDS

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

## COMPLIANCE ADVISER

Haitong International Capital Limited

## INTERNET ADDRESS

www.walkershop.com.hk

## STOCK CODE

1386

# Financial and Operational Highlights

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| **FINANCIAL PERFORMANCE** | | | | | |
| Turnover *(HK$'million)* | **1,299** | 1,138 | 1,044 | 930 | 689 |
| Gross profit *(HK$'million)* | **772** | 653 | 567 | 550 | 446 |
| Operating profit/(loss) *(HK$'million)* | **35** | 12 | (87) | 74 | 111 |
| Profit/(loss) attributable to equity holders of the Company *(HK$'million)* | **25** | 3 | (89) | 95 | 83 |
| Basic earnings/(losses) per share *(HK Cents)* | **4.04** | 0.47 | (14.36) | 16.1 | 18.4 |
| **KEY FINANCIAL INDICATORS** | | | | | |
| Average inventory turnover *(days)* | **236** | 222 | 204 | 179 | 188 |
| Average debtors' turnover *(days)* | **35** | 37 | 36 | 33 | 28 |
| Average creditors' turnover *(days)* | **87** | 78 | 77 | 82 | 100 |
| Capital expenditure *(HK$'million)* | **33** | 31 | 120 | 35 | 44 |
| **KEY FINANCIAL INDICATORS** | | | | | |
| Cash and cash equivalents *(HK$'million)* | **136** | 171 | 178 | 452 | 48 |
| Bank loan *(HK$'million)* | **—** | — | 23 | — | 109 |
| Equity attributable to equity holders of the Company *(HK$'million)* | **775** | 725 | 690 | 813 | 140 |
| Current ratio *(times)* | **3.4** | 4.5 | 3.4 | 6.8 | 1.2 |
| Gearing ratio | **—** | — | 2.5% | — | 24.2% |

*Notes:*

1. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by cost of sales and multiplied by 365 days.

2. The calculation of average debtors' turnover (days) is based on the average of opening and closing balances of trade receivables divided by turnover and multiplied by 365 days.

3. The calculation of average creditors' turnover (days) is based on the average of opening and closing balances of trade payables divided by cost of sales and multiplied by 365 days.

4. The calculation of current ratio (times) is based on the total current assets divided by total current liabilities as at 31 March.

5. The calculation of gearing ratio (%) is based on the total bank loans divided by total assets as at 31 March.

# Chairman's Statement

## TO OUR SHAREHOLDERS

On behalf of the Board ("**Board**") of Directors ("**Directors**"), it is my pleasure to present the annual results of Walker Group Holdings Limited ("**Company**") and its subsidiaries (together the "**Group**") for the year ended 31 March 2011.

The Group has benefited from continued recovery of the global economy in general and the continued prosperity, rising consumption and economic growth in the People's Republic of China ("**PRC**"), the main source of the Group's income. The performance of the Group for the year under review has shown substantial improvement over the same period last year. A turnover of approximately HK$1,299 million (2010: approximately HK$1,138 million) was recorded, a rise of around 14% compared to last year. Gross profit was approximately HK$772 million (2010: approximately HK$653 million), an increase of approximately 18% compared to last year. The net profit attributable to equity holders of the Group was approximately HK$25 million (2010: HK$3 million).

The Group has an extensive sales network in the PRC, Hong Kong and Taiwan which are all managed through its headquarters in Hong Kong. Within the PRC, there are regional operational offices in Beijing, Shanghai and Shenzhen. Last year, the Group had taken efforts to increase the number of outlets by 83 and concessions by 20. As at 31 March 2011, the Group had 796 self-managed sales points comprising (a) 718 outlets in 25 provinces throughout the PRC serving customers in more than 150 cities including Guangzhou, Shenzhen, Wuhan, Hangzhou, Nanjing, Kunming, Chengdu, Xian, Shenyang and Harbin, and the four municipalities of Beijing, Tianjin, Shanghai and Chongqing; (b) 53 outlets in Hong Kong; and (c) 25 outlets in Taiwan. There were also 97 concessions operated by franchisees in the PRC.

## PROSPECTS

It appears that, except for a few countries in Europe such as Greece, Ireland and Portugal which are still perplexed by debts problems, the global economy has been on the road to recovery from the economic trough in the latter half of 2008 though at varying paces within individual countries with hiccups at times. Adverse inflationary spiral arising from economic stimulus measures such as quantitative easing ("**QE**") by western countries, in particular the US, and rising labour and commodity costs elsewhere have been felt by the world over and may affect every walk of life.

Additional factors contributed to inflationary pressure during the year included a depreciation of the value of the U.S. dollar pegged Hong Kong dollar against major currencies, most notably the Renminbi ("**RMB**"), leading to imported inflation in Hong Kong. The heated economy in the PRC has driven up rentals, prices of commodities and wages. Natural calamities such as serious drought and floods in some provinces in the PRC have also driven food prices up.

# Chairman's Statement *(Continued)*

Locally, depreciation of Hong Kong currency coupled with the implementation of minimum wage legislation on 1 May 2011 may also serve to accelerate inflation. The costs of commodities, goods and business, including rentals and wages in both the PRC and Hong Kong, are on the rise. In the short run, it would be difficult to transfer most, if not all, of these increased costs to consumers without negatively affecting turnover.

To maintain growth and enhance revenue, the Group has taken steps to revamp the product and marketing mix with a view to increasing sales and repositioning some of the in-house brands towards the high end of the market so that product lines could be sold at better margins to offset inflated product costs and overheads. During the year, in the PRC market, the Group has taken initial steps in repackaging and enhancing the product and brand image of ARTEMIS, one of its in-house brands. The specialty shop for ARTEMIS has been redecorated inspired by upmarket boutique concepts and stocked with a large selection of high end formal footwear styles for women.

**Retail Business Potential in the PRC**

To curb spiraling inflation, the PRC Government has been periodically implementing monetary measures such as raising interest rates, setting restrictions on bank lending, and increasing reserves requirements. These measures would help to cool down the heated economy to a certain extent. Despite increased product costs and overheads, optimism prevails about the prospects for the retail business in the PRC in view of the ongoing economic development, the huge potential to exploit the vast undeveloped markets in urban areas, the improved spending power of the general populace, their willingness to spend and the growing concern about branding and fashion, as well as other favourable factors. During the year under review, the Group has expanded its business development efforts in the PRC through setting up more franchised sales points and self-managed sales outlets which have contributed to increased turnover and profits.

**Sales Network Expansion in the PRC and Hong Kong**

For the PRC, the Group plans to continue to expand its sales network in reasonably priced locations to set up new shops in first and second-tier cities to further enhance the Group's presence in the rapidly growing footwear market.

In Hong Kong, the Group would continue to identify and run shops in prime economically viable locations as well as shops with reasonable rents inside shopping malls of some of the big housing estates to build sales and boost awareness of all the brands that the Group carries.

# Chairman's Statement *(Continued)*

A breakdown of the Group's sales network as at 31 March 2011 with comparative numbers as at 31 March 2010 is shown below:

| Sales Points | As at 31.3.2011 | | As at 31.3.2010 | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|
| | Self-managed | Franchised | Self-managed | Franchised | Self-managed | Franchised |
| PRC | **718** | **97** | 638 | 77 | 80 | 20 |
| Hong Kong | **53** | **—** | 49 | — | 4 | — |
| Taiwan | **25** | **—** | 26 | — | (1) | — |
| | **796** | **97** | 713 | 77 | 83 | 20 |

Within the network comprising 796 self-managed sales outlets, the Group as at 31 March 2011 was operating 34 ACUPUNCTURE sales points in the PRC, Hong Kong and Taiwan.

The Group as a whole, intends to open approximately 150 new sales points in the PRC, Hong Kong and Taiwan during the coming year to be funded by the IPO remain balance and working capital.

### Product Design and Development Capabilities

The Group currently owns seven footwear brands, namely, ACUPUNCTURE, COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI. The Group intends to continue to invest more resources in product design and its development team aims to offer customers premier footwear of exceptional design function and comfort. To this end, the team would continue to attend major fashion and footwear trade fairs and exhibitions to keep abreast of the latest style and design trends and to closely collaborate with the Group's supplying manufacturers on applying new materials and developing technologies to enhance the quality and functions of the Group's products.

### Upgrading Information Systems to Enhance Operational Efficiency

The upgraded information systems for the warehouses, shops and concessions in the PRC and Hong Kong have not only enhanced controls on inventory, points of sales and distribution efficiency but also bolstered efficiency across different operations including management of inventory, marketing, finance, points of sales and stock management in both the PRC and Hong Kong. The upgraded system has contributed to an increase of distribution efficiency and minimises work wastage, enabling the Group to run its business in a more cost-effective way.

# Chairman's Statement *(Continued)*

**Sales, Marketing and Promotion**

Marketing activities are indispensible to successfully promote products, and brand awareness amongst targeted potential customers within identified market segments to arouse attention leading to purchase, including impulse purchases. To this end, the Group would continue to mount advertising campaigns in newspapers, magazines and outdoor venues for its major brands. There would also be cross-selling promotion activities with well-known international brands. In addition, the Group would ride on celebrity endorsement where appropriate to maximise exposure of its various brands.

## LOOKING AHEAD

The Group would still be deriving its principal source of revenues from retail business in the PRC. For Hong Kong, the Group has taken steps to alleviate the effects of high rentals and overheads of running business by continuing to identify and run shops in prime economically viable locations as well as in shops with reasonable rents inside shopping malls within selected big housing estates to build and boost brand awareness of all brands that the Group carries. As regards Taiwan, business is expected to increase due to the arrangement reached between the PRC and Taiwan government authorities to reduce restrictions on individual PRC travelers to Taiwan which would boost retail business.

Looking around the world, the economy in the PRC still appears to be most promising in the coming year despite indicators that it may be overheating and the cooling down measures that have been adopted by the Government. However, the Group believes that, while these measures might slow down economic growth in the PRC to a certain extent, the turnover would still be strong due to the huge potential to exploit the vast undeveloped markets, the improving spending power and willingness to spend of the general populace, and the growing consumer concern about branding and fashion. Alleviating the adverse effects of increased inflation is the prime concern of most, if not all, businesses around the world. It is hoped that, should the US Government bring the second round of Quantitative Easing ("**QE2**") policy to a halt by the end of June 2011 as expected by the market, inflationary pressure would ease. With the revamp of the marketing mix in terms of product, price, promotion and positioning, it is expected that the continued efforts of the Group's product design and development team would provide footwear with stylish design and quality at the high end price range and appropriate marketing efforts would be launched to hit the targeted market with the desired impact. Both the Group's presence and brand recognition have been growing in the PRC over the last year. Supported by our expanding shop network in the PRC market, we are confident in the long-term growth of our business. The Group would also endeavour to explore more in the overseas markets.

Finally, on behalf of the Board, I would like to take this opportunity to thank the Group's employees for their dedicated contributions and unwavering commitment to deliver the best service to our customers over the years. I look forward to working with all of our staff in striving for better performance of the Group in the future and delivering satisfactory returns to our shareholders.

**CHAN Mei Sheung**
*Chairman*

28 June 2011

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group operates two main streams of business:

1. the sale of footwear and apparel products under the Group's own seven brands, namely, ACUPUNCTURE, COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI; and

2. the sale of footwear products of several international brands sourced from independent third parties.

As at 31 March 2011, the Group operated 796 self-managed sales points (53 in Hong Kong, 718 in the PRC and 25 in Taiwan) and 97 franchised shops in the PRC.

Average daily sales of footwear products of the Group for the review year was approximately 9,300 pairs (2010: 9,100 pairs) at an average selling price of approximately HK$360 (2010: HK$335). Same-store-sales rose by approximately 12.0% (2010: 4.7%) and 9.3% (2010: 3.1%) in the PRC and Hong Kong respectively.

During the year, the PRC, Hong Kong and Taiwan accounted for approximately 74.2%, 23.8% and 2.0% of the Group's total revenue respectively.

### PRC

To stimulate demand, the Group actively engaged in promotional activities conducted in department stores and shopping malls in major cities, capturing flocks of shopping spree with strong purchasing power. During the year, the Group added 80 self-managed sales points in the PRC, bringing the total number of self-managed sales points in the country to 718 (31 March 2010: 638). The Group also increased the number of franchised shops by 20, bringing the total to 97 (31 March 2010: 77). Total revenue derived from business activities in the PRC amounted to approximately HK$964 million for the year (2010: approximately HK$818 million), a jump of approximately 17.9% when compared to the previous year.

### Hong Kong

As at 31 March 2011, the Group increased the number of sales points in Hong Kong by four, bringing the total to 53 (31 March 2010: 49). Total revenue generated in Hong Kong was approximately HK$309 million (2010: approximately HK$299 million), representing a rise of approximately 3.3%.

### Taiwan

For the year under review, the Group was running a total of 25 shops comprising 4 Walker Shops, 6 Acupuncture and 15 Genuine as compared with a total of 26 shops comprising 5 Walker Shops, 5 Acupuncture and 16 Genuine for the corresponding period last year. Turnover increased slightly from approximately HK$21 million for the year ended 31 March 2010 to approximately HK$26 million for the year under review.

# Management Discussion and Analysis *(Continued)*

## FINANCIAL REVIEW

### Turnover

Turnover increased by approximately HK$161 million, or approximately 14.2%, to approximately HK$1,299 million for the year ended 31 March 2011 (31 March 2010: HK$1,138 million). The increase was mainly due to the rise in average selling price and addition of sales points in the PRC resulting in an increase in turnover of approximately HK$146 million. Turnover of operations in Hong Kong and Taiwan also rose slightly by approximately HK$10 million and HK$5 million respectively.

Overall turnover of the Group for the review year climbed modestly compared with the preceding year. Moreover, same-store-sales rose by approximately 12.0% (2010: 4.7%) and 9.3% (2010: 3.1%) in the PRC and Hong Kong respectively.

### Cost of Sales

Cost of sales increased by approximately HK$43 million to around HK$527 million, representing a year-on-year rise of roughly 8.8% (2010: HK$484 million). As a percentage of total sales, cost of sales dropped from approximately 42.6% for the year ended 31 March 2010 to approximately 40.5% for the year ended 31 March 2011. This was due to the reduction in costs over control of inventories.

### Gross Profit

Due to the drop in cost of sales in terms of percentage of total sales, the Group's gross profit rose by approximately HK$119 million to around HK$772 million, compared with approximately HK$653 million for the corresponding period of last year, thus representing a rise of around 18.2%. Gross profit margin also rose to approximately 59.5% (2010: 57.4%).

### Operating Expenses

As at the reporting year, operating expenses increased by approximately HK$85 million to approximately HK$749 million, representing a year-on-year rise of around 12.8% (2010: HK$664 million), which was largely due to an increase in rent and staff expenses.

### Investment Loss

During the review year, the Group had a fair value loss on financial assets in the income statement amounting to approximately HK$1 million on financial assets acquired at a cost of approximately HK$48 million and a fair value gain in reserve of approximately HK$4 million on listed securities investment acquired at a cost of approximately HK$55 million. As at 31 March 2011, the fair value of financial investments of the Group amounted to approximately HK$92 million. The fair value of the Group's financial investment subsequent to 31 March 2011 is subject to adjustment depending on market conditions.

# Management Discussion and Analysis *(Continued)*

### Net Results

As a result of continuously steady increase in revenue and gross profit margin as aforementioned, net profit surged by approximately HK$21 million to around HK$23 million for the year ended 31 March 2011 (2010: HK$2 million). Net profit margin also increased; rising to approximately 1.8% for the reporting year (2010: approximately 0.2%).

## OUTLOOK

The outlook of the global economy is still blurred by mixed sentiment of China's promising economic growth prospect as the US is halting the second round of Quantitative Easing (QE2) and concern as to whether the US economy is on track to recover from the financial tsunami. The management believes that the Group, with its strategic focus in the PRC, Hong Kong and Taiwan, should benefit from the ever-improving purchasing power and consumption sentiment of the general populace in those areas.

With the revamping of the marketing mix, combined with continuing efforts by the product design and development team to develop stylish, quality footwear, the Group expects that its products can move further up the price ladder. Accordingly, marketing efforts will be launched to capture the attention of target consumers. During the year, in the PRC market, the Group has taken initial steps in repackaging and enhancing the product and brand image of ARTEMIS, one of its in-house brands. The specialty shop for ARTEMIS has been redecorated inspired by up-market boutique concepts and stocked with a large selection of high end formal footwear styles for women.

Both the Group's presence and recognition of its brands have already been growing in the PRC over the last year. The challenges ahead will likely be in the form of rising costs and overhead from operating in the country. However, supported by an expanding sales network in the PRC coupled with appropriate business strategies, the management is optimistic about long-term growth prospects. The Group will, however, not neglect exploring more overseas markets as well, in particular Southeast Asian countries.

## LIQUIDITY AND FINANCIAL RESOURCES

The management believes that its cash holdings, liquidity, future revenue and available banking facilities will be sufficient to fund working capital requirements in the foreseeable future.

As at 31 March 2011, the Group had working capital of approximately HK$565 million (31 March 2010: HK$520 million) and a current ratio of approximately 3.4 times (31 March 2010: 4.5 times).

The Group had cash and cash equivalents of approximately HK$136 million deposited in banks in Hong Kong dollars, US dollars and Renminbi as at the reporting year (31 March 2010: HK$171 million). During the year, the Group took out new short-term bank loans of approximately HK$35 million for financing working capital, which have all been settled. The bank loans were in Renminbi and Hong Kong dollars respectively and on a floating rate basis. The Group had no outstanding bank borrowings as at 31 March 2011 (31 March 2010: Nil). As at 31 March 2011 and 31 March 2010, the gearing ratio of the Group was nil (calculated by total loans divided by total assets). Details of cash and cash equivalents are set out in Note 16 to the consolidated financial statements.

# Management Discussion and Analysis *(Continued)*

The Group had aggregate banking facilities of approximately HK$124 million for overdrafts, bank loans and trade financing and bank guarantee for rental deposit (31 March 2010: HK$160 million) of which approximately HK$27 million was used for trade financing and bank guarantee for rental deposit as at 31 March 2011 (31 March 2010: HK$3 million). As at 31 March 2011 and 31 March 2010, the Group had no charges levied on its assets.

The Group continued to keep sufficient inventory to meet the need of its expanding retail network. During the reporting year, inventory turnover days increased to approximately 236 days (31 March 2010: 222 days) and inventory amounted to approximately HK$406 million (31 March 2010: HK$275 million). The increase of inventory was to meet fast growth of shops opening targeting at about 150 shops for the year 2011/12 (2010/11: increased 103 shops).

## FOREIGN EXCHANGE MANAGEMENT

The Group operates principally in the PRC and Hong Kong. Transactions are mainly denominated in the functional currency of the individual group entity. The Group is not exposed to significant foreign currency risk. The conversion of RMB into foreign currencies is regulated under foreign exchange control rules of the PRC government.

## CONTINGENT LIABILITIES

As at 31 March 2011, the Group was not exposed to any significant contingent liabilities (31 March 2010: Nil).

## HUMAN RESOURCES

As at 31 March 2011, the Group had a total of 3,998 employees (31 March 2010: 3,740) and total staff cost was approximately HK$214,859,000 (2010: approximately HK$189,356,000). Training courses on sales skills and product knowledge are regularly organized for employees of the Group. Staff remuneration is determined with reference to qualifications, experience, performance and contribution of an employee to the Group. Competitive remuneration packages, including basic salaries, allowances, share options, insurance and bonuses are also offered to employees. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel receive commissions based on several goal-oriented schemes.

## FINAL DIVIDEND

The Directors proposed payment of a final dividend of 2.5 HK cents per ordinary share for the year ended 31 March 2011 to shareholders whose names appear on the register of members of the Company on 29 August 2011. Subject to approval of the shareholders at Annual General Meeting of the Company to be held on 19 August 2011, the final dividend is expected to be paid to the shareholders on or around 8 September 2011.

No dividend was declared by the Board for the year ended 31 March 2010.

## GROUP STRUCTURE

During the review year, there was no material change in the group structure of the Company.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Ms CHAN Mei Sheung**, aged 44, joined the Group in 1992, is an executive Director, Chairman of the Company, responsible for the overall management and strategic development of the Group, and she is also a member of the Remuneration Committee appointed on 18 December 2008. She is a director of Smart Presto Holdings Limited (the holding company of the Company) and is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. She possesses decades of experience in the footwear sales industry.

**Mr. KIU Wai Ming**, aged 62, joined the Group in March 2007, is an executive Director and Chief Executive Officer of the Company, responsible for the overall management of the Group. He is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. He holds a Bachelor of Science degree from the Louisiana State University. Between 1990 and 1999, he was a director of Dah Sing Financial Holdings Limited and a director of Dah Sing Bank Limited. From 1999 to 2002, he was a director and Deputy Chief Executive at Industrial & Commercial Bank of China (Asia) Limited. Currently, he is an independent non-executive director of Man Sang International Limited, a company listed on the Hong Kong Stock Exchange ("Stock Exchange"), and is also an independent non-executive director of CCB International (Holdings) Limited, an investment bank wholly-owned by China Construction Bank. He has extensive experience in the banking industry and in management.

**Mr. CHU Yin Man**, aged 52, joined the Group in 2006, is an executive Director, Chief Financial Officer, and Company Secretary of the Company, responsible for finance, information technology and legal and compliance functions of the Group. He is also a director of major subsidiaries of the Group including Trunari Enterprises Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. He obtained a Bachelor degree in Accountancy from the City University of Hong Kong in 1991 and a Master Degree in Business Administration from the University of Strathclyde in 1995. In 2001, he obtained a Diploma of Electronic Business and Business Management from Zhongshan University. He is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He is also an associate of the Hong Kong Institute of Chartered Secretaries, an associate of the Institute of Chartered Secretaries and Administrators, and a member of the Hong Kong Institute of Directors. He has decades of experience in accounting and finance.

# Biographical Details of Directors and Senior Management *(Continued)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. SZE Tsai Ping, Michael**, aged 66, appointed in May 2007, is an independent non-executive Director of the Company. He graduated with a Master of Laws (LLM) degree from the University of Hong Kong. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was a former council member, member of the Main Board Listing Committee of the Stock Exchange and member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited. From 9 May 2007 to 2 November 2009, he was an independent non-executive director of C Y Foundation Group Limited. He is currently a non-executive director of Burwill Holdings Limited and an independent non-executive director of GOME Electrical Appliances Holding Limited, Greentown China Holdings Limited and Harbour Centre Development Limited, all of which are listed on the Stock Exchange. He has extensive experience in the financial and securities fields.

**Dr. FAN Yiu Kwan, *JP***, aged 66, appointed in May 2007, is an independent non-executive Director of the Company. He received his BA (Hon) degree from the University of Hong Kong, MA degree from the University of Toronto, Canada and PhD from the University of Wisconsin-Madison, USA. He is the Executive Director of Hong Kong Council for Accreditation of Academic and Vocational Qualifications and currently also a Member of Council of the Hong Kong Institute of Directors.

**Mr. TSANG Link Carl, Brian**, aged 47, appointed in May 2007 and left service on 1 February 2011, was an independent non-executive Director of the Company. He graduated from the King's College of the University of London with a Bachelor of Laws (LLB) degree in 1985 and was then admitted to practice in Hong Kong, England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. Until he left service, he was a practicing solicitor in Hong Kong and a partner of Messrs. Iu, Lai & Li, Solicitors, and an independent non-executive director of CITIC Resources Holdings Limited and a non-executive director of Midland IC&I Limited, both of which are listed on the Stock Exchange. He was also appointed as an adjudicator of the Registration of Persons Tribunal in 2005 and as a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a member of the Appeal Panel on Housing in 2006.

**Mr. LEE Kwan Hung**, aged 45, appointed in February 2011, is an independent non-executive Director of the Company. He received his Bachelor of Laws (Honours) Degree in 1988 and Postgraduate Certificate in Laws from the University of Hong Kong in 1989. He was admitted as a solicitor in Hong Kong in 1991 and England and Wales in 1997. Between 1993 and 1994, he was a Senior Manager of the Listing Division of the HKEx. Mr. Lee retired from the partnership of a leading law firm in Hong Kong in February 2011. He is currently an independent non-executive director of GZI REIT Asset Management Limited (which manages GZI Real Estate Investment Trust), Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, New Universe International Group Limited and Newton Resources Ltd, all of which are listed on the Stock Exchange. He was a former non-executive director of Mirabell International Holdings Limited and GST Holdings Limited, the shares of which were formerly listed on the Stock Exchange.

# Biographical Details of Directors and Senior Management *(Continued)*

## SENIOR MANAGEMENT

**Mr. CHENG Dong Xue (alias Cheng Zi)**, aged 44, joined the Group in 2003, is the General Manager of the China region of the Group responsible for planning, executing and monitoring operational strategies in the PRC with which he is well-experienced.

**Mr. HUNG Tin Chun**, aged 63, joined the Group in 2007, is the General Manager of the Guangzhou office responsible for product development, management, merchandising and quality control of the Group. He possess decades of experience in the footwear industry and is strong in product technology and manufacturing. He is the brother-in-law of Ms CHAN Mei Sheung.

**Mr. LIU Cheng Ju**, aged 43, joined the Group in 2008, is the General Manager of the Taiwan branch and is responsible for co-ordination of planning, execution and monitoring operational strategies in Taiwan. He has over 20 years of experience in emporium and retail businesses in Taiwan.

**Mr. Mark SHAW**, aged 39, joined the Group in February 2010, is the Creative Director of Acupuncture footwear of the Group. After graduating in the art and design discipline in the United Kingdom in 1993, he has since worked in Product design, footwear, apparel and brand direction in several markets including the United States and France.

**Ms WONG Yuk Fan, Diely**, aged 42, joined the Group in April 2011, is the Financial Controller of the PRC Division responsible for the Group's accounting and finance matters. She obtained a Bachelor of Arts (Hons) degree in Accountancy from the Hong Kong Polytechnic University in 1992 and has acquired years of experience in retail business accounting. She is a fellow member of the Association of Chartered Certified Accountants and a fellow member of Hong Kong Society of Accountants.

**Mr. LEUNG Sing Kuen, Frederick**, aged 44, joined the Group in 2008, is the Senior Brand Manager of Acupuncture of the Group. He has extensive experience in retail, merchandizing, purchasing, and brand development.

**Mr. LEUNG Kit Wai**, aged 53, joined the Group in April 2008, is the Head of Legal and Compliance responsible for handling legal and compliance matters of the Group. He was admitted as a solicitor in Hong Kong in September 1991 and in England & Wales in February 1992. Between 1994 and 1997, he was a Crown Counsel (now Government Counsel) in the prosecutions division of the Legal Department (now Department of Justice). He has extensive experience in handling contentious and non-contentious matters during his private practice in the legal field.

**Ms CHONG Lai Chu**, aged 43, joined the Group in 2006, is the Financial Controller of the Hong Kong Division responsible for the Group's accounting and finance matters with which she has acquired many years of relevant experience. She holds a Post-Secondary Diploma in Accounting from the Hong Kong Shue Yan College and an Master of Business Administration from the University of Manchester. She is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

# Biographical Details of Directors and Senior Management *(Continued)*

**Mr. WONG Tak Kwan, Specky**, aged 43, joined the Group in April 2010, is the Head of Information Technology responsible for strategic technology planning, ERP implementation, and IT infrastructure of the Group. He holds a Master of Science degree in Computer Engineering from the University of Oklahoma. He is experienced in IT management for retail sector and specializes in data analysis and retail performance management.

**Mr. WANG Yin Hua**, aged 47, joined the Group in 2005, is the Leasing Manager in the PRC region of the Group and is also responsible for business development in the PRC with which he has acquired many years of relevant experience. He obtained a Degree by studying a Business Management course jointly organized by the University of Linguistics and Logic（中國邏輯與語言函授大學）and the Commercial and Economic Department of People's University（中國人民大學）.

# Corporate Governance Report

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management recognize the need to maintain sound corporate governance standards in the Company so as to effectively safeguard and maximize the interest of shareholders.

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") for the year ended 31 March 2011.

The Board will continuously review and improve the corporate governance practices and standards of the Company to enhance shareholders' value for the benefit of our stakeholders.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"). Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises three executive Directors and three independent non-executive Directors. The Directors up to the date of this annual report were:

### Executive Directors

Ms CHAN Mei Sheung *(Chairman)*
Mr. KIU Wai Ming
Mr. CHU Yin Man

### Independent non-executive Directors

Mr. SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011)
Mr. LEE Kwan Hung (from 1 February 2011)

The Board sets directions and formulates overall strategies of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through respective committees of the Board in a sound and efficient manner. To these ends, the Board meets regularly throughout the year. Not less than 14 days prior written notice to Directors prior to board meeting is given and not less than 3 days prior to the meeting, detailed agenda with views of Directors taken into account and relevant materials are delivered to the Directors to enable them to make informed decision. The company secretary of the Group ensures compliance with procedures, all applicable laws and regulations. Access to board papers and relevant materials is available and each board member is free to seek independent professional advice, if required.

# Corporate Governance Report *(Continued)*

The Company has received from each of the former and current independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

During the year ended 31 March 2011, 4 full board meetings were held for reviewing business strategies, financial and operating performance, and the attendance of each Director is set out on page 20.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms CHAN Mei Sheung is the Chairman, Mr. KIU Wai Ming is the Chief Executive Officer and Mr. CHU Yin Man is the Chief Financial Officer of the Company. Their roles are segregated to assume a balance of authority and power and the divisions of responsibilities between the Chairman, the Chief Executive Officer and Chief Financial Officer have been clearly established. The Chairman is responsible for the leadership and effective running of the Board. The Chief Executive Officer and Chief Financial Officer are delegated with authorities to manage all of the business of the Group effectively.

## APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with Article 86(3) of the Company's Articles of Association ("**Article**"), any director appointed by the board to fill a causal vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. In accordance with Article 87 and Article 88, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each forthcoming annual general meeting of the Company. Independent non-executive Directors Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian (who later resigned and left office on 1 February 2011) have been appointed for a term of two years commencing on 7 June 2010, subject to the provisions of the Company's Articles of Association. To fill up the vacancy, Mr. LEE Kwan Hung was appointed for a term of two years commencing from 1 February 2011.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company to act for a term of two years, all commenced on 7 June 2010 and shall continue thereafter until terminated, inter alia, by not less than three months' notice in writing served to each other or in accordance with the terms of service agreement.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

# Corporate Governance Report *(Continued)*

## RESPONSIBILITIES OF DIRECTORS

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his or her appointment to ensure proper understanding of responsibilities and on-going obligations to be observed by a Director with follow up updates and briefings, if necessary, to ensure that the Directors have a proper understanding of the operations and business of the Group and that they are aware of their responsibilities under the laws and applicable regulations.

The independent non-executive Directors have actively participated in the Board meetings and bring in independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They also take the lead where potential conflicts of interests arise. They are also members of audit committee ("**Audit Committee**"), nomination committee ("**Nomination Committee**") and remuneration committee ("**Remuneration Committee**").

## BOARD COMMITTEES

The Board has established various committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee (together the "**Board Committees**"), each of which has respective written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary of the Company, are circulated to all members of the Board. Each committee reports regularly to the Board on its decision and makes recommendations on matters where appropriate.

## REMUNERATION COMMITTEE

During the year under review, the Remuneration Committee constituted of four members, namely, Dr. FAN Yiu Kwan, *JP*, who presided as the chair, Ms CHAN Mei Sheung, Mr. SZE Tsai Ping, Michael, Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011), and Mr. LEE Kwan Hung (from 1 February 2011).

The major functions of the Remuneration Committee included making recommendations to the Board on the Group's policy and structure for remuneration of the Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration on the basis of their merits, qualifications and competence by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee shall meet at least twice a year. During the year, two Remuneration Committee meetings were held and the attendance of each member is set out on page 20.

At the meetings held during the year, the remuneration packages of all Directors with reference to their experience, performance and comparables of other listed companies in Hong Kong were reviewed and considered. Performance based bonus to executive Directors and senior management staff were also considered and reviewed. Details of the emoluments paid/payable to individual Directors are set out in Note 25 to the consolidated financial statements.

# Corporate Governance Report *(Continued)*

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board are posted on the Company's website: http://www.walkershop.com.hk and are available on request.

## NOMINATION COMMITTEE

The Nomination Committee consisted of three members, namely, Mr. SZE Tsai Ping, Michael, who presided as the chair, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011), and Mr. LEE Kwan Hung (from 1 February 2011), all of whom are independent non-executive Directors.

The principal functions of the Nomination Committee included reviewing the size, structure, and composition of the Board on a regular basis, identifying individuals suitably qualified to become Board members and making recommendations to the Board on selection of individuals so nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board concerning appointment or re-appointment of Directors and any succession plan for Directors, in particular the chairman and the chief executive officer.

The Nomination Committee shall meet at least once a year. During the year, three Nomination Committee meetings were held and the attendance of each member is set out on page 20.

At the meetings held during the year, the size and composition of the Board, the resignation of the outgoing independent non-executive Director and appointment of a new one in replacement were also considered and where appropriate endorsed. In addition, the re-appointment of retiring Directors, which were to be approved by the shareholders at the annual general meeting, was recommended.

The terms of reference of the Nomination Committee explaining its role and the authority delegated to it by the Board are posted on the Company's website: http://www.walkershop.com.hk and are available on request.

## AUDIT COMMITTEE

During the year under review, the Audit Committee comprised three independent non-executive Directors, namely, Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011), and Mr. LEE Kwan Hung (from 1 February 2011). No member of the Audit Committee was a former partner of the Company's existing external auditor. Mr. SZE Tsai Ping, Michael, is the chairman of the Audit Committee and he possesses recognized professional qualification in accountancy.

The primary duties of the Audit Committee included reviewing the Group's financial reporting system and internal control procedures, reviewing the Group's financial information, overseeing relationship with the Group's external auditors and making relevant recommendations to the Board.

The Audit Committee was provided with sufficient resources to discharge its duties and had access to independent professional advice if required according to the Company's policy. The Group's annual results for the year ended 31 March 2011 have been reviewed by the Audit Committee.

# Corporate Governance Report *(Continued)*

At the two meetings held during the year, the Audit Committee performed the following:

1. review annual and interim financial report;
2. review external auditor's audit plan, terms of engagement and recommend the auditor's fees for the Board's approval;
3. review the management letters and reports issued by the external auditor; and
4. review the effectiveness of internal control and financial control systems.

The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board are posted on the Company's website: http://www.walkershop.com.hk and are available on request.

## ATTENDANCE OF BOARD AND BOARD COMMITTEES' MEETINGS

The attendances of individual members of the Board and the Board Committees in the Board and the Board Committees' meetings held for the year ended 31 March 2011 are detailed below:

| | Number of meetings attended/held for the year ended 31 March 2011 | | | |
|---|---|---|---|---|
| | **Board** | **Audit Committee** | **Nomination Committee** | **Remuneration Committee** |
| *Executive Directors* | | | | |
| Ms CHAN Mei Sheung *(Chairman)* | 4/4 | — | — | 2/2 |
| Mr. KIU Wai Ming *(Chief Executive Officer)* | 4/4 | — | — | — |
| Mr. CHU Yin Man *(Chief Financial Officer)* | 4/4 | — | — | — |
| *Independent non-executive directors* | | | | |
| Mr. SZE Tsai Ping, Michael *(Chairman of Audit & Nomination Committees)* | 4/4 | 2/2 | 3/3 | 2/2 |
| Dr. FAN Yiu Kwan, *JP (Chairman of Remuneration Committee)* | 4/4 | 2/2 | 3/3 | 2/2 |
| Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011) | 3/3 | 2/2 | 3/3 | 2/2 |
| Mr. LEE Kwan Hung (from 1 February 2011) | 1/1 | — | — | — |

# Corporate Governance Report *(Continued)*

## RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements in accordance with statutory requirements and applicable accounting standards. A statement by the auditor about their reporting responsibilities is set out on page 37 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## INTERNAL CONTROL

The Board has reviewed the findings of the internal control review performed by the internal auditors together with the Audit Committee and, after discussion with the management, is satisfied that the Group's system of internal controls is sound and adequate. The Board will continue to review and improve the internal control system of the Group, taking into account the prevailing regulatory requirements, business development needs and the interest of shareholders.

## MANAGEMENT FUNCTIONS

The Board is responsible for formulating the Group's overall strategy, determining objectives and policies and monitoring and controlling the performances of the Group. The day-to-day management and operations of the Group's business is delegated by the Board to the general managers and department heads of the Company and its subsidiaries. The Board reserves the right to decide on all policy matters of the Group and material transactions.

## AUDITOR'S REMUNERATION

During the year under review, the fees paid/payable to the Company's external auditor, PricewaterhouseCoopers, for the provision of audit services and non-audit services amounted to approximately HK$1,607,000 (audit) and approximately HK$760,000 (non-audit) respectively, which comprised interim review fee of approximately HK$217,000, tax compliance service fee of approximately HK$207,000, tax planning advisory fee of approximately HK$85,000 and enterprise resource programme post-implementation review fee of approximately HK$251,000.

## COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with shareholders, investors and analysts are maintained through delivery of interim reports, annual reports, publishing information relating to the Group on the websites of the Stock Exchange and the Company, and issuing announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules.

Holding annual general meeting provides important opportunity for direct communication between the Chairman of the Board and the Board Committees on the one hand and the shareholders on the other and questions raised by the shareholders are answered. Re-election of directors by separate resolution will also be proposed by the Chairman at the annual general meeting.

Upon announcements of interim and annual results and material investments decision, communication with various parties by way of briefing sessions, and press conference may be convened. One-on-one communication is common when attending investors' activities.

# Report of Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2011.

### Corporate Reorganization and Public Listing

The Company was incorporated with limited liability in the Cayman Islands on 10 November 2006. Pursuant to a group reorganization to rationalize the structure of the Group in preparation for public listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 21 May 2007.

### Principal Activities

The Company is an investment holding company. The activities of the subsidiaries are set out in Note 34 to the consolidated financial statements.

An analysis of the Group's performance for the year by segment is set out in Note 5 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 42.

### Dividend

The board of Directors recommends payment of a final dividend of 2.5 HK cents per ordinary share for the year ended 31 March 2011, totaling HK$15,589,000 to the shareholders whose names appear on the Register of Members on 29 August 2011.

### Closure of Register of Members

The register of members of the Company will be closed on 25 August 2011 (Thursday) to 29 August 2011 (Monday), during which period no transfer of shares in the Company will be registered, for the purpose of determining the entitlement of the shareholders to receive the proposed final dividend for the year ended 31 March 2011. Subject to the approval of the shareholders at the Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 29 August 2011. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 August 2011.

### Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 110 to 113 of this annual report.

# Report of Directors *(Continued)*

**Share Capital**

Details of the movements in the Company's share capital during the year under review are set out in Note 17 to the consolidated financial statements.

**Reserves**

Details of the movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity on page 44 of this annual report.

Movements in the Company's reserves during the year are set out in Note 18 to the consolidated financial statements.

In addition to the Company's retained earnings, the share premium account of the Company and share-based compensation reserve of the Company are also available for distribution to shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law (2007 Revision) of the Cayman Islands.

As at 31 March 2011, the Company's share premium was approximately HK$562,600,000 (2010: approximately HK$562,070,000), the share-based compensation reserve of the Company was approximately HK$26,011,000 (2010: approximately HK$22,345,000). The retained earnings of the Company were approximately HK$24,565,000 (2010: accumulated losses of approximately HK$2,788,000).

**Property, Plant and Equipment**

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 6 to the consolidated financial statements.

**Directors**

The members of the Board during the year ended 31 March 2011 and up to the date of this report were:

***Executive Directors***

Ms CHAN Mei Sheung
Mr. KIU Wai Ming
Mr. CHU Yin Man

***Independent non-executive Directors***

Mr. SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011)
Mr. LEE Kwan Hung (from 1 February 2011)

# Report of Directors *(Continued)*

In accordance with Article 86(3) of the Company's Articles of Association ("**Article**"), any director appointed by the board to fill a causal vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. In accordance with Article 87 and Article 88, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each forthcoming annual general meeting. Independent non-executive Directors Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian (who later resigned and left office on 1 February 2011) have been appointed for a term of two years commencing on 7 June 2010, subject to the provisions of the Company's Articles of Association. To fill up the vacancy, Mr. LEE Kwan Hung was appointed for a term of two years commencing from 1 February 2011. The Company has received from each of the former and current independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent. Biographical details of the Directors as at the date of this report are set out on pages 12 to 13 of this annual report.

### Directors' Service Contracts

Each of the executive Directors entered into a service agreement with the Company to act for a term of two years, commencing on 7 June 2010 and shall continue thereafter until terminated, inter alia, by not less than three months' notice in writing served to each other or in accordance with the terms of service agreement.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

### Directors' and Chief Executives' Interests in Shares of the Company

As at 31 March 2011, the interests of each Director and chief executive in the shares, share options, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

***Long Position***

Beneficial interests in the ordinary shares of HK$0.10 each in the capital of the Company ("Shares"):

| | Capacity & number of Shares held | | | Number of share options held | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Personal interest | Family interest | Corporate interest | Personal interest *(Note 2)* | Family interest | Total | Approximate percentage of shareholding *(Note 4)* |
| CHAN Mei Sheung | — | 449,150,000 *(Note 1)* | — | 9,550,000 | — | 458,700,000 | 73.56% |
| KIU Wai Ming | 3,500,000 | — | — | 8,000,000 | — | 11,500,000 | 1.84% |
| CHU Yin Man | 1,100,000 *(Note 3)* | — | — | 4,400,000 *(Note 3)* | — | 5,500,000 | 0.88% |

# Report of Directors *(Continued)*

*Notes:*

1. Mr. HUANG Wen Yi ("**Mr. Huang**"), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang's estate is taken to be interested in the 449,950,000 Shares held by Smart Presto Holdings Limited, owned as to 90% by estate of the late Mr. Huang and 10% by Ms CHAN Mei Sheung ("**Ms Chan**"). Of the 44,995,000 shares interest held by Ms Chan, 10,000,000 shares had been allotted for subscription by certain directors of the Company under the Share Purchase Scheme adopted on 5 August 2009. Mr. CHU Yin Man ("**Mr. Chu**"), an executive director of the Company, had on 18 March 2011 exercised the share purchase right to acquire 800,000 shares under the said Share Purchase Scheme from Ms Chan. Ms Chan, the surviving spouse of the late Mr. Huang, was taken to be interested in the 449,950,000 Shares held by Smart Presto Holdings Limited and the option relating to 4,380,000 Shares granted to Mr. Huang which was lapsed on 10 February 2009. Ms Chan is in the process of applying to the Probate Registry in Hong Kong for Grant of Letters of Administration in respect of the estate of the late Mr. Huang.

2. These represent the number of Shares which will be allotted and issued to such Directors upon the exercise of the options granted to each of them under the Pre-IPO Share Option Scheme adopted on 21 May 2007, the Share Option Scheme adopted on 21 May 2007 and the Share Purchase Scheme adopted on 5 August 2009.

3. Of 1,100,000 shares, 300,000 Shares were acquired by Mr. CHU pursuant to the Share Purchase Agreement entered into by Mr. Huang, Smart Presto Holdings Limited and Mr. Chu on 2 May 2007 and 800,000 Shares were exercised by Mr. Chu on 18 March 2011 under the Share Purchase Scheme adopted by Smart Presto Holdings Limited on 5 August 2009.

4. Calculated as a percentage of the entire issued share capital of the Company as at 31 March 2011.

Save as disclosed above, as at 31 March 2011, none of the Directors or the chief executives of the Company nor their associates had any interests or short positions in any shares, share options, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders' Interests in Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed above in respect of certain directors, as at 31 March 2011, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

***Long Position***

| Substantial Shareholder | Number of Shares Held | Capacity | Approximate Percentage of shareholding |
|---|---|---|---|
| Smart Presto Holdings Limited *(Note)* | 449,150,000 | Beneficial owner | 72.03% |
| HUI Wan Hon | 68,650,000 | Interests held jointly with Ng Chee Yin Susie Linda | 11.01% |

# Report of Directors *(Continued)*

*Note:* Smart Presto Holdings Limited is the registered owner of 449,950,000 Shares owned as to 90% by estate of the late Mr. Huang and 10% by Ms Chan, Of the 44,995,000 shares interest held by Ms Chan, 10,000,000 shares had been allotted for the subscription by certain directors of the Company under the Share Purchase Scheme adopted on 5 August 2009. Mr. CHU Yin Man, an executive director of the Company, had on 18 March 2011 exercised the share purchase right to acquire 800,000 shares under the said Share Purchase Scheme from Ms Chan.

As at the date of this report, save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) who as at 31 March 2011 had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as the shareholders as disclosed herein, the Directors are not aware of any persons who were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company.

### Connected Transaction

The Company had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 March 2011.

### Directors' Interest in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Interest in Competing Business

***Non-Competition Undertaking***

Pursuant to a deed of non-competition entered into between late Mr. Huang and Ms Chan, and the Company dated 23 May 2007 ("**Non-Competition Undertaking**"), each of the late Mr. Huang and Ms Chan has undertaken to the Company (for itself and on behalf of each of its subsidiaries) that so long as the Company is listed on the Main Board of the Stock Exchange and so long as any of Mr. Huang and Ms Chan remains a controlling shareholder, he or she will not, and shall procure that his or her associates will not, compete with the Group, directly or indirectly, whether on his or her own or jointly with or on behalf of any person, firm, or company, by carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise, in the carrying on of any activity or business which directly or indirectly competes or is likely to be in competition with the footwear business including without limitation the design and sales of footwear products operated by the Group or will from time to time be engaged or operated by the Group in the PRC and Hong Kong, Taiwan and Japan.

The independent non-executive Directors have reviewed Ms Chan's compliance with the Non-Competition Undertaking. The independent non-executive Directors are of the view that none of the controlling shareholders or directors of the Company held any interests in any business that, either directly or indirectly, competes or is likely to compete with the Group's business.

# Report of Directors *(Continued)*

The Company has also received a confirmation from Ms Chan, which stated that Ms Chan, as the controlling shareholder of the Company, has complied with the Non-Competition Undertaking for the year ended 31 March 2011.

### Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme in May 2007 ("**Pre-IPO Scheme**") and its purpose is to recognize the contribution of and to provide an incentive to the Directors, senior management members and other employees of the Group who has contributed or will contribute to the Group.

On 21 May 2007, options ("**Pre-IPO Share Options**") to subscribe for a total of 15,000,000 Shares at the exercise price of HK$3.09 per Share equivalent to 80% of the final offer price of HK$3.86 per Share upon its listing on the Stock Exchange ("**Listing**") were granted under the Pre-IPO Scheme.

On acceptance of the Pre-IPO Share Options, the grantee would pay HK$1.00 by way of consideration for the grant to the Company. Each Pre-IPO Share Option is exercisable during the following option periods: (a) in relation to 30% of the Shares comprised in the Pre-IPO Share Options, during the period commencing on the expiration of 12 months, and ending on the expiration of 48 months, after the date of Listing; (b) in relation to another 30% of the Shares comprised in the Pre-IPO Share Options, the period commencing on the expiration of 24 months, and ending on the expiration of 60 months, after the date of Listing; and (c) in relation to the remaining 40% of the Shares comprised in the Pre-IPO Share Options, the period commencing on the expiration of 36 months, and ending on the expiration of 72 months, after the date of Listing.

None of the Pre-IPO Share Options was cancelled or exercised during the year ended 31 March 2011. A summary of the movements of the Pre-IPO Share Options for the year ended 31 March 2011 is shown below:

| | No. of Pre-IPO Share Options | | | | | | |
|---|---|---|---|---|---|---|---|
| Name or Category of participant | Balance as at 1 April 2010 | Granted during the year ended 31 March 2011 | Exercised during the year ended 31 March 2011 | Cancelled during the year ended 31 March 2011 | Lapsed during the year ended 31 March 2011 | Balance as at 31 March 2011 | Approximate percentage of issued share capital of the Company as at 31 March 2011 |
| | | | | | | | % |
| **Directors** | | | | | | | |
| CHAN Mei Sheung | 3,550,000 | – | – | – | – | 3,550,000 | 0.57 |
| KIU Wai Ming | 2,000,000 | – | – | – | – | 2,000,000 | 0.32 |
| CHU Yin Man | 1,200,000 | – | – | – | – | 1,200,000 | 0.19 |
| **Employees** | | | | | | | |
| Continuous contract employees | 2,630,000 | – | – | – | – | 2,630,000 | 0.42 |

# Report of Directors *(Continued)*

The offer price of the Shares upon Listing on 7 June 2007 was HK$3.86. The value of the Pre-IPO Share Options granted to the respective parties as at grant date is shown below:

| | *HK$* |
|---|---|
| **Directors** | |
| Late Mr. HUANG Wen Yi | 7,621,200 |
| Ms CHAN Mei Sheung | 6,177,000 |
| Mr. KIU Wai Ming | 3,480,000 |
| Mr. CHU Yin Man | 2,088,000 |
| | |
| **Employees** | |
| Continuous contract employees | 6,733,800 |

The Pre-IPO Share Options of the late Mr. HUANG Wen Yi and 1,240,000 Pre-IPO Share Options held by continuous contract employees have lapsed.

Measurement date of the Pre-IPO Share Options was 6 June 2007. The value of all the Pre-IPO Share Options granted was HK$26,100,000, based on the binomial lattice model. The significant inputs into the model were share price as at 7 June 2007 of HK$3.86, exercise price of HK$3.09 and expected life of Pre-IPO Share Options of 6 years, annual risk-free interest rates ranging from 4.01% to 4.08% and expected annualized stock volatility of 33.18%. The binomial lattice model is to estimate the market value of options by incorporating the effects from factors including risk-free rate and annualized stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a Pre-IPO Share Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a Pre-IPO Share Option.

As at 31 March 2011, Pre-IPO Share Options in respect of 9,380,000 Shares were outstanding. The exercise in full of such Pre-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a total premium of approximately HK$28,046,000.

The Pre-IPO Scheme expired on 23 May 2007 and no further Pre-IPO Share Options have been or will be offered or granted under the Pre-IPO Scheme save for those mentioned above.

### Share Option Scheme

A share option scheme ("**Share Option Scheme**") was adopted by the shareholders' written resolution of the Company dated 21 May 2007. Summary of the principal terms of the Share Option Scheme is set out below. A total of 24,900,000 options ("**Post-IPO Share Options**") were granted during the year ended 31 March 2010.

# Report of Directors *(Continued)*

Unless otherwise cancelled or amended, the Share Option Scheme shall be valid and effective for a period of 10 years from its adoption date, after which period no further options will be issued out but any options then outstanding will continue to be exercisable in accordance with their terms of issue.

The Share Option Scheme is designed to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive Director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors.

The period under which an option may be exercised will be determined by the Board at its absolute discretion, save that an option shall expire not later than 10 years from the date of grant. Unless otherwise determined by the Board and specified in the offer letter at the time of offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK$1.00. The full amount of the subscription price for the Company's shares has to be paid upon exercise of an option. The subscription price shall be such price solely determined by the Board at the time of offer of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option.

The subscription price shall be at least the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted in the Stock Exchange's daily quotation sheets on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted in the Stock Exchange's daily quotation sheets on the date of an offer of the grant of the options.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company (excluding options lapsed in accordance with the terms of the Share Option Scheme) shall not in aggregate exceed 10% of the total number of the Company's shares in issue on the date of commencement of dealings in the Shares on the Stock Exchange, being 600,000,000 Shares.

The number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. As at the date of this report, save for the Shares that may fall to be issued pursuant to the exercise of the options granted but yet to be exercised, a total of 36,100,000 Shares, representing approximately 5.8% of the issued share capital of the Company as at the date of this report, are available for issue under the Share Option Scheme.

# Report of Directors *(Continued)*

The total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option scheme(s) of the Company in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue unless approved by the Company's shareholders in general meeting.

On 5 August 2009, Post-IPO Share Options to subscribe for a total of 24,900,000 Shares, representing 4% of the issued share capital of the Company, at the exercise price of HK$0.60 per Share were granted under the Share Option Scheme. The closing price of Shares on 4 August 2009 was HK$0.58.

On acceptance of the Post-IPO Share Options, the grantee would pay HK$1.00 by way of consideration for the grant to the Company. Each Share Option is exercisable during the following option periods: (a) in relation to 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2010 and ending on 4 August 2017 (both dates inclusive); (b) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2011 and ending on 4 August 2017 (both dates inclusive); (c) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2012 and ending on 4 August 2017 (both dates inclusive); (d) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2013 and ending on 4 August 2017 (both dates inclusive); and (e) in relation to the remaining 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2014 and ending on 4 August 2017 (both dates inclusive).

None of the Post-IPO Share Options was cancelled during the year ended 31 March 2011. A summary of the movements of the Post-IPO Share Options for the year ended 31 March 2011 is shown below:

| | No. of Post-IPO Share Options | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name or Category of participant** | **Balance as at 1 April 2010** | **Granted during the year ended 31 March 2011** | **Exercised during the year ended 31 March 2011** | **Cancelled during the year ended 31 March 2011** | **Lapsed During the year ended 31 March 2011** | **Balance as at 31 March 2011** | **Approximate percentage of issued share capital of the Company as at 31 March 2011** |
| | | | | | | | % |
| **Director** | | | | | | | |
| CHAN Mei Sheung | 6,000,000 | – | – | – | – | 6,000,000 | 0.96 |
| **Employees** | | | | | | | |
| Continuous contract employees | 18,600,000 | – | 1,060,000 | – | 1,760,000 | 15,780,000 | 2.53 |

# Report of Directors *(Continued)*

The value of the Post-IPO Share Options granted to the respective parties as at grant date is shown below:

| | *HK$* |
|---|---|
| **Directors** | |
| Ms CHAN Mei Sheung | 1,815,904 |
| | |
| **Employees** | |
| Continuous contract employees | 5,474,574 |

Measurement date of the Post-IPO Share Options was 5 August 2009. The value of the Post-IPO Share Options granted was based on the binomial lattice model. The significant inputs into the model were share price as at 5 August 2009 of HK$0.57, exercise price of HK$0.60 and expected life of Post-IPO Share Options of 8 years, annual risk-free interest rates at the valuation date of 2.344%, expected annualized stock volatility of 66.368% and the dividend yield of 2.59%. The binomial lattice model is to estimate the market value of options by incorporating the effects from factors including risk-free rate and annualized stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a Post-IPO Share Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a Post-IPO Share Option.

As at 31 March 2011, Post-IPO Share Options in respect of 21,780,000 Shares were outstanding. The exercise in full of such Post-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a total premium of approximately HK$10,890,000.

The Share Option Scheme shall expire on 21 May 2017.

**Share Purchase Scheme**

A share purchase scheme ("**Share Purchase Scheme**") was adopted by Smart Presto Holdings Limited ("**Smart Presto**") on 5 August 2009. Summary of the principal terms of the Share Purchase Scheme is set out below.

The Share Option Scheme is designed to advance the interest of the Group by rewarding persons who have made or will make valuable contribution to the business of the Group. Subject to the provisions under the Share Purchase Scheme, the maximum number of Shares available for purchase on the exercise of options granted under the Share Purchase Scheme ("**Share Options**") shall be 30,000,000 Shares. Any Shares that are subject to a Share Option granted under the Share Purchase Scheme (or any portion thereof) that lapses, expires or for any reason is terminated unexercised shall become available for purchase under the Share Purchase Scheme.

On 5 August 2009, Share Options to purchase a total of 10,000,000 Shares, representing approximately 1.6% of its issued share capital, at the exercise price of HK$0.60 per Share were granted under the Share Purchase Scheme.

# Report of Directors *(Continued)*

On acceptance of the Share Option, the grantee would pay HK$1.00 by way of consideration for the grant to Smart Presto. Each Share Option is exercisable during the following option periods: (a) in relation to 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2010 and ending on 4 August 2017 (both dates inclusive); (b) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2011 and ending on 4 August 2017 (both dates inclusive); (c) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2012 and ending on 4 August 2017 (both dates inclusive); (d) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2013 and ending on 4 August 2017 (both dates inclusive); and (e) in relation to the remaining 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2014 and ending on 4 August 2017 (both dates inclusive).

None of the Share Options was lapsed or cancelled during the year ended 31 March 2011. A summary of the movements of the Share Options for the year ended 31 March 2011 is shown below:

| | No. of Share Options | | | | | | |
|---|---|---|---|---|---|---|---|
| Name or Category of participant | Balance as at 1 April 2010 | Granted during the year ended 31 March 2011 | Exercised during the year ended 31 March 2011 | Cancelled during the year ended 31 March 2011 | Lapsed During the year ended 31 March 2011 | Balance as at 31 March 2011 | Approximate percentage of the issued share capital as at 31 March 2011 |
| | | | | | | | % |
| **Directors** | | | | | | | |
| KIU Wai Ming | 6,000,000 | – | – | – | – | 6,000,000 | 0.96 |
| CHU Yin Man | 4,000,000 | – | 800,000 | – | – | 3,200,000 | 0.51 |

As at 31 March 2011, Share Options in respect of 9,200,000 Shares under the Share Purchase Scheme were outstanding.

The Share Purchase Scheme shall expire on 5 August 2019.

Further details of the Share Purchase Scheme are set out in the announcement of the Company dated 5 August 2009.

### Directors' Right to Acquire Shares

Except as mentioned above under the Pre-IPO Scheme, Share Option Scheme and Share Purchase Scheme, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares or any other body corporate.

# Report of Directors *(Continued)*

### Management Contract

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.

### Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 March 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no provision for pre-emptive rights under the Laws of the Cayman Islands which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### Major Customers and Suppliers

During the year, all suppliers of the Group are independent third parties. The Group's largest supplier accounted for approximately 12.2% of the Group's total purchases and the Group's five largest suppliers accounted for approximately 44.8% of the Group's total purchases.

Our Group's five largest customers accounted for less than 30% of the total sales for the year. Hence, no disclosure with regard to major customers is made.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's top five largest customers or suppliers.

### Directors' and the Five Highest Paid Individuals' Emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 25 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties, responsibilities, experience and performance, the Company's performance, the prevailing market conditions and after considering the market emoluments for directors of other listed companies.

The contributions to pension scheme of Directors for the year are disclosed in Note 25 to the consolidated financial statements.

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 March 2011.

# Report of Directors *(Continued)*

### Corporate Governance

Principal corporate governance practices adopted by the Company are set out in Corporate Governance Report contained in this annual report.

### Audit Committee

The Company established an audit committee on 21 May 2007 with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. During the year under review, the members of the Audit Committee were independent non-executive Directors, namely, Mr. SZE Tsai Ping, Michael, who presided as the chairman, Dr. FAN Yiu Kwan, *JP*, Mr. TSANG Link Carl, Brian (from 1 April 2010 to 1 February 2011) and Mr. LEE Kwan Hung (from 1 February 2011). The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2011, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

### Use of Net Proceeds from the Company's Initial Public Offering

The proceeds from the issuance of new shares by the Company in its initial public offering in June 2007, net of listing expenses, were approximately HK$614 million. As at 31 March 2011, the proceeds had been utilized in the following manners:

| | **Planned amount per prospectus** | **Planned amount per announcement dated 14 October 2008** | **Amount utilized up to 31 March 2011** | **Balance as at 31 March 2011** |
|---|---|---|---|---|
| | *HK$'million* | *HK$'million* | *HK$'million* | *HK$'million* |
| Setting up franchised and self-managed sales points | 407 | 332 | 332 | — |
| Setting up specialty sales points | 96 | 52 | 49 | 3 |
| Strengthening product design and development capability | 15 | 15 | 15 | — |
| Upgrading management information system | 15 | 15 | 15 | — |
| Marketing and promotional activities | 30 | 30 | 30 | — |
| Working capital | 51 | 101 | 101 | — |
| Acquisition of Acupuncture and setting the Completion Liabilities | — | 69 | 69 | — |
| | 614 | 614 | 611 | 3 |

# Report of Directors *(Continued)*

The unutilized balance was deposited in the banks. As disclosed in the Company's announcement dated 14 October 2008, the Board anticipated that the recent economic environment would have a negative impact on global consumptions and the Group's business. The Board considered it was necessary for the Group to have a strong working capital position. In order to cope with the changes in the market conditions and to capture business opportunities arising from the acquisition of Acupuncture, the Board resolved to change the proposed use of part of the unused net proceeds from the initial public offering of the Company. For details, please refer to the Company's announcement dated 14 October 2008. The Group intends to utilize the net proceeds balance in the same manner and proportion as set out in the announcement of the Company dated 14 October 2008.

**Sufficiency of Public Float**

As announced by the Company on 26 January 2010 and based on the information set out in the Disclosure of Interests notice dated 18 December 2009 filed by HUI Wan Hon ("**Mr. Hui**") on 16 December 2009, the shareholding interest in the Company held by Mr. Hui jointly with NG Chee Yin Susie Linda had increased from below 10% to approximately 10.26% (that is, 63,858,000 Shares). As a result of such increase in shareholding interest, Mr. Hui and NG Chee Yin Susie Linda have become connected persons of the Company by virtue of their being substantial shareholders of the Company and the public float of the Company as at 16 December 2009 was approximately 16.85% of the entire issued share capital of the Company which was below 25%, that is, the minimum percentage required to be maintained under Rules 8.08(1)(a) and 13.32(1) of the Listing Rules. Further details were set out in the announcement of the Company dated 26 January 2010.

As at the latest practicable date prior to the issue of this annual report, to the best of the Directors' knowledge and based on the information that is publicly available to the Company, the shareholding interest in the Company held by Mr. Hui jointly with NG Chee Yin Susie Linda was approximately 11.01% (that is, 68,650,000 Shares) and the aggregate shareholding interest of the controlling shareholder of the Company and Mr. Hui and NG Chee Yin Susie Linda and the Directors was approximately 83.78% of the entire issued share capital of the Company and the public float of the Company was approximately 16.22%, which was below the minimum percentage required by the Listing Rules.

Mr. Hui and NG Chee Yin Susie Linda have not been, either jointly or severally, the controlling or single largest shareholder or directors of the Company nor have they had any representation in the Board. Furthermore, they have not been involved in the Company's management at any time. To the best knowledge of the Directors, save for being the substantial shareholders of the Company by virtue of their shareholding interest in the Company, Mr. Hui and NG Chee Yin Susie Linda are independent of the Company, the Directors and the controlling shareholder of the Company.

# Report of Directors *(Continued)*

During the year, the Company has been trying its best endeavours to take steps including without limitation contacting potential investors, funds managers and discussing with the said substantial shareholders with a view to restoring the public float of the Company and the result is yet to be seen. The Company would continue to monitor the situation, consult legal and professionals and to take further steps for restoration where appropriate.

**Auditor**

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment.

A resolution to re-appoint PricewaterhouseCoopers as auditor of the Company will be submitted at the annual general meeting of the Company.

On behalf of the Board
**CHAN Mei Sheung**
*Chairman*

Hong Kong
28 June 2011

# Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

**PricewaterhouseCoopers**
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

**TO THE SHAREHOLDERS OF WALKER GROUP HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Walker Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 109, which comprise the consolidated and company balance sheets as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

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

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

# Independent Auditor's Report

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 of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 28 June 2011

# Consolidated Balance Sheet

*As at 31 March 2011*

| | Note | As at 31 March 2011 HK$'000 | As at 31 March 2010 HK$'000 (Restated) | As at 1 April 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 6 | **55,625** | 56,632 | 62,525 |
| Investment property | 7 | **1,078** | 1,111 | 1,144 |
| Intangible assets | 8 | **69,411** | 73,341 | 71,350 |
| Deferred income tax assets | 10 | **17,486** | 12,417 | 18,826 |
| Available-for-sale financial assets | 11 | **52,421** | 48,233 | 25,065 |
| Rental deposits | 14 | **15,462** | 14,542 | 20,260 |
| | | **211,483** | 206,276 | 199,170 |
| **Current assets** | | | | |
| Inventories | 12 | **405,553** | 274,844 | 316,275 |
| Trade receivables | 13 | **132,928** | 119,267 | 109,576 |
| Deposits, prepayments and other receivables | 14 | **85,779** | 62,079 | 52,549 |
| Financial assets at fair value through profit or loss | 15 | **39,732** | 41,870 | 37,658 |
| Tax recoverable | | **149** | 544 | 86 |
| Cash and cash equivalents | 16 | **135,927** | 170,628 | 177,975 |
| | | **800,068** | 669,232 | 694,119 |
| **Total assets** | | **1,011,551** | 875,508 | 893,289 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital | 17 | **62,356** | 62,250 | 62,250 |
| Share premium | 17 | **562,600** | 562,070 | 562,070 |
| Reserves | 18 | **149,664** | 100,941 | 65,742 |
| | | **774,620** | 725,261 | 690,062 |
| Non-controlling interests | | **89** | 825 | (658) |
| **Total equity** | | **774,709** | 726,086 | 689,404 |

# Consolidated Balance Sheet *(Continued)*

*As at 31 March 2011*

| | Note | As at 31 March 2011 HK$'000 | As at 31 March 2010 HK$'000 (Restated) | As at 1 April 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Obligation under finance lease | 19 | **53** | 369 | 685 |
| Deferred income tax liabilities | 10 | **1,413** | 222 | 260 |
| | | **1,466** | 591 | 945 |
| **Current liabilities** | | | | |
| Borrowings | | **—** | — | 22,525 |
| Trade payables | 20 | **160,129** | 89,966 | 116,559 |
| Accruals and other payables | 20 | **72,383** | 55,584 | 56,587 |
| Obligation under finance lease | 19 | **316** | 316 | 316 |
| Taxation payable | | **2,548** | 2,965 | 6,953 |
| | | **235,376** | 148,831 | 202,940 |
| **Total liabilities** | | **236,842** | 149,422 | 203,885 |
| **Total equity and liabilities** | | **1,011,551** | 875,508 | 893,289 |
| **Net current assets** | | **564,692** | 520,401 | 491,179 |
| **Total assets less current liabilities** | | **776,175** | 726,677 | 690,349 |

On behalf of the Board

*Director*
**CHAN Mei Sheung**

*Director*
**CHU Yin Man**

The accompanying notes are an integral part of these consolidated financial statements.

# Balance Sheet

*As at 31 March 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **531** | 796 |
| Interests in subsidiaries | 9 | **631,734** | 603,803 |
| | | **632,265** | 604,599 |
| **Current assets** | | | |
| Deposits, prepayments and other receivables | 14 | **192** | 221 |
| Amounts due from subsidiaries | 9 | **45,000** | 40,539 |
| Cash and cash equivalents | 16 | **1,106** | 653 |
| | | **46,298** | 41,413 |
| | | **678,563** | 646,012 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 17 | **62,356** | 62,250 |
| Share premium | 17 | **562,600** | 562,070 |
| Reserves | 18 | **50,576** | 19,557 |
| **Total equity** | | **675,532** | 643,877 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Obligation under finance lease | 19 | **53** | 369 |
| **Current liabilities** | | | |
| Accruals and other payables | 20 | **2,662** | 1,450 |
| Obligation under finance lease | 19 | **316** | 316 |
| | | **2,978** | 1,766 |
| **Total liabilities** | | **3,031** | 2,135 |
| **Total equity and liabilities** | | **678,563** | 646,012 |
| **Net current assets** | | **43,320** | 39,647 |
| **Total assets less current liabilities** | | **675,585** | 644,246 |

On behalf of the Board

| | |
|---|---|
| *Director* | *Director* |
| **CHAN Mei Sheung** | **CHU Yin Man** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Income Statement

*For the year ended 31 March 2011*

| | Note | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| Revenue | *5* | **1,299,284** | 1,137,502 |
| Cost of sales | *21* | **(526,783)** | (484,198) |
| **Gross profit** | | **772,501** | 653,304 |
| Selling and distribution costs | *21* | **(638,780)** | (567,008) |
| Administrative expenses | *21* | **(110,727)** | (97,306) |
| Other (losses)/gains — net | *22* | **(611)** | 5,046 |
| Other income | *23* | **12,305** | 17,507 |
| **Operating profit** | | **34,688** | 11,543 |
| Finance income | *26* | **726** | 428 |
| Finance costs | *26* | **(301)** | (95) |
| Finance income — net | | **425** | 333 |
| **Profit before income tax** | | **35,113** | 11,876 |
| Income tax expense | *27* | **(11,947)** | (10,063) |
| **Profit for the year** | | **23,166** | 1,813 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **25,131** | 2,918 |
| Non-controlling interests | | **(1,965)** | (1,105) |
| | | **23,166** | 1,813 |
| Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share) | | | |
| — basic | *29* | **4.04** | 0.47 |
| — diluted | *29* | **3.96** | 0.47 |
| Dividend | *30* | **15,589** | — |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

*For the year ended 31 March 2011*

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Profit for the year | **23,166** | 1,813 |
| Other comprehensive income | | |
| Fair value gains on available-for-sale financial assets | **4,188** | 23,168 |
| Exchange differences | **16,092** | 2,965 |
| Other comprehensive income for the year, net of tax | **20,280** | 26,133 |
| Total comprehensive income for the year | **43,446** | 27,946 |
| Attributable to: | | |
| Equity holders of the Company | **45,057** | 29,088 |
| Non-controlling interests | **(1,611)** | (1,142) |
| | **43,446** | 27,946 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2011*

| | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital and premium *(Note 17)* *HK$'000* | Reserves *HK$'000* | Retained earnings *HK$'000* | Sub-total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| **Balance at 1 April 2009** | 624,320 | 40,994 | 24,748 | 690,062 | (658) | 689,404 |
| Fair value gains of available-for-sale financial assets | — | 23,168 | — | 23,168 | — | 23,168 |
| Currency translation differences | — | 3,002 | — | 3,002 | (37) | 2,965 |
| Profit for the year | — | — | 2,918 | 2,918 | (1,105) | 1,813 |
| **Total recognised income and expenses** | — | 26,170 | 2,918 | 29,088 | (1,142) | 27,946 |
| Transfer | — | 2,846 | (2,846) | — | — | — |
| Share option scheme — value of employee services *(Note 17)* | — | 4,558 | — | 4,558 | — | 4,558 |
| Share award *(Note 17)* | — | 1,553 | — | 1,553 | — | 1,553 |
| Capital injection from non-controlling interests | — | — | — | — | 2,625 | 2,625 |
| **Balance at 31 March 2010** | 624,320 | 76,121 | 24,820 | 725,261 | 825 | 726,086 |
| Fair value gains of available-for-sale financial assets | — | 4,188 | — | 4,188 | — | 4,188 |
| Currency translation differences | — | 15,738 | — | 15,738 | 354 | 16,092 |
| Profit for the year | — | — | 25,131 | 25,131 | (1,965) | 23,166 |
| **Total recognised income and expenses** | — | 19,926 | 25,131 | 45,057 | (1,611) | 43,446 |
| Transfer | — | 1,578 | (1,578) | — | — | — |
| Share option scheme — value of employee services *(Note 17)* | — | 2,593 | — | 2,593 | — | 2,593 |
| Share award *(Note 17)* | — | 1,073 | — | 1,073 | — | 1,073 |
| Share options exercised | 636 | — | — | 636 | — | 636 |
| Capital injection from non-controlling interests | — | — | — | — | 875 | 875 |
| **Balance at 31 March 2011** | 624,956 | 101,291 | 48,373 | 774,620 | 89 | 774,709 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

*For the year ended 31 March 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *31(a)* | **5,562** | 47,062 |
| Interest paid | | **(301)** | (95) |
| Interest income received on financial assets at fair value through profit or loss | | **—** | 160 |
| Dividend income received on financial assets at fair value through profit or loss | | **1,093** | 249 |
| Income tax refund | | **468** | 1,047 |
| Income tax paid | | **(16,142)** | (9,254) |
| Net cash (used in)/generated from operating activities | | **(9,320)** | 39,169 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(31,289)** | (23,546) |
| Purchases of intangible assets | | **(2,050)** | (6,972) |
| Purchases of financial assets at fair value through profit or loss | | **(8,694)** | — |
| Proceeds from sale of financial assets at fair value through profit or loss | | **10,920** | — |
| Dividend income received on available-for-sale financial assets | | **1,928** | 4,222 |
| Interest received | | **726** | 428 |
| Net cash used in investing activities | | **(28,459)** | (25,868) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **34,507** | — |
| Repayment of borrowings | | **(34,507)** | (22,525) |
| Capital injection from non-controlling interests | | **875** | 2,625 |
| Capital elements of finance lease payments | | **(316)** | (316) |
| Share options exercised | | **636** | — |
| Net cash generated from/(used in) financing activities | | **1,195** | (20,216) |
| **Net decrease in cash and cash equivalents** | | **(36,584)** | (6,915) |
| Cash and cash equivalents at the beginning of the year | | **170,628** | 177,975 |
| Exchange differences | | **1,883** | (432) |
| **Cash and cash equivalents at the end of the year** | *16* | **135,927** | 170,628 |

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

Walker Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the retailing of footwear in Hong Kong, Mainland China and Taiwan.

The Company was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("HKSE").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 June 2011.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) The following revised or amended standards are mandatory and relevant for the first time for the financial year beginning 1 April 2010:

- HKAS 17 (amendment), 'Leases', removes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "leasehold land and land use right", and amortised over the lease term.

# Notes to the Consolidated Financial Statements

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

### 2.1 Basis of preparation *(Continued)*

(a) The following revised or amended standards are mandatory and relevant for the first time for the financial year beginning 1 April 2010: *(Continued)*

- HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

  The land interest of the Group that is held for earning rentals and/or for capital appreciation is accounted for as investment property and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

| | **31 March 2011** | 31 March 2010 | 1 April 2009 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Increase in property, plant and equipment | **16,715** | 17,182 | 17,650 |
| Increase in investment property | **700** | 720 | 740 |
| Decrease in leasehold land | **(17,415)** | (17,902) | (18,390) |

| | **Year ended 31 March** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Increase in depreciation of property, plant and equipment | **468** | 468 |
| Increase in depreciation of investment property | **20** | 20 |
| Decrease in amortisation of leasehold land | **(488)** | (488) |

# Notes to the Consolidated Financial Statements

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

### 2.1 Basis of preparation *(Continued)*

(a) The following revised or amended standards are mandatory and relevant for the first time for the financial year beginning 1 April 2010: *(Continued)*

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current year, as the non-controlling interest does not have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interest.

# Notes to the Consolidated Financial Statements

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

### 2.1 Basis of preparation *(Continued)*

(b) The following new revised or amended standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

| | |
|---|---|
| HKFRSs (Amendment) | Improvements to HKFRSs 2010[1, 2] |
| HKFRS 7 (Amendment) | Disclosures — transfers of financial assets [3] |
| HKFRS 9 | Financial instruments[4] |
| Additions to HKFRS 9 | Financial instruments — financial liabilities[4] |
| HKFRS 10 | Consolidated financial statements[4] |
| HKFRS 11 | Joint arrangements[4] |
| HKFRS 12 | Disclosure of interests in other entities[4] |
| HKFRS 13 | Fair value measurement[4] |
| HKAS 12 (Amendment) | Deferred tax — recovery of underlying assets[3] |
| HKAS 24 (Revised) | Related party disclosures[2] |
| HKAS 27 (2011) | Separate financial statements[4] |
| HKAS 28 (2011) | Investments in associates and joint ventures[4] |
| HKAS 32 (Amendment) | Classification of right issues[2] |
| HK(IFRIC)-Int 14 | Prepayments of a minimum funding requirement[2] |
| HK(IFRIC)-Int 19 | Extinguishing financial liabilities with equity instruments[2] |

[1] Changes effective for annual periods beginning on or after 1 July 2010
[2] Changes effective for annual periods beginning on or after 1 January 2011
[3] Changes effective for annual periods beginning on or after 1 January 2012
[4] Changes effective for annual periods beginning on or after 1 January 2013

The Group has already commenced an assessment of the impact of adopting the above new, revised or amended standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March 2010 and 2011.

***(a) Subsidiaries***

Subsidiaries are all entities (including special purpose 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

# Notes to the Consolidated Financial Statements

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

### 2.2 Consolidation *(Continued)*

#### *(a)* ***Subsidiaries*** *(Continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *(b)* ***Transactions with non-controlling interests***

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# Notes to the Consolidated Financial Statements

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

### 2.2 Consolidation *(Continued)*

#### *(b) Transactions with non-controlling interests* *(Continued)*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

### 2.4 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

# Notes to the Consolidated Financial Statements

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

### 2.4 Foreign currency translation *(Continued)*

#### *(b)* ***Transactions and balances*** *(Continued)*

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investment reserve in equity.

#### *(c)* ***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

# Notes to the Consolidated Financial Statements

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

### 2.5 Investment properties

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 Group or for sale in the ordinary course of business, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

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 income statement during the financial period in which they are incurred.

Depreciation of investment properties is calculated using the straight-line method to allocate cost over their estimated useful life of 50 years.

The investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investment property's carrying amount is written down immediately to its recoverable amount if the investment property's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gain or loss on disposal of an investment property is determined by comparing the proceeds and the carrying amount of the investment property and is recognised in the income statement.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the reducing balance method prior to 1 April 2010, and using the straight-line method after 1 April 2010. The impact from the change in the calculation method does not have significant impact on the financial statements.

# Notes to the Consolidated Financial Statements

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

### 2.6 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

| | |
|---|---|
| Land | over the lease term |
| Buildings | 50 years |
| Leasehold improvements | over the lease term |
| Motor vehicles | 25% |
| Furniture, fixtures and equipment | 20% |
| Computer equipment | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other (losses)/gains — net' in the income statement.

### 2.7 Intangible assets

#### *(a) Acquired trademarks*

Acquired trademarks that have definite useful life are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives of 20 years.

#### *(b) Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

#### *(c) Patents and licences*

Expenditure on acquiring licences for sale of products is initially recognised and measured at fair value, which represent the capitalisation of unavoidable licence fee payments in accordance with the licence agreements. Cost of licences is amortised using the straight-line method over the license period.

# Notes to the Consolidated Financial Statements

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

### 2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. 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 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.9 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

#### *(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

# Notes to the Consolidated Financial Statements

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

### 2.9 Financial assets *(Continued)*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/ gains — net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

# Notes to the Consolidated Financial Statements

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

### 2.10 Inventories

Inventories representing merchandising stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling and distribution costs.

### 2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance accounts for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

### 2.12 Cash and cash equivalents

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

### 2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.15 License fee payable

License fee payable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

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

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

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

### 2.18 Employee benefits

#### *(a) Employee leave entitlement*

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 long service leave as a result of services rendered by employees up to the balance sheet date.

#### *(b) Bonus entitlements*

The expected cost of bonus payments is recognised as a liability 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.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### *(c) Pension obligations*

The group companies in Mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The group companies in Hong Kong participate in a mandatory provident fund ('MPF Scheme') for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,000 per employee per month. The assets of MPF Scheme are held separately from those of the Group in an independently administered fund.

# Notes to the Consolidated Financial Statements

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

### 2.18 Employee benefits *(Continued)*

#### *(d) Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

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

### 2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *(a) Sales of goods — retail*

The Group operates a chain of retail outlets for selling footwear. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in selling and distribution costs.

#### *(b) Sales of goods — wholesale*

The Group sells a range of footwear products in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesale's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the objective evidence that all criteria for acceptance have been satisfied.

#### *(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

#### *(d) Dividend income*

Dividend income is recognised when the shareholders' right to receive payment is established.

# Notes to the Consolidated Financial Statements

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

### 2.20 Revenue recognition *(Continued)*

#### *(e) License fees income*

License fees income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### *(f) Royalty income*

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### *(g) Rental income*

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

### 2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

### 2.22 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor and exclusive of any turnover rental payments which are calculated by reference to a pre-determined percentage of a tenant's monthly sales), are expensed in the income statement on a straight-line basis over the period of the lease. Turnover rental payments are recognised on an accrual basis.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

# Notes to the Consolidated Financial Statements

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

### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, as appropriate.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, price 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) Foreign currency risk***

The Group operates principally in Hong Kong and in Mainland China. Transactions are mainly conducted in the functional currency of each group entity and therefore the foreign currency risk is considered to be minimal.

The conversion of Renminbi ("RMB") into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the People's Republic of China ("PRC") government.

***(b) Interest rate risk***

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing asset.

The Group's interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

At 31 March 2010 and 2011, the Group had no borrowing and no significant exposure to interest rate risk.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(c) Credit risk*

The Group's credit risk arises from cash and cash equivalents, as well as credit exposures to trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. Deposits are placed with major and sizeable banks with high credit ratings and management expects no losses from non-performing banks. Sales to retail customers are made in cash or via major credit cards. The Group has put in place policies to ensure that wholesale sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk at the reporting dates is the fair value of each class of cash and cash equivalents, trade and other receivables.

#### *(d) Price risk*

The Group's available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value at each balance sheet date, are subject to equity price risk. The management manages this exposure by closely monitoring the equity price.

At 31 March 2011, if the prices of the underlying investments in financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the Group's profit after taxation would have been HK$3,010,000 (2010: HK$3,228,000) higher/lower.

At 31 March 2011, if the prices of the available-for-sale financial assets had been 10% higher/lower with all other variables held constant, the Group's equity would have been HK$5,242,000 (2010: HK$4,823,000) higher/lower, respectively.

#### *(e) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(e)* *Liquidity risk* *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The accounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay.

| | Within 1 year *HK$'000* | Between 1 to 5 years *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **As at 31 March 2011:** | | | |
| Trade payables | **160,129** | **—** | **160,129** |
| Other payables, accruals and other liabilities | **72,746** | **61** | **72,807** |
| | **232,875** | **61** | **232,936** |
| **As at 31 March 2010:** | | | |
| Trade payables | 89,966 | — | 89,966 |
| Other payables, accruals and other liabilities | 55,947 | 424 | 56,371 |
| | 145,913 | 424 | 146,337 |

### 3.2 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 capital structure is being reviewed annually to ensure these objectives are to be achieved.

Currently, the Group has no external borrowings. The capital structure of the Group solely consists of shareholders' funds, comprising share capital and reserves.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, equity-linked notes) is determined based on the dividend yield, risk-free rate, volatility of the underlying assets and other market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

***Fair value measurement hierarchy***

HKFRS 7 for financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

***Fair value measurement hierarchy*** *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value:

| | **As at 31 March 2011** | | | As at 31 March 2010 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | Level 1 | Level 2 | Level 3 |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | | | |
| Financial assets at fair value through profit or loss | **30,099** | **—** | **9,633** | 32,276 | — | 9,594 |
| Available-for-sale financial assets | **52,421** | **—** | **—** | 48,233 | — | — |
| **Total assets** | **82,520** | **—** | **9,633** | 80,509 | — | 9,594 |

The movement during the year in the balance of level 3 fair value measurements is as follows:

| | **Unlisted equity linked notes** |
|---|---|
| | *HK$'000* |
| At 1 April 2010 | 9,594 |
| Fair value gains of financial assets at fair value through profit or loss recognised in the consolidated income statement | 39 |
| At 31 March 2011 | 9,633 |

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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 life of trademark

Estimated useful life of the Group's trademark is 20 years. This conclusion is supported by the fact the trademark is approximately 20 years in duration, with reference to well known and long established brand and based on past and future financial performance of the trademark. It is expected to generate positive cash flows for 20 years. The assumptions could change significantly as a result of changes in the shoewear industry or competitor actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of trademark each year to determine whether events and circumstances continue to support the view of the estimated useful life of the trademark.

### (b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of any future management determination of shop relocation or renovation. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

### (c) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the years in which such estimates have been changed.

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (d) Current and deferred income tax

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The realisibility of the deferred income tax liabilities and assets mainly depend on the Company's dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

### (e) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. The calculations require the use of judgments and estimates.

### (f) Impairment of available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that the available-for-sale financial assets are impaired. For available-for-sale debt securities, the Group uses the same criteria for assessment of impairment in trade and other receivables (Note 2.11). In determining when an available-for-sale equity investment is impaired, significant judgment is required. In making this judgment, the Group evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost.

## 5. SEGMENT INFORMATION

The Group is principally engaged in the retailing of footwear in Hong Kong, Mainland China and Taiwan.

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's financial information to assess performance and allocate resources. Management has determined the operating segments based on these reports.

# Notes to the Consolidated Financial Statements

## 5. SEGMENT INFORMATION *(Continued)*

The executive directors consider the business from a geographic prospective. The executive directors assess the performance of the operating segments based on a measure of segment profit/(loss) without allocation of administrative expenses, other gains/(losses), other income and finance income/(costs), which is consistent with that in the financial statements.

Segment assets exclude tax recoverable, deferred income tax assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities exclude tax payable, deferred income tax liabilities and obligation under finance lease.

The segment results for the year ended 31 March 2011 are as follows:

| | For the year ended 31 March 2011 | | | |
|---|---|---|---|---|
| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Taiwan *HK$'000* | Total *HK$'000* |
| Revenue from sales of footwear, fashion wears and accessories | 308,675 | 964,362 | 26,247 | 1,299,284 |
| Segment profit/(loss) | 15,408 | 119,819 | (1,506) | 133,721 |
| Unallocated income and expenses | | | | (99,033) |
| Finance income | | | | 726 |
| Finance costs | | | | (301) |
| Income tax expense | | | | (11,947) |
| Profit for the year | | | | 23,166 |

Other segment items are as follows:

| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Taiwan *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Capital expenditure | 9,873 | 22,042 | 1,424 | 33,339 |
| Depreciation of property, plant and equipment | 7,339 | 22,020 | 1,422 | 30,781 |
| Depreciation of investment property | 33 | — | — | 33 |
| Amortisation of intangible assets | 5,907 | 77 | — | 5,984 |
| Impairment of property, plant and equipment | 267 | 533 | — | 800 |
| Net provision for inventories | 1,215 | 3,892 | 334 | 5,441 |

# Notes to the Consolidated Financial Statements

## 5. SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 March 2010 are as follows:

| | For the year ended 31 March 2010 | | | |
|---|---|---|---|---|
| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Taiwan *HK$'000* | Total *HK$'000* |
| Revenue from sales of footwear, fashion wears and accessories | 298,742 | 818,070 | 20,690 | 1,137,502 |
| Segment profit/(loss) | 8,919 | 78,161 | (784) | 86,296 |
| Unallocated income and expenses | | | | (74,753) |
| Finance income | | | | 428 |
| Finance costs | | | | (95) |
| Income tax expense | | | | (10,063) |
| Profit for the year | | | | 1,813 |

Other segment items are as follows:

| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Taiwan *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Capital expenditure | 11,824 | 18,104 | 590 | 30,518 |
| Depreciation of property, plant and equipment | 7,766 | 18,449 | 1,080 | 27,295 |
| Depreciation of investment property | 33 | — | — | 33 |
| Amortisation of intangible assets | 4,938 | 33 | — | 4,971 |
| Impairment of property, plant and equipment | 250 | 928 | — | 1,178 |
| Net (write-back of)/provision for inventories | (2,855) | 5,848 | — | 2,993 |

# Notes to the Consolidated Financial Statements

## 5. SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 March 2011 are as follows:

| | **Hong Kong** *HK$'000* | **Mainland China** *HK$'000* | **Taiwan** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Segment assets | **256,497** | **625,609** | **19,657** | **901,763** |
| Unallocated assets | | | | **109,788** |
| Total assets | | | | **1,011,551** |
| Segment liabilities | **25,508** | **203,379** | **3,625** | **232,512** |
| Unallocated liabilities | | | | **4,330** |
| Total liabilities | | | | **236,842** |

The segment assets and liabilities at 31 March 2010 are as follows:

| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Taiwan *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Segment assets | 308,538 | 446,566 | 17,340 | 772,444 |
| Unallocated assets | | | | 103,064 |
| Total assets | | | | 875,508 |
| Segment liabilities | 30,835 | 110,750 | 3,965 | 145,550 |
| Unallocated liabilities | | | | 3,872 |
| Total liabilities | | | | 149,422 |

# Notes to the Consolidated Financial Statements

## 6. PROPERTY, PLANT AND EQUIPMENT

### (a) Group

| | Land and buildings *HK$'000* | Leasehold improve-ments *HK$'000* | Motor vehicles *HK$'000* | Furniture, fixtures and equipment *HK$'000* | Computer equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **At 1 April 2009** | | | | | | |
| Cost, as previously reported | 16,903 | 95,173 | 6,163 | 19,388 | 10,479 | 148,106 |
| Effect of adoption of HKAS17 (amendment) | 23,889 | — | — | — | — | 23,889 |
| Cost, as restated | 40,792 | 95,173 | 6,163 | 19,388 | 10,479 | 171,995 |
| Accumulated depreciation and impairment, as previously reported | (4,324) | (79,012) | (3,625) | (12,607) | (3,663) | (103,231) |
| Effect of adoption of HKAS17 (amendment) | (6,239) | — | — | — | — | (6,239) |
| Accumulated depreciation and impairment, as restated | (10,563) | (79,012) | (3,625) | (12,607) | (3,663) | (109,470) |
| Net book amount, as restated | 30,229 | 16,161 | 2,538 | 6,781 | 6,816 | 62,525 |
| **Year ended 31 March 2010** | | | | | | |
| Opening net book amount, as previously reported | 12,579 | 16,161 | 2,538 | 6,781 | 6,816 | 44,875 |
| Effect of adoption of HKAS17 (amendment) | 17,650 | — | — | — | — | 17,650 |
| Opening net book amount, as restated | 30,229 | 16,161 | 2,538 | 6,781 | 6,816 | 62,525 |
| Exchange differences | — | 182 | 32 | 26 | 24 | 264 |
| Additions | — | 20,079 | 269 | 2,175 | 1,023 | 23,546 |
| Disposals | — | (754) | — | (390) | (86) | (1,230) |
| Depreciation | (806) | (22,415) | (676) | (1,818) | (1,580) | (27,295) |
| Impairment | — | (1,178) | — | — | — | (1,178) |
| Closing net book amount | 29,423 | 12,075 | 2,163 | 6,774 | 6,197 | 56,632 |

# Notes to the Consolidated Financial Statements

## 6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (a) Group *(Continued)*

| | Land and buildings *HK$'000* | Leasehold improve-ments *HK$'000* | Motor vehicles *HK$'000* | Furniture, fixtures and equipment *HK$'000* | Computer equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **At 31 March 2010** | | | | | | |
| Cost, as previously reported | 16,903 | 106,431 | 6,470 | 18,904 | 11,280 | 159,988 |
| Effect of adoption of HKAS17 (amendment) | 23,889 | — | — | — | — | 23,889 |
| Cost, as restated | 40,792 | 106,431 | 6,470 | 18,904 | 11,280 | 183,877 |
| Accumulated depreciation and impairment as previously reported | (4,662) | (94,356) | (4,307) | (12,130) | (5,083) | (120,538) |
| Effect of adoption of HKAS17 (amendment) | (6,707) | — | — | — | — | (6,707) |
| Accumulated depreciation and impairment, as restated | (11,369) | (94,356) | (4,307) | (12,130) | (5,083) | (127,245) |
| Net book amount, as restated | 29,423 | 12,075 | 2,163 | 6,774 | 6,197 | 56,632 |
| **Year ended 31 March 2011** | | | | | | |
| Opening net book amount, as previously reported | 12,241 | 12,075 | 2,163 | 6,774 | 6,197 | 39,450 |
| Effect of adoption of HKAS17 (amendment) | 17,182 | — | — | — | — | 17,182 |
| Opening net book amount, as restated | 29,423 | 12,075 | 2,163 | 6,774 | 6,197 | 56,632 |
| Exchange differences | — | 376 | 15 | 100 | 70 | 561 |
| Additions | — | 27,684 | 741 | 875 | 1,989 | 31,289 |
| Disposals | — | (687) | (182) | (323) | (84) | (1,276) |
| Depreciation | (806) | (25,474) | (817) | (1,843) | (1,841) | (30,781) |
| Impairment | — | (800) | — | — | — | (800) |
| Closing net book amount | 28,617 | 13,174 | 1,920 | 5,583 | 6,331 | 55,625 |
| **At 31 March 2011** | | | | | | |
| Cost | 40,792 | 130,979 | 6,920 | 18,788 | 13,265 | 210,744 |
| Accumulated depreciation and impairment | (12,175) | (117,805) | (5,000) | (13,205) | (6,934) | (155,119) |
| Net book amount | 28,617 | 13,174 | 1,920 | 5,583 | 6,331 | 55,625 |

# Notes to the Consolidated Financial Statements

## 6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (a) Group *(Continued)*

Impairment loss arises from the recoverable amount of the leasehold improvement is lower than the carrying amount. The recoverable amount has been determined based on value-in-use calculation, which involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and applying the appropriate discount rate of those future cash flows.

### (b) Company

| | Motor vehicle | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| **At the beginning of the year** | | |
| Cost | **1,580** | 1,580 |
| Accumulated depreciation | **(784)** | (518) |
| Net book amount | **796** | 1,062 |
| **During the year** | | |
| Opening net book amount | **796** | 1,062 |
| Depreciation | **(265)** | (266) |
| Closing net book amount | **531** | 796 |
| **At the end of the year** | | |
| Cost | **1,580** | 1,580 |
| Accumulated depreciation | **(1,049)** | (784) |
| Net book amount | **531** | 796 |

# Notes to the Consolidated Financial Statements

## 6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**(c) Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statement as follows:**

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Selling and distribution costs | **25,615** | 22,496 |
| Administrative expenses | **5,166** | 4,799 |
| | **30,781** | 27,295 |

**(d) Property, plant and equipment held under finance lease**

Motor vehicles include the following amounts of which the Group and the Company are a lessee under a finance lease:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Cost — capitalised finance lease | **1,580** | 1,580 |
| Accumulated depreciation | **(1,049)** | (784) |
| | **531** | 796 |

The Group and the Company leased a motor vehicle under non-cancellable finance lease agreement. The lease term is 5 years and ownership of the asset lie within the Group and the Company.

**(e) Land**

The Group's interests in land in Hong Kong are held on leases of between 40 to 50 years.

# Notes to the Consolidated Financial Statements

## 7. INVESTMENT PROPERTY

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| **At the beginning of the year** | | |
| Cost, as previously reported | **417** | 417 |
| Effect of adoption of HKAS17 (amendment) | **1,114** | 1,114 |
| Cost, as restated | **1,531** | 1,531 |
| Accumulated depreciation, as previously reported | **(26)** | (13) |
| Effect of adoption of HKAS17 (amendment) | **(394)** | (374) |
| Accumulated depreciation, as restated | **(420)** | (387) |
| Net book amount, as restated | **1,111** | 1,144 |
| **During the year** | | |
| Opening net book amount, as previously reported | **391** | 404 |
| Effect of adoption of HKAS 17 (amendment) | **720** | 740 |
| Opening net book amount, as restated | **1,111** | 1,144 |
| Depreciation | **(33)** | (33) |
| Closing net book amount | **1,078** | 1,111 |
| **At the end of the year** | | |
| Cost | **1,531** | 1,531 |
| Accumulated depreciation | **(453)** | (420) |
| Net book amount | **1,078** | 1,111 |

The fair value of investment property was HK$4,040,000 as at 31 March 2011 (2010: HK$3,070,000). The valuations were performed by DTZ Debenham Tie Leung Limited, an independent professional valuer. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment property are held in Hong Kong with leases up to 2047.

Depreciation of the Group's investment property has been charged to the administrative expenses in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 8. INTANGIBLE ASSETS

| | Trademark *HK$'000* | Licence fees *HK$'000* | Computer software *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **At 1 April 2009** | | | | |
| Cost | 69,566 | 513 | 5,528 | 75,607 |
| Accumulated amortisation | (1,739) | (261) | (2,257) | (4,257) |
| Net book amount | 67,827 | 252 | 3,271 | 71,350 |
| **Year ended 31 March 2010** | | | | |
| Opening net book amount | 67,827 | 252 | 3,271 | 71,350 |
| Exchange differences | — | — | 1 | 1 |
| Additions | — | 156 | 6,816 | 6,972 |
| Disposals | — | — | (11) | (11) |
| Amortisation | (3,478) | (245) | (1,248) | (4,971) |
| Closing net book amount | 64,349 | 163 | 8,829 | 73,341 |
| **At 31 March 2010** | | | | |
| Cost | 69,566 | 474 | 12,302 | 82,342 |
| Accumulated amortisation | (5,217) | (311) | (3,473) | (9,001) |
| Net book amount | 64,349 | 163 | 8,829 | 73,341 |
| **Year ended 31 March 2011** | | | | |
| Opening net book amount | 64,349 | 163 | 8,829 | 73,341 |
| Exchange differences | — | — | 8 | 8 |
| Additions | — | 150 | 1,900 | 2,050 |
| Disposals | — | — | (4) | (4) |
| Amortisation | (3,479) | (132) | (2,373) | (5,984) |
| Closing net book amount | 60,870 | 181 | 8,360 | 69,411 |
| **At 31 March 2011** | | | | |
| Cost | 69,566 | 468 | 14,170 | 84,204 |
| Accumulated amortisation | (8,696) | (287) | (5,810) | (14,793) |
| Net book amount | 60,870 | 181 | 8,360 | 69,411 |

# Notes to the Consolidated Financial Statements

## 8. INTANGIBLE ASSETS *(Continued)*

Amortisation of the Group's intangible assets has been charged to the consolidated income statement as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of sales | **132** | 245 |
| Selling and distribution costs | **77** | 44 |
| Administrative expenses | **5,775** | 4,682 |
| | **5,984** | 4,971 |

## 9. INTERESTS IN SUBSIDIARIES

| | **Company** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| **Non-current** | | |
| Unlisted equity investments, at cost | **10,000** | 10,000 |
| Amounts due from subsidiaries *(Note a)* | **621,734** | 593,803 |
| | **631,734** | 603,803 |
| **Current** | | |
| Amounts due from subsidiaries *(Note b)* | **45,000** | 40,539 |

*Notes:*

(a) Amounts due from subsidiaries are unsecured, interest free and not repayable within twelve months.

(b) Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. This amount approximates its fair value.

(c) Particulars of the principal subsidiaries of the Group are set out in Note 34.

# Notes to the Consolidated Financial Statements

## 10. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deferred income tax assets | **17,486** | 12,417 |
| Deferred income tax liabilities | **(1,413)** | (222) |
| | **16,073** | 12,195 |

The gross movement on the deferred income tax account is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At the beginning of the year | **12,195** | 18,566 |
| Exchange differences | **278** | 7 |
| Credited/(charged) to the consolidated income statement *(Note 27)* | **3,600** | (6,378) |
| At the end of the year | **16,073** | 12,195 |

# Notes to the Consolidated Financial Statements

## 10. DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

| | Provisions<br>*HK$'000* | Tax losses<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|
| As at 1 April 2009 | 8,829 | 8,329 | 1,668 | 18,826 |
| Exchange differences | — | — | 7 | 7 |
| Credited/(charged) to the consolidated income statement | (6,549) | (1,123) | 1,256 | (6,416) |
| As at 31 March 2010 | 2,280 | 7,206 | 2,931 | 12,417 |
| Exchange differences | — | 278 | — | 278 |
| Credited/(charged) to the consolidated income statement | 4,914 | (820) | 697 | 4,791 |
| As at 31 March 2011 | 7,194 | 6,664 | 3,628 | 17,486 |

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The tax losses will expire up to 2015 under current tax legislation.

The Group has unrecognised tax losses of approximately HK$168,010,000 (2010: HK$133,027,000) to carry forward against future taxable income. These tax losses have no expiry date and are subject to approval by the Hong Kong Inland Revenue Department.

Deferred income tax liabilities:

| | Withholding tax on dividend for undistributed profits<br>*HK$'000* | Tax depreciation allowance<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| As at 1 April 2009 | — | 260 | 260 |
| Credited to the income statement | — | (38) | (38) |
| As at 31 March 2010 | — | 222 | 222 |
| Charged to the income statement | 1,191 | — | 1,191 |
| As at 31 March 2011 | 1,191 | 222 | 1,413 |

# Notes to the Consolidated Financial Statements

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| At the beginning of the year | **48,233** | 25,065 |
| Fair value gains recognised in equity | **4,188** | 23,168 |
| At the end of the year | **52,421** | 48,233 |

Available-for-sale financial assets represent preference shares issued by financial institutions. These shares are listed on the London Stock Exchange and the New York Stock Exchange amounting to HK$27,813,000 (2010: HK$24,140,000) and HK$24,608,000 (2010: HK$24,093,000) respectively. The available-for-sale financial assets are denominated in United States dollar.

The maximum exposure to credit risk at the reporting date is the fair value of the securities classified as available-for-sale.

## 12. INVENTORIES

Inventories represent merchandising stock.

The cost of inventories recognised as expenses and included in cost of sales during the year amounted to HK$521,210,000 (2010: HK$480,960,000).

## 13. TRADE RECEIVABLES

Retail sales are in cash, by credit cards or collected by department stores on behalf of the Group. The department stores normally settle the proceeds to the Group within 2 months from the date of sales.

Wholesales are generally on credit terms ranging from 0 to 30 days.

Ageing analysis of trade receivables by invoice date at the balance sheet date is as follows:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| 0 — 30 days | **114,624** | 105,029 |
| 31 — 60 days | **6,999** | 6,851 |
| 61 — 90 days | **3,530** | 2,436 |
| Over 90 days | **7,775** | 4,951 |
| | **132,928** | 119,267 |

# Notes to the Consolidated Financial Statements

## 13. TRADE RECEIVABLES *(Continued)*

As of 31 March 2011, trade receivables of HK$31,099,000 (2010: HK$24,559,000) were past due. These relate to a number of independent customers for whom there is no recent history of default. No impairment provision has been made for both years. The ageing analysis of these trade receivables is as follows:

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| 1 — 30 days | **15,134** | 12,266 |
| 31 — 60 days | **4,922** | 4,978 |
| 61 — 90 days | **3,378** | 2,470 |
| Over 90 days | **7,665** | 4,845 |
| | **31,099** | 24,559 |

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| — Hong Kong dollar | **2,115** | 2,878 |
| — Renminbi | **127,598** | 113,346 |
| — New Taiwan dollar | **3,087** | 2,788 |
| — Others | **128** | 255 |
| | **132,928** | 119,267 |

The carrying amount of trade receivables approximates its fair value.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables. The Group does not hold any collateral as security.

# Notes to the Consolidated Financial Statements

## 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | 2011 | 2010 |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Deposits | **36,795** | **40,740** | — | — |
| Prepayments | **3,422** | **7,264** | 192 | 221 |
| Other receivables | **4,307** | **2,278** | — | — |
| Value-added tax recoverable | **56,717** | **10,739** | — | — |
| Notes investment | **—** | **15,600** | — | — |
| | **101,241** | **76,621** | 192 | 221 |
| *Less:* long-term rental deposits | **(15,462)** | **(14,542)** | — | — |
| | **85,779** | **62,079** | 192 | 221 |
| Denominated in: | | | | |
| Hong Kong dollar | **26,540** | **31,317** | 192 | 221 |
| Renminbi | **73,529** | **28,175** | — | — |
| New Taiwan dollar | **443** | **1,170** | — | — |
| United States dollar | **—** | **15,600** | — | — |
| Others | **729** | **359** | — | — |
| | **101,241** | **76,621** | 192 | 221 |

The carrying amounts of deposits, prepayments and other receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of the deposits, prepayments and other receivables. The Group does not hold any security. The above receivables do not contain impaired assets.

# Notes to the Consolidated Financial Statements

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| At the beginning of the year | **41,870** | 37,658 |
| Additions | **8,694** | — |
| Disposals | **(9,613)** | — |
| Fair value (losses)/gains *(Note 22)* | **(1,219)** | 4,212 |
| At the end of the year | **39,732** | 41,870 |

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Denominated in: | | |
| Hong Kong dollar | **30,099** | 32,276 |
| United States dollar | **9,633** | 9,594 |
| | **39,732** | 41,870 |

Financial assets at fair value through profit or loss included investment in unlisted equity-linked notes issued by a financial institution and listed shares in Hong Kong of HK$9,633,000 and HK$30,099,000, respectively (2010: HK$9,594,000 and HK$32,276,000, respectively) which are designated as fair value through profit or loss on initial recognition.

## 16. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>*HK$'000* | 2010<br>*HK$'000* | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
| Cash at banks and on hand | **125,927** | 130,089 | **1,106** | 653 |
| Short-term bank deposits | **10,000** | 40,539 | **—** | — |
| Cash and cash equivalents | **135,927** | 170,628 | **1,106** | 653 |

# Notes to the Consolidated Financial Statements

## 16. CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents in the balance sheet are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollar | **39,402** | 55,230 | **936** | 653 |
| Renminbi | **87,640** | 94,177 | **170** | — |
| United States dollar | **7,286** | 19,659 | **—** | — |
| Others | **1,599** | 1,562 | **—** | — |
| | **135,927** | 170,628 | **1,106** | 653 |

The weighted average effective interest rate on short-term bank deposits, with maturity of 30 days, was 0.45% (2010: 0.15%) per annum for the year.

The Group's cash and bank balances denominated in RMB are placed with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

## 17. SHARE CAPITAL AND PREMIUM

| | Number of ordinary shares | Nominal value of ordinary shares *HK$'000* | Share premium *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Authorised** | | | | |
| At 31 March 2010 and 2011 | 9,000,000,000 | 900,000 | — | 900,000 |
| **Issued and fully paid** | | | | |
| At 31 March 2010 and 1 April 2010 | 622,500,000 | 62,250 | 562,070 | 624,320 |
| Share options exercised | 1,060,000 | 106 | 530 | 636 |
| At 31 March 2011 | 623,560,000 | 62,356 | 562,600 | 624,956 |

# Notes to the Consolidated Financial Statements

## 17. SHARE CAPITAL AND PREMIUM *(Continued)*

**Share options:**

The Company adopted the Pre-IPO share option scheme in May 2007 ("Pre-IPO Scheme"). On 21 May 2007, share options were granted to directors and to selected employees under the Pre-IPO Scheme.

A share option scheme ("Share Option Scheme") was adopted by the shareholders' written resolution of the Company dated 21 May 2007. On 5 August 2009, share options were granted to directors and to selected employees under the Share Option Scheme.

The subscription price determined by the board shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares. Options are conditional on the employee completing one to five year's service (the vesting period). The options are exercisable starting one to three years from the listing date. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price in HK dollar per share | Options *('000)* |
|---|---|---|
| At 1 April 2009 | 3.09 | 9,380 |
| Granted | 0.6 | 24,900 |
| Forfeited | 0.6 | (300) |
| At 31 March 2010 | 1.29 | 33,980 |
| Exercised | 0.6 | (1,060) |
| Forfeited | 0.6 | (1,760) |
| At 31 March 2011 | 1.35 | 31,160 |

# Notes to the Consolidated Financial Statements

## 17. SHARE CAPITAL AND PREMIUM *(Continued)*

Share options outstanding (in thousands) at the end of the year have the following vesting date, expiry date and exercise price:

| Vesting date | Expiry date | Exercise price HK dollar per share | Number of share options ('000) outstanding at 31 March 2011 | 2010 |
|---|---|---|---|---|
| 7 June 2008 | 6 June 2011 | 3.09 | **2,814** | 2,814 |
| 7 June 2009 | 6 June 2012 | 3.09 | **2,814** | 2,814 |
| 7 June 2010 | 6 June 2013 | 3.09 | **3,752** | 3,752 |
| 5 August 2010 | 4 August 2017 | 0.6 | **3,860** | 4,920 |
| 5 August 2011 | 4 August 2017 | 0.6 | **4,480** | 4,920 |
| 5 August 2012 | 4 August 2017 | 0.6 | **4,480** | 4,920 |
| 5 August 2013 | 4 August 2017 | 0.6 | **4,480** | 4,920 |
| 5 August 2014 | 4 August 2017 | 0.6 | **4,480** | 4,920 |
| | | | **31,160** | 33,980 |

Share option expenses charged to the consolidated income statement are based on valuation determined using binomial lattice model. Share options granted were valued based on the following assumptions:

| Date of grant | Option value | Share price at the date of grant | Exercisable price | Expected volatility | Annual risk-free interest | Life of option | Dividend yield |
|---|---|---|---|---|---|---|---|
| 22 May 2007 | 1.74 | 3.86 | 3.09 | 33.180% | 4.01%-4.08% | 6 years | N/A |
| 5 August 2009 | 0.2689-0.3083 | 0.57 | 0.6 | 66.368% | 2.344% | 8 years | 2.59% |

Expected volatility of the Group's share price was based on the historical volatility of the share as at the date of grant.

Total share option expense of HK$2,593,000 (2010: HK$4,558,000) was recognised in the income statement.

# Notes to the Consolidated Financial Statements

## 17. SHARE CAPITAL AND PREMIUM *(Continued)*

**Share award:**

For the purpose of the Company's initial public offering in June 2007, the controlling shareholder of the Company, Smart Presto Holdings Limited had granted 1,235,000 shares from its own shareholding to a director and employees where the grantees had paid HK$1.00 by way of consideration before the listing in order to provide reward to the director and employees who have contributed to the Group's business development.

The shares granted as aforesaid represent approximately 0.20% of the Company's total issued share capital immediately after the date of Listing.

A Share Purchase Scheme was adopted by Smart Presto Holdings Limited ("Smart Presto"), the immediate holding company of the Group in August 2009. Smart Presto established a scheme to provide for the grant of options to purchase shares beneficially owned by Smart Presto to certain employees, officers, consultants, including any executive or non-executive directors, of any member of the Group who in the opinion of the Remuneration Committee have contributed or will contribute to the achievement of the economic objectives of the Group.

Options to purchase a total of 10,000,000 shares, representing approximately 1.6% of the Company's total issued share capital immediately after the date of grant, at the exercise price of HK$0.6 per share were granted under the share purchase scheme.

The Company is required to recognise the value of the above-mentioned shares as a non-cash employee benefit expense on a straight-line basis over the relevant vesting period. Total share expense of HK$1,073,000 was recognised in the income statement for the year ended 31 March 2011 (2010: HK$1,553,000). A corresponding amount was credited as share based compensation reserve under equity in the financial statements of the Company.

# Notes to the Consolidated Financial Statements

## 18. RESERVES

### (a) Group

| | Merger reserve *(Note i)* HK$ | Statutory reserves *(Note ii)* HK$ | Foreign currency translation reserve HK$ | Available-for-sale investment reserves HK$ | Share-based compen-sation reserve HK$ | Retained earnings HK$ | Total HK$ |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2009 | 22,002 | 16,197 | 16,434 | (29,873) | 16,234 | 24,748 | 65,742 |
| Fair value gains of available-for-sale financial assets | — | — | — | 23,168 | — | — | 23,168 |
| Currency translation differences | — | — | 3,002 | — | — | — | 3,002 |
| Profit for the year | — | — | — | — | — | 2,918 | 2,918 |
| Transfer | — | 2,846 | — | — | — | (2,846) | — |
| Share option scheme — value of employee services *(Note 17)* | — | — | — | — | 4,558 | — | 4,558 |
| Share award *(Note 17)* | — | — | — | — | 1,553 | — | 1,553 |
| Balance at 31 March 2010 | 22,002 | 19,043 | 19,436 | (6,705) | 22,345 | 24,820 | 100,941 |
| Fair value gains of available-for-sale financial assets | — | — | — | 4,188 | — | — | 4,188 |
| Currency translation differences | — | — | 15,738 | — | — | — | 15,738 |
| Profit for the year | — | — | — | — | — | 25,131 | 25,131 |
| Transfer | — | 1,578 | — | — | — | (1,578) | — |
| Share option scheme — value of employee services *(Note 17)* | — | — | — | — | 2,593 | — | 2,593 |
| Share award *(Note 17)* | — | — | — | — | 1,073 | — | 1,073 |
| Balance at 31 March 2011 | 22,002 | 20,621 | 35,174 | (2,517) | 26,011 | 48,373 | 149,664 |

*Notes:*

(i) The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company in connection with the reorganisation for the listing of the shares of the Company.

# Notes to the Consolidated Financial Statements

## 18. RESERVES *(Continued)*

### (a) Group *(Continued)*

*Notes: (Continued)*

(ii) Companies which are established in the PRC are required to make appropriations to certain statutory reserves from profit for the year after offsetting accumulated losses from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China or at the discretion of the board of the respective companies. Such statutory reserves can only be used to offset accumulated losses, to increase capital, or for special bonus or collective welfare of employees. These statutory reserves cannot be distributed to equity holders of the Company.

### (b) Company

| | Retained earnings/ (accumulated losses) *HK$* | Share-based compensation reserve *HK$* | Total *HK$* |
|---|---|---|---|
| At 1 April 2009 | 3,792 | 16,234 | 20,026 |
| Loss for the year | (6,580) | — | (6,580) |
| Share option scheme | | | |
| — value of employee services *(Note 17)* | — | 4,558 | 4,558 |
| Share award *(Note 17)* | — | 1,553 | 1,553 |
| At 31 March 2010 | (2,788) | 22,345 | 19,557 |
| Profit for the year | 27,353 | — | 27,353 |
| Share option scheme | | | |
| — value of employee services *(Note 17)* | — | 2,593 | 2,593 |
| Share award *(Note 17)* | — | 1,073 | 1,073 |
| At 31 March 2011 | 24,565 | 26,011 | 50,576 |

# Notes to the Consolidated Financial Statements

## 19. OBLIGATION UNDER FINANCE LEASE – GROUP AND COMPANY

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross finance lease liabilities — minimum lease payments: | | |
| Within one year | **363** | 363 |
| In the second to fifth year inclusive | **61** | 424 |
| | **424** | 787 |
| *Less:* future finance charges | **(55)** | (102) |
| Present value of obligation under finance lease | **369** | 685 |
| The present value of finance lease liabilities is as follows: | | |
| Within one year | **316** | 316 |
| In the second to fifth year inclusive | **53** | 369 |
| Present value of obligation under finance lease | **369** | 685 |

The weighted average effective interest rates per annum of the Group's obligation under finance lease at 31 March 2011 is 2.98% (2010: 2.98%).

Interest rates are fixed at contract date. The lease was on a fixed repayment basis. The Group's obligation under finance lease is secured by the lessor's charge over the leased asset. The carrying amount of the obligation under finance lease approximates its fair value and is denominated in Hong Kong dollars.

# Notes to the Consolidated Financial Statements

## 20. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade payables | **160,129** | 89,966 | **—** | — |
| Accruals and other payables | **72,383** | 55,584 | **2,662** | 1,450 |
| | **232,512** | 145,550 | **2,662** | 1,450 |

The ageing analysis of trade payables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 — 30 days | **63,698** | 73,447 |
| 31 — 60 days | **22,237** | 10,061 |
| 61 — 90 days | **52,408** | 3,473 |
| Over 90 days | **21,786** | 2,985 |
| | **160,129** | 89,966 |

The amounts are repayable according to normal trade terms from 30 to 90 days.

The carrying amounts of the Group's and the Company's trade payables, accruals and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollar | **63,755** | 35,324 | **2,662** | 1,450 |
| Renminbi | **165,172** | 106,301 | **—** | — |
| New Taiwan dollar | **3,585** | 3,925 | **—** | — |
| | **232,512** | 145,550 | **2,662** | 1,450 |

# Notes to the Consolidated Financial Statements

## 21. EXPENSES BY NATURE

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | *(Restated)* |
| Purchase of and changes in inventories | **521,210** | 480,960 |
| Auditor's remuneration | **1,584** | 1,970 |
| Depreciation of property, plant and equipment *(Note 6)* | | |
| — owned assets | **30,516** | 27,029 |
| — leased assets | **265** | 266 |
| Impairment of property, plant and equipment *(Note 6)* | **800** | 1,178 |
| Amortisation of intangible assets *(Note 8)* | **5,984** | 4,971 |
| Operating lease rental in respect of leasehold land and buildings | | |
| — minimum lease payments | **44,612** | 40,188 |
| — including turnover rental expenses | **328,551** | 290,513 |
| Advertising and promotion expenses | **22,361** | 21,244 |
| Net provision for inventories | **5,441** | 2,993 |
| Employee benefit expenses *(Note 24)* | **214,859** | 189,356 |
| Other expenses | **100,107** | 87,844 |
| Total cost of sales, selling and distribution costs and administrative expenses | **1,276,290** | 1,148,512 |

Expenses by nature of the Group has been presented in the consolidated income statement as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of sales | **526,783** | 484,198 |
| Selling and distribution costs | **638,780** | 567,008 |
| Administrative expenses | **110,727** | 97,306 |
| | **1,276,290** | 1,148,512 |

# Notes to the Consolidated Financial Statements

## 22. OTHER (LOSSES)/GAINS — NET

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| — fair value (losses)/gains *(Note 15)* | **(1,219)** | 4,212 |
| Gain on disposal of financial assets at fair value through profit or loss | **1,307** | — |
| Loss on disposal of property, plant and equipment | **(1,276)** | (1,230) |
| Loss on disposal of intangible assets | **(4)** | (11) |
| Net foreign exchange gains | **581** | 2,075 |
| | **(611)** | 5,046 |

## 23. OTHER INCOME

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Dividend income on available-for-sale financial assets | **1,928** | 4,222 |
| Interest income on financial assets at fair value through profit or loss | **—** | 160 |
| Dividend income on financial assets at fair value through profit or loss | **1,093** | 249 |
| License fee income | **535** | 329 |
| Royalty income | **447** | 249 |
| Compensation of shop repatriation | **—** | 9,594 |
| Government subsidies | **6,158** | 962 |
| Others | **2,144** | 1,742 |
| | **12,305** | 17,507 |

Government subsidies represent incentives received from the PRC tax authority for investment in Waigaoqiao Free Trade Zone in the PRC.

# Notes to the Consolidated Financial Statements

## 24. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2011 *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Salaries, wages and bonuses | **189,071** | 165,234 |
| Pension costs — defined contribution plans | **19,763** | 16,763 |
| Welfare and other expenses | **6,025** | 7,359 |
| | **214,859** | 189,356 |

## 25. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The aggregate of emoluments paid/payable to directors of the Group are as follows:

| | 2011 *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Fees | **653** | 620 |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | **4,675** | 4,223 |
| Share options and share award | **1,772** | 3,371 |
| Contributions to pension plans | **36** | 36 |
| | **7,136** | 8,250 |

# Notes to the Consolidated Financial Statements

## 25. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (a) Directors' emoluments *(Continued)*

The emoluments of each director for the year ended 31 March 2011 are set out below:

| | Fees | Basic salaries, housing allowance, other allowances and benefits-in-kind | Share options and share award | Discretionary bonuses | Contributions to pension plans | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors:** | | | | | | |
| Ms Chan Mei Sheung | — | 1,880 | 725 | — | 12 | 2,617 |
| Mr. Kiu Wai Ming | — | 1,512 | 664 | — | 12 | 2,188 |
| Mr. Chu Yin Man | — | 1,283 | 383 | — | 12 | 1,678 |
| **Non-executive directors:** | | | | | | |
| Mr. Sze Tsai Ping, Michael | 220 | — | — | — | — | 220 |
| Dr. Fan Yiu Kwan, *JP* | 200 | — | — | — | — | 200 |
| Mr. Tsang Link Carl, Brian | 200 | — | — | — | — | 200 |
| Mr. Lee Kwan Hung | 33 | — | — | — | — | 33 |
| | 653 | 4,675 | 1,772 | — | 36 | 7,136 |

None of the directors waived any emoluments during the year (2010: Nil).

# Notes to the Consolidated Financial Statements

## 25. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (a) Directors' emoluments *(Continued)*

The emoluments of each director for the year ended 31 March 2010 are set out below:

| | Fees HK$'000 | Basic salaries, housing allowance, other allowances and benefits-in-kind HK$'000 | Share options and share award HK$'000 | Discretionary bonuses HK$'000 | Contributions to pension plans HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive directors:** | | | | | | |
| Ms Chan Mei Sheung | — | 1,711 | 1,457 | — | 12 | 3,180 |
| Mr. Kiu Wai Ming | — | 1,371 | 1,059 | — | 12 | 2,442 |
| Mr. Chu Yin Man | — | 1,141 | 855 | — | 12 | 2,008 |
| **Non-executive directors:** | | | | | | |
| Mr. Sze Tsai Ping, Michael | 220 | — | — | — | — | 220 |
| Dr. Fan Yiu Kwan, *JP* | 200 | — | — | — | — | 200 |
| Mr. Tsang Link Carl, Brian | 200 | — | — | — | — | 200 |
| | 620 | 4,223 | 3,371 | — | 36 | 8,250 |

# Notes to the Consolidated Financial Statements

## 25. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include three directors (2010: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits-in-kind | **1,807** | 1,663 |
| Discretionary bonuses | **849** | 116 |
| Share options and share award | **414** | 187 |
| Contributions to pension plans | **12** | 24 |
| | **3,082** | 1,990 |

The emoluments fell within the following bands:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Nil to HK$1,000,000 | **—** | 1 |
| HK$1,000,001 to HK$2,000,000 | **2** | 1 |
| | **2** | 2 |

**(c)** No emoluments have been paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: Nil).

# Notes to the Consolidated Financial Statements

## 26. FINANCE INCOME AND COSTS

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Finance income | | |
| — Interest income from deposits | **726** | 428 |
| Finance costs | | |
| — Interest on bank borrowings | **(254)** | (48) |
| — Interest on obligation under finance leases | **(47)** | (47) |
| | **(301)** | (95) |
| Finance income, net | **425** | 333 |

## 27. INCOME TAX EXPENSE

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

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **—** | — |
| — PRC corporate income tax | **15,703** | 5,189 |
| Over-provision in respect of prior year | **(156)** | (1,504) |
| | **15,547** | 3,685 |
| Deferred income tax *(Note 10)* | **(3,600)** | 6,378 |
| | **11,947** | 10,063 |

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has not been provided for as the Group has no assessable profit for the year ended 31 March 2010 and 2011.

# Notes to the Consolidated Financial Statements

## 27. INCOME TAX EXPENSES *(Continued)*

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the 'New Tax Law') on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25%, with certain grandfathering provisions and preferential provisions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Profit before income tax | **35,113** | 11,876 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **9,602** | 2,393 |
| Income not subject to tax | **(5,164)** | (3,267) |
| Expenses not deductible for tax purposes | **2,827** | 4,114 |
| Deductible temporary differences not recognised | **(1,907)** | (1,563) |
| Tax losses not recognised | **8,406** | 9,890 |
| Over-provision in respect of prior year | **(156)** | (1,504) |
| Utilisation of previously unrecognised tax loss | **(3,110)** | — |
| Temporary difference not recognised | **258** | — |
| Withholding tax | **1,191** | — |
| Tax charge | **11,947** | 10,063 |

The weighted average applicable tax rate was 27% (2010: 20%) for the year.

There is no tax charge relating to components of other comprehensive income for the year (2010: Nil).

## 28. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK$27,353,000 (2010: loss of HK$6,580,000).

# Notes to the Consolidated Financial Statements

## 29. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company *(HK$'000)* | **25,131** | 2,918 |
| Weighted average number of ordinary shares in issue *('000)* | **622,755** | 622,500 |
| Basic earnings per share attributable to equity holders of the Company *(HK cents)* | **4.04** | 0.47 |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share is based on 622,755,000 (2010: 622,500,000) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 11,176,000 (2010: 3,706,000) shares deemed to be issued at no consideration.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company *(HK$'000)* | **25,131** | 2,918 |
| Weighted average number of ordinary shares in issue *('000)* | **622,755** | 622,500 |
| Adjustments for share options *('000)* | **11,176** | 3,706 |
| Weighted average number of ordinary shares for diluted earnings per share *('000)* | **633,931** | 626,206 |
| Diluted earnings per share attributable to equity holders of the Company *(HK cents)* | **3.96** | 0.47 |

# Notes to the Consolidated Financial Statements

## 30. DIVIDEND

At a meeting held on 28 June 2011, the directors resolved to declare a final dividend of 2.5 HK cents per ordinary share, totalling HK$15,589,000, which is subject to approval at the Annual General Meeting on 19 August 2011. These financial statements do not reflect this dividend payable.

No dividend was declared by the Board for the year ended 31 March 2010.

## 31. CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit before income tax to cash generated from operations

| | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Profit before income tax | **35,113** | 11,876 |
| Adjustments for: | | |
| — Depreciation of property, plant and equipment | **30,781** | 27,295 |
| — Depreciation of investment property | **33** | 33 |
| — Impairment of property, plant and equipment | **800** | 1,178 |
| — Amortisation of intangible assets | **5,984** | 4,971 |
| — Loss on disposal of property, plant and equipment | **1,276** | 1,230 |
| — Loss on disposal of intangible assets | **4** | 11 |
| — Gain on disposal of financial assets at fair value through profit or loss | **(1,307)** | — |
| — Fair value losses/(gains) on financial assets at fair value through profit or loss | **1,219** | (4,212) |
| — Interest income on financial assets at fair value through profit or loss | **—** | (160) |
| — Dividend income on financial assets at fair value through profit or loss | **(1,093)** | (249) |
| — Dividend income on available-for-sale financial assets | **(1,928)** | (4,222) |
| — Interest income | **(726)** | (428) |
| — Interest expense | **301** | 95 |
| — Share award and option expenses | **3,666** | 6,111 |
| Changes in working capital | **74,123** | 43,529 |
| — Inventories | **(117,793)** | 44,878 |
| — Trade receivables | **(8,000)** | (8,199) |
| — Deposits, prepayments and other receivables | **(23,286)** | (3,366) |
| — Trade payables | **64,740** | (27,931) |
| — Accruals and other payables | **15,778** | (1,849) |
| Cash generated from operations | **5,562** | 47,062 |

# Notes to the Consolidated Financial Statements

## 31. CONSOLIDATED CASH FLOW STATEMENT

### (b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Net book amount *(Note 6)* | **1,276** | 1,230 |
| Loss on disposal of property, plant and equipment *(Note 22)* | **(1,276)** | (1,230) |
| Proceeds from disposal of property, plant and equipment | **—** | — |

### (c) Proceeds from disposal of intangible assets

Proceeds from disposal of intangible assets are calculated as follows:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Net book amount *(Note 8)*: | **4** | 11 |
| Loss on disposal of intangible assets *(Note 22)* | **(4)** | (11) |
| Proceeds from disposal of intangible assets | **—** | — |

### (d) Proceeds from disposal of financial assets at fair value through profit or loss

In the consolidated cash flow statement, proceeds from disposal of financial assets at fair value through profit or loss comprise:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Carrying amount *(Note 15)* | **9,613** | — |
| Gain on disposal of financial assets at fair value through profit or loss *(Note 22)* | **1,307** | — |
| Proceeds from disposal of financial assets at fair value through profit or loss | **10,920** | — |

# Notes to the Consolidated Financial Statements

## 32. COMMITMENTS

### (a) Capital commitments — Group

As at 31 March 2011, the Group and the Company had no capital commitments.

### (b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of retail shops, offices, warehouses and furniture, fixtures and equipment are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Land and buildings | | |
| — No later than one year | **72,494** | 85,702 |
| — Later than one year and no later than five years | **36,893** | 41,814 |
| | **109,387** | 127,516 |
| Furniture, fixtures and equipment | | |
| — No later than one year | **187** | 203 |
| — Later than one year and no later than five years | **238** | 425 |
| | **425** | 628 |
| | **109,812** | 128,144 |

Leases are negotiated for varying terms, escalation clauses and renewal options. The operating lease rentals of certain outlets are based on the higher of a minimum guaranteed rental and a sales level based rental. The above operating lease commitments include commitments for fixed rent only.

In addition, rental payable in some cases include additional rent, calculated according to gross revenue, in excess of the fixed rent.

# Notes to the Consolidated Financial Statements

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Smart Presto Holdings Limited (incorporated in British Virgin Islands) which owns 72.3% of the Company's shares. The remaining 27.7% of the shares were widely held. The ultimate controlling party of the Group is Ms Chan Mei Sheung.

During the year, the Group had the following significant transactions with related parties:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Key management compensation | | |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | **13,873** | 11,146 |
| Share options and share award | **2,718** | 4,510 |
| Contributions to pension plans | **132** | 135 |
| | **16,723** | 15,791 |

*Note:*

Key management includes directors and certain senior management who have important roles in making operational and financial decisions.

## 34. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2011:

| **Name of company** | **Place of incorporation and kind of legal entity** | **Principal activities and place of operation** | **Particulars of issued share capital** | **Equity interest held 2011** | Equity interest held 2010 |
|---|---|---|---|---|---|
| **Directly held:** | | | | | |
| Genius Earn Investments Limited | The British Virgin Islands, limited liability company | Investment holding in Hong Kong | 90 Ordinary shares of US$1 each | **100%** | 100% |
| **Indirectly held:** | | | | | |
| Artemis Footwear Limited | Hong Kong, limited liability company | Retailing of footwear in Taiwan | 10,000,000 Ordinary shares of HK$1 each | **65%** | 65% |

# Notes to the Consolidated Financial Statements

## 34. SUBSIDIARIES *(Continued)*

| Name of company | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital | Equity interest held 2011 | 2010 |
|---|---|---|---|---|---|
| Ascent Pride Investments Limited | The British Virgin Island, limited liability company | Investment holding in Hong Kong | 1 Ordinary share of US$1 | **100%** | 100% |
| Asia Glory Investments Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 1 Ordinary share of HK$1 | **100%** | 100% |
| 逸盈國際貿易(上海)有限公司 Billion International Trading (Shanghai) Company Limited† | PRC, wholly foreign-owned enterprise limited liability company | Retailing of footwear in the PRC | US$1,000,000 | **100%** | 100% |
| Citiward Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 1 Ordinary share of HK$1 | **100%** | 100% |
| Excellent High Investments Limited | The British Virgin Island, limited liability company | Investment holding in Hong Kong | 1 Ordinary share of US$1 | **100%** | 100% |
| Main Legend Investment Ltd | Hong Kong, limited liability company | Investment holding in Hong Kong | 10,000 Ordinary share of HK$1 each | **100%** | 100% |
| Senet International Limited | Hong Kong, limited liability company | Holding of trademarks and properties in Hong Kong | 10 Ordinary shares of HK$1 each | **100%** | 100% |
| 傲天國際貿易(深圳)有限公司 Smart Sky International (Shenzhen) Limited† | PRC, wholly foreign-owned enterprise limited liability company | Retailing of footwear in the PRC | HK$1,000,000 | **100%** | 100% |

# Notes to the Consolidated Financial Statements

## 34. SUBSIDIARIES *(Continued)*

| Name of company | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital | Equity interest held 2011 | Equity interest held 2010 |
|---|---|---|---|---|---|
| 傲丰貿易(深圳)有限公司 Smart Trend Trading (Shenzhen) Company Limited† | PRC, wholly foreign-owned enterprise, limited liability company | Retailing of footwear in the PRC | HK$41,000,000 | **100%** | 100% |
| 奧吉斯貿易(北京)有限公司 Smarter Trading (Beijing) Company Limited† | PRC, wholly foreign-owned enterprise, limited liability company | Retailing of footwear in the PRC | HK$40,000,000 | **100%** | 100% |
| Surplus Jet Investments Limited | The British Virgin Island, limited liability company | Investment holding in Hong Kong | 1 Ordinary share of US$1 | **100%** | 100% |
| Triple Juicy Ltd | The United Kingdom, limited liability company | Holding of trademarks | 1,000 Ordinary share of £1 each | **100%** | 100% |
| Trunari Enterprises Company Limited | Hong Kong, limited liability company | Holding of trademark and properties in Hong Kong | 22,000,000 Ordinary shares of HK$1 each | **100%** | 100% |
| Vervestone Ltd | The United Kingdom, limited liability company | Investment holding in the United Kingdom | 2,000 Ordinary share of £1 each | **100%** | 100% |
| Walker Corporation Limited | Hong Kong, limited liability company | Holding of leases in Hong Kong | 1,000 Ordinary shares of HK$1 each | **100%** | 100% |
| Walker Group China Company Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 100 Ordinary shares of HK$1 each | **100%** | 100% |

# Notes to the Consolidated Financial Statements

## 34. SUBSIDIARIES *(Continued)*

| Name of company | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital | Equity interest held 2011 | Equity interest held 2010 |
|---|---|---|---|---|---|
| Walker Group International Company Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 100 Ordinary shares of HK$1 each | **100%** | 100% |
| Walker International Footwear Limited | Hong Kong, limited liability company | Wholesales of footwear | 100 Ordinary shares of HK$1 each | **100%** | 100% |
| Walker International Holding Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 100 Ordinary shares of HK$1 each | **100%** | 100% |
| Walker Shop Footwear Limited | Hong Kong, limited liability company | Investment holding and retailing of footwear in Hong Kong | 100,000,000 Ordinary shares of HK$0.001 each | **100%** | 100% |
| 奧卡索國際貿易（上海）有限公司 Walker Shop International Trading (Shanghai) Company Limited† | PRC, wholly foreign-owned enterprise limited liability company | Retailing of footwear in the PRC | US$200,000 | **100%** | 100% |

† The English names of certain companies represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

As legal requirement, all companies established in the PRC and Taiwan have adopted 31 December as their accounting date for statutory reporting purpose. All other companies have adopted 31 March as their financial year end date.

# Five-Year Financial Summary

## CONSOLIDATED INCOME STATEMENTS

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Turnover** | **1,299,284** | 1,137,502 | 1,043,513 | 930,106 | 689,366 |
| Cost of sales | **(526,783)** | (484,198) | (476,239) | (379,947) | (242,897) |
| **Gross profit** | **772,501** | 653,304 | 567,274 | 550,159 | 446,469 |
| Operating expenses | **(749,507)** | (664,314) | (654,629) | (486,419) | (338,403) |
| Other gains/(losses) — net | **(611)** | 5,046 | (9,289) | 2,961 | (268) |
| Other income | **12,305** | 17,507 | 9,358 | 7,541 | 3,084 |
| **Operating profit/(loss)** | **34,688** | 11,543 | (87,286) | 74,242 | 110,882 |
| Finance income/(costs) — net | **425** | 333 | 4,008 | 32,245 | (3,005) |
| Share of loss of a jointly controlled entity | **—** | — | (1,422) | (192) | — |
| **Profit/(loss) before income tax** | **35,113** | 11,876 | (84,700) | 106,295 | 107,877 |
| Income tax expense | **(11,947)** | (10,063) | (5,355) | (11,621) | (24,874) |
| **Profit/(loss) for the year** | **23,166** | 1,813 | (90,055) | 94,674 | 83,003 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | **25,131** | 2,918 | (89,384) | 94,674 | 83,003 |
| Non-controlling interests | **(1,965)** | (1,105) | (671) | — | — |
| | **23,166** | 1,813 | (90,055) | 94,674 | 83,003 |
| **Dividends** | **15,589** | — | — | 69,836 | 25,930 |

*Notes:* Prior to the reorganisation completed on 21 May 2007, combined financial statements have been prepared for financial year 2007.

# Five-Year Financial Summary

## CONSOLIDATED BALANCE SHEETS

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | **55,625** | 56,632 | 62,525 | 61,288 | 76,257 |
| Investment property | **1,078** | 1,111 | 1,144 | — | — |
| Intangible assets | **69,411** | 73,341 | 71,350 | 10,866 | 14,039 |
| Interests in a jointly controlled entity | **—** | — | — | 1,318 | — |
| Deferred income tax assets | **17,486** | 12,417 | 18,826 | 8,129 | 1,061 |
| Available-for-sale financial assets | **52,421** | 48,233 | 25,065 | 1,211 | 1,168 |
| Rental deposits | **15,462** | 14,542 | 20,260 | 20,378 | 14,160 |
| | **211,483** | 206,276 | 199,170 | 103,190 | 106,685 |
| **Current assets** | | | | | |
| Inventories | **405,553** | 274,844 | 316,275 | 217,281 | 155,176 |
| Trade and bills receivables | **132,928** | 119,267 | 109,576 | 97,107 | 68,781 |
| Amounts due from related companies | **—** | — | — | — | 33,280 |
| Deposits, prepayments and other receivables | **85,779** | 62,079 | 52,549 | 41,076 | 28,709 |
| Financial assets at fair value through profit or loss | **39,732** | 41,870 | 37,658 | 19,779 | — |
| Tax recoverable | **149** | 544 | 86 | 3,395 | 17 |
| Restricted cash | **—** | — | — | 10,000 | 10,000 |
| Cash and cash equivalents | **135,927** | 170,628 | 177,975 | 452,231 | 47,823 |
| | **800,068** | 669,232 | 694,119 | 840,869 | 343,786 |

# Five-Year Financial Summary

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Borrowings | **—** | — | (22,525) | — | (99,224) |
| Trade and bills payables | **(160,129)** | (89,966) | (116,559) | (85,589) | (84,905) |
| Accruals and other payables | **(72,383)** | (55,584) | (56,587) | (30,363) | (37,559) |
| License fees payable | **—** | — | — | (3,752) | (3,302) |
| Amount due to related companies | **—** | — | — | — | (37,786) |
| Amount due to directors | **—** | — | — | — | (13,048) |
| Obligation under finance lease | **(316)** | (316) | (316) | (316) | — |
| Tax payable | **(2,548)** | (2,965) | (6,953) | (4,264) | (15,026) |
| | **(235,376)** | (148,831) | (202,940) | (124,284) | (290,850) |
| **Net current assets** | **564,692** | 520,401 | 491,179 | 716,585 | 52,936 |
| **Total assets less current liabilities** | **776,175** | 726,677 | 690,349 | 819,775 | 159,621 |
| **Non-current liabilities** | | | | | |
| Borrowings | **—** | — | — | — | (9,914) |
| License fees payable | **—** | — | — | (5,889) | (9,393) |
| Obligation under finance lease | **(53)** | (369) | (685) | (1,001) | — |
| Deferred income tax liabilities | **(1,413)** | (222) | (260) | (340) | (295) |
| | **(1,466)** | (591) | (945) | (7,230) | (19,602) |
| **Net assets** | **774,709** | 726,086 | 689,404 | 812,545 | 140,019 |

# Five-Year Financial Summary

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **EQUITY** | | | | | |
| Capital and reserves | | | | | |
| Share capital | **62,356** | 62,250 | 62,250 | 62,250 | 10,000 |
| Reserves | **712,264** | 663,011 | 627,812 | 750,295 | 130,019 |
| | **774,620** | 725,261 | 690,062 | 812,545 | 140,019 |
| Non-controlling interests | **89** | 825 | (658) | — | — |
| **Total equity** | **774,709** | 726,086 | 689,404 | 812,545 | 140,019 |

# Investment Properties

| Location | Type | Tenure |
| --- | --- | --- |
| Unit 9 on 6th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong | Industrial | Medium lease |