WALKER GROUP HOLDINGS LIMITED

2012




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

annual report

Walker GROUP

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN Mei Sheung *(Chairman)*
KIU Wai Ming
CHU Yin Man (resigned on 24 June 2012)

Independent non-executive Directors

SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
LEE Kwan Hung

AUDIT COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
LEE Kwan Hung

REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP (Chairman)*
CHAN Mei Sheung
SZE Tsai Ping, Michael
LEE Kwan Hung

NOMINATION COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
LEE Kwan Hung

COMPANY SECRETARY

CHU Yin Man (resigned on 24 June 2012)
LEUNG Kit Wai (appointed on 24 June 2012)

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				
	2012	2011	2010	2009	2008
FINANCIAL PERFORMANCE					
Turnover *(HK$'million)*	**1,451**	1,299	1,138	1,044	930
Gross profit *(HK$'million)*	**851**	772	653	567	550
Operating profit/(loss) *(HK$'million)*	**(7)**	35	12	(87)	74
Profit/(loss) attributable to equity holders of the Company *(HK$'million)*	**(10)**	25	3	(89)	95
Basic earnings/(losses) per share *(HK Cents)*	**(1.56)**	4.04	0.47	(14.36)	16.1
KEY FINANCIAL INDICATORS					
Average inventory turnover *(days)*	**267**	236	222	204	179
Average debtors' turnover *(days)*	**35**	35	37	36	33
Average creditors' turnover *(days)*	**96**	87	78	77	82
Capital expenditure *(HK$'million)*	**42**	33	31	120	35
KEY FINANCIAL INDICATORS					
Cash and cash equivalents *(HK$'million)*	**96**	136	171	178	452
Bank loan *(HK$'million)*	**6**	—	—	23	—
Equity attributable to equity holders of the Company *(HK$'million)*	**765**	775	725	690	813
Current ratio *(times)*	**3.4**	3.4	4.5	3.4	6.8
Gearing ratio	**0.6%**	—	—	2.5%	—

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 borrowings 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 2012.

During the year under review, the challenges of the sovereign debt crises within European Union countries and the slow recovery of the US economy have created uncertainties over the global economy. While the global macroeconomic environment has been unfavorable, the economy in the PRC remained relatively stable and continued to provide a positive business environment for our retail business. Benefiting from government policy to boost domestic demand and our effective marketing strategies, the Group has posted steady revenue growth of 11.7% to HK$1,451 million during the year under review, compared with HK$1,299 million recorded over the same period last year. Gross profit margin of the Group edged down slightly from 59.5% to 58.6% due mainly to cost escalation, and our generated sales growth revenue was eroded by surging rental and staff costs. As a result, the net loss attributable to shareholders of the Company for 2011/12 is HK$9.7 million.

Through controlled expansion during the year, the Group has reached a total slightly more than 1,000 sales points, for the first time ever, throughout the Greater China region, which marked a milestone for the Group's overall development. Within the three markets, the Group continued its efforts to extend the market reach of Walker Shop in the PRC. During the year under review, the Group increased the number of sales points by 129 and increased the number of franchise stores by 34 in the PRC, bringing the total number of stores to 978 comprising 847 self-managed sales stores and 131 franchise stores dispersing across more than 160 cities within these areas. As regards Hong Kong and Taiwan, the Group respectively increased the number of sales points by 1 and 2, bringing the respective total number of sales points to 54 and 27.

OPERATIONAL REVIEW

Brand Performance

The Group currently owns seven footwear brands, namely ACUPUNCTURE, ARTEMIS, COUBER.G, FORLERIA, OXOX, TRU-NARI and WALACI, which embraces an enriched product portfolio across a wide range of comfort and style.

Our two well-established footwear brands, COUBER.G and FORLERIA, remained as our major income generators during the year and contributed 64% of total sales. COUBER.G, the brand with casual, functional and comfortable features, continued to deliver impressive sales growth; while FORLERIA was also well received as the brand provides fashionable features which is easy for women to mix and match. These two brands continued to attract customers and gain popularity among other similar choices in the market. During the year under review, the Group added 28 sales points of COUBER.G in the PRC, bringing the total to 176 as at the end of 31 March 2012.

The Group stepped up its efforts to revamp the brand image of ARTEMIS to cater for the escalating demand of up-market footwear. Through the enhanced product design and establishing a new concept store with a trendy interior store decoration, ARTEMIS, which targets at formal office/dress footwear, effectively diversified its customer base. On the other hand, ACUPUNCTURE footwear and apparel products also successfully caught market attention attributable to the effective marketing campaigns. Encouraged by the success of MINI COOPER's crossover, in the summer of 2012, the Group is going to collaborate with another film production partner on crossover products using many American heroic characters, which is expected to be another hit for the brand.

Walker One Concept Store

Riding on the success of the Walker One concept stores in the PRC, the first Walker One concept store in Hong Kong was opened in December 2011 at a popular shopping spot, Langham Place, Mongkok. Occupying an area of more than 5,000 sq ft, the new Walker One concept store through its managed brands provides a range of fashionable and comfortable footwear, apparel and accessories for all occasions to satisfy customers' every need and whim. With contemporary decorations and a comfortable shopping environment, the new Walker One store has received a strong positive response from shoppers. Affirmed by an overwhelming response, the Group is evaluating suitable locations in Hong Kong to open additional Walker One concept stores.

Expanding Franchisee Business & e-Commerce Sales Channel

While the Group has cautiously expanded its sales networks via opening self-managed and franchised stores in the Greater China region, it is targeting to bring the proportion of franchise stores to a higher level in order to enhance its market penetration of Walker Shop across the region. Nevertheless, the Group will carefully select the right franchise partners to ensure market success.

To exploit the sales potential of the fast-growing e-buying habit in the PRC, the Group has intensified its efforts on the online sale and TV home sales channels and experienced encouraging results during the year. The Group will divert more resources to e-commerce to satisfy evolving market demand and trying to capture the opportunities.

Chairman's Statement *(Continued)*

Strengthening Marketing Efforts & Enhancing Operational Efficiency

Apart from the targeted promotional events, the Group also strived to strengthen its marketing efforts in different ways such as launching advertisements on printed media and setting up eye-catching billboards in hot shopping areas. The Group also engaged in new media to promote the brand. For instance, a website of ACUPUNCTURE has been established with interesting features and games to encourage interaction with customers, as well as web-surfers. These marketing efforts have effectively enhanced the exposure of our various brands. We will keep up the marketing efforts in order to draw more customer traffic as well as driving a strong sales performance.

To oversee the performance of geographically dispersed sales points and to bolster operational efficiency, the Group has been implementing an enterprise resource planning ("ERP") system on aspects of point-of-sale, inventory and accounting. The ERP system in Hong Kong has been in use while the system implementation in the PRC is undergoing good progress. It is expected the information system upgrade will be finished by the end of the coming fiscal year.

PROSPECTS

Looking ahead, the PRC, the biggest revenue contributing market of the Group, remains one of the most promising economies around the globe. While there are signs of slower economic growth, with the policy of the Central Government to boost domestic consumption supplemented by growing spending power of PRC consumers, the retail market outlook is expected to be steady. Thus, the Group remains cautiously optimistic about its business.

We have always believed product design and quality are the keys to sustain customer loyalty and achieve market success. Towards this end, the Group will further strengthen its merchandising and design teams to keep up with the pulse of the fashion trend and customer needs. By working closely with our suppliers, we will try to control cost escalation while improving product quality at the same time, so as to remain competitive in a market where general retail prices are moving up.

Amidst the strong cost inflation pressure, the Group will continue to maintain a prudent financial policy. The Group will be very cautious in controlling its expansion and hence stock purchase. We expect our cost control measures will mitigate the impact of escalating costs including rental, staff and other operations costs.

On the corporate social responsibility front, the Hong Kong Council of Social Service has awarded the Caring Company Logo 2011/12 to the Group in recognition of our commitment in caring in the community, caring for employees and caring for the environment. We will continue to keep up the best effort we can in this regard.

Finally, on behalf of the Board, I would like to take this opportunity to thank the Group's employees for their dedicated contribution and unwavering commitment to deliver the best products and services 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

26 June 2012

Management Discussion and Analysis

BUSINESS REVIEW

The Group operates two major categories of business:

1. The retail and distribution of footwear and apparel products of its own brands, namely ACUPUNCTURE, COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI; and

2. The retailing of footwear products for several independent international brands.

As at 31 March 2012, the Group operated a total of 1,059 stores comprising 928 self-owned stores (847 in the PRC, 54 in Hong Kong, and 27 in Taiwan) and 131 franchised stores in the PRC.

The average daily sales quantity of the Group's footwear products for the year under review was approximately 9,600 pairs (2011: 9,300 pairs) at an average selling price of approximately HK$390 per pair (2011: HK$360). Same store sales growth increased by 7.5% (2011: 12.0%) and 1.7% (2011: 9.3%) in the PRC and Hong Kong respectively.

During the year under review, the PRC, Hong Kong and Taiwan accounted for approximately 77%, 21% and 2% of the Group's total sales revenue respectively.

PRC

To further penetrate the PRC market, the Group increased the number of sales points by 129, bringing the total number in the country to 847 (31 March 2011: 718). The Group has also increased the number of franchised stores by 34, bringing the total to 131 (31 March 2011: 97). Total sales revenue derived from the PRC market was approximately HK$1,125 million for the year (2011: approximately HK$964 million), an increase of 16.7% when compared to the previous year.

Hong Kong

As at 31 March 2012, the Group increased the number of sales points by 1, bringing the total to 54 (31 March 2011: 53). However, the total revenue generated in Hong Kong slightly dropped by 3.3% to approximately HK$299 million (2011: approximately HK$309 million) due to relatively mild weather prior to festive seasons which had an adverse impact on the sentiment to spend on winter associated outfit which turned customary high turnover for such periods sluggish and earlier seasonal discounts were offered. The concept store, Walker One, was first introduced to the Hong Kong market in December 2011.

Taiwan

For the year under review, the Group managed a total of 27 stores comprising 7 Walker Shops, 5 ACUPUNCTURE stores and 15 Genuine stores, representing a net increase of two stores over the corresponding period last year. Turnover rose slightly from HK$26.2 million to HK$27.8 million for the year under review.

FINANCIAL REVIEW

Turnover

Turnover increased by HK$152 million, or 11.7%, to HK$1,451 million for the year ended 31 March 2012 (31 March 2011: HK$1,299 million), which was attributable to the improving average selling price and addition of sales points.

Cost of Sales

Cost of sales rose by approximately HK$73 million to around HK$600 million. As a percentage of total sales, cost of sales increased from around 40.5% for the year ended 31 March 2011 to around 41.4% for the year ended 31 March 2012 resulting from an increase in costs of products purchased.

Gross Profit

Attributed to the climbing sales volume and selling price, the Group's gross profit rose by 10.2% to HK$851 million, compared with HK$772 million for the last year. Gross profit margin was 58.6% (2011: 59.5%). The gross profit margin dropped partly due to the deeper promotional discount offered to the customers.

Operating Expenses

As at the reporting year, total selling and distribution costs and administrative expenses increased by approximately HK$126 million to approximately HK$875 million, a year-on-year rise of around 16.7% (2011: HK$749 million). The surge was mainly due to respective increase of rental expenses by HK$71 million, staff costs by HK$37 million, and an increase in other overheads by HK$18 million (including more promotion expenses and depreciation of leasehold improvements arising from store renovation).

Management Discussion and Analysis *(Continued)*

Investment Gain/Loss

During the year under review, the Group had a fair value gain on financial assets in the income statement amounting to approximately HK$5 million on financial assets and a fair value loss in reserve of HK$2 million on listed securities investment. As at 31 March 2012, the fair value of financial investments of the Group amounted to HK$65 million, which were acquired at cost of approximately HK$72 million. The fair value of the Group's financial investment subsequent to 31 March 2012 is subject to adjustment depending on market conditions.

Net Loss

As a result of the substantial increase in operating expenses mentioned above, the Group recorded a net loss of approximately HK$11.6 million for the year ended 31 March 2012 against the net profit of approximately HK$23.2 million for the year ended 31 March 2011.

OUTLOOK

Looking forward, the retail market and economy in the PRC is expected to grow steadily despite the relatively weak global economic situation under the shadow of European debt crisis. More than just global unrest, it is expected that the PRC will face many challenges in the upcoming year such as inflation, surging raw material and labour costs. With Governmental policy to boost domestic consumption, rising demands on quality footwear, and internal operational enhancement, the Group remains cautiously optimistic about its business development in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2012, the Group had working capital of approximately HK$560 million (31 March 2011: HK$565 million) and the current ratio was at approximately 3.4 times (31 March 2011: 3.4 times).

As at 31 March 2012, the Group had cash and cash equivalents of HK$96 million deposited in banks in Hong Kong dollars, US dollars and Renminbi (31 March 2011: HK$136 million). The Group had outstanding bank borrowings of approximately HK$6 million as at 31 March 2012 (31 March 2011: Nil) repayable within one year. During the year, the Group has drawn short-term bank loans of approximately HK$62 million for financing working capital of which HK$56 million were settled within the year. The bank loans were in Renminbi, Hong Kong dollars and New Taiwan dollars respectively and on a floating rate basis. As at 31 March 2012, the gearing ratio of the Group was 0.6% (31 March 2011: Nil) which was calculated by total loans divided by total assets. Detail of cash and cash equivalents are set out in Note 16 to the consolidated financial statements.

During the year under review, capital expenditure was HK$42 million (2011: HK$33 million) comprising mainly purchase of leasehold improvements, computer equipment and computer software.

As at 31 March 2012, the Group had aggregate banking facilities of approximately HK$123 million for overdrafts, bank loans and trade financing and bank guarantees for rental deposit (31 March 2011: HK$124 million) of which HK$16 million was used for trade financing and bank guarantees for rental deposit as at 31 March 2012 (31 March 2011: HK$27 million). As at 31 March 2012 and 31 March 2011, the Group had no charge on its assets.

The Group continued to keep sufficient inventory to meet the needs of its expanding retail network. During the year under review, inventory turnover days increased to approximately 267 days (31 March 2011: 236 days) and inventory amounted to approximately HK$471 million as at 31 March 2012 (31 March 2011: HK$406 million).

FOREIGN EXCHANGE MANAGEMENT

The Group operates principally in the PRC and Hong Kong. Transactions are mainly denominated in the functional currency of 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.

MATERIAL ACQUISITION AND DISPOSAL

There were no acquisitions or disposals of subsidiary companies during the year. The Group has no plan for material capital investment.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group has no exposure to any significant contingent liabilities (31 March 2011: Nil).

Management Discussion and Analysis *(Continued)*

HUMAN RESOURCES

As at 31 March 2012, the Group has a total of 4,298 employees (31 March 2011: 3,998) and the total staff cost for the year ended 31 March was HK$252.0 million (2011: HK$214.9 million). Training courses on sales skills and product knowledge are regularly organised 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 Board has recommended not to declare a final dividend for the year ended 31 March 2012 (2011: 2.5 HK cents per ordinary share).

GROUP STRUCTURE

During the year under review, 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 45, 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 63, 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 53, joined the Group in 2006 and resigned effective from 24 June 2012. Immediately before his resignation, he was 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 was 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SZE Tsai Ping, Michael, aged 67, appointed in May 2007, is an independent non-executive Director of the Company. Mr. Sze has over 30 years of experience in the financial and securities fields. He graduated with a Master of Laws (LLM) degree from the University of Hong Kong. He was a former member of the Securities and Futures Appeals Tribunal. He also 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. Mr. Sze is 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 Stock Exchange. He was formerly a non-executive director of publicly-listed Burwill Holdings Limited from June 2000 to September 2011 and an independent non-executive director of publicly-listed C Y Foundation Group Limited from May 2007 to November 2009. 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 and also a fellow of the Hong Kong Institute of Directors Limited.

Dr. FAN Yiu Kwan, *JP*, aged 67, 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 an 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. LEE Kwan Hung, aged 46, 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 Stock Exchange. Mr. Lee is currently a consultant of a law firm in Hong Kong. He is also an independent non-executive director of Yuexiu REIT Asset Management Limited (which manages Yuexiu 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, Newton Resources Limited, Tenfu (Cayman) Holdings Company Limited, Far East Holdings International Limited and China BlueChemical Limited all of which are listed on the Stock Exchange. He was a former non-executive director of 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 45, 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. LIU Cheng Ju, aged 44, 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. HUNG Tin Chun, aged 64, 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 possesses 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.

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 2012.

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

Independent non-executive Directors

Mr. SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
Mr. LEE Kwan Hung

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.

The Company has received from each of the 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 2012, 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 13.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with Article 87 and Article 88 of the Company's Articles of Association, 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 and Dr. FAN Yiu Kwan, *JP* have been appointed for a term of two years commencing on 7 June 2012 and Mr. LEE Kwan Hung has been appointed for a term of two years commencing from 1 February 2011, subject to the provisions of the Company's Articles of Association.

Corporate Governance Report *(Continued)*

DIRECTORS' SERVICE CONTRACTS

Except Mr. CHU Yin Man whose resignation effective from 24 June 2012 and Mr. LEE Kwan Hung who signed an appointment letter with the Company for a term of two years commenced on 1 February 2011, each of Ms CHAN Mei Sheung and Mr. KIU Wai Ming had entered into a service agreement and each of Mr. SZE Tsai Ping, Michael and Dr. FAN Yiu Kwan, *JP* had signed an appointment letter with the Company to act for a term of two years, all commenced on 7 June 2012 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.

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 was constituted of four members, namely, Dr. FAN Yiu Kwan, *JP*, who presided as the chair, Ms CHAN Mei Sheung, Mr. SZE Tsai Ping, Michael and Mr. LEE Kwan Hung.

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 once a year. During the year, two Remuneration Committee meetings were held and the attendance of each member is set out on page 13.

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 26 to the consolidated financial statements.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board are posted on the Stock Exchange's website and 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. LEE Kwan Hung, 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.

Corporate Governance Report *(Continued)*

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

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 Stock Exchange's website and 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. LEE Kwan Hung. No member of the Audit Committee was a former partner of the Company's existing external auditor. Mr. SZE Tsai Ping, Michael, was 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 2012 have been reviewed by the Audit Committee.

At the three 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 Stock Exchange's website and 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 2012 are detailed below:

	Number of meetings attended/held for the year ended 31 March 2012				
	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors					
Ms CHAN Mei Sheung *(Chairman)*	1/1	4/4	—	—	2/2
Mr. KIU Wai Ming *(Chief Executive Officer)*	1/1	4/4	—	—	—
Mr. CHU Yin Man *(Chief Financial Officer)*	1/1	4/4	—	—	—
Independent non-executive directors					
Mr. SZE Tsai Ping, Michael *(Chairman of Audit & Nomination Committees)*	1/1	4/4	3/3	2/2	2/2
Dr. FAN Yiu Kwan, *JP (Chairman of Remuneration Committee)*	1/1	4/4	3/3	2/2	2/2
Mr. LEE Kwan Hung	1/1	4/4	3/3	2/2	2/2

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 24 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$1,687,000 (audit) and approximately HK$330,000 (non-audit) respectively, which comprised interim review fee of approximately HK$228,000 and tax compliance service fee of approximately HK$102,000.

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 2012.

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 35 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 27.

Dividend

The Board has recommended not to declare final dividend for the year ended 31 March 2012.

Closure of Register of Members

The register of members of the Company will be closed from 15 August 2012 (Wednesday) to 16 August 2012 (Thursday) (both days inclusive) during which period no transfer of shares in the Company will be registered for the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, 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 Tuesday, 14 August 2012.

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 70 to 71 of this annual report.

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 29 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 2012, the Company's share premium was approximately HK$562,600,000 (2011: approximately HK$562,600,000), the share-based compensation reserve of the Company was approximately HK$27,915,000 (2011: approximately HK$26,011,000). The retained earnings of the Company were approximately HK$3,897,000 (2011: approximately HK$24,565,000).

BANK LOAN AND OTHER BORROWINGS

Details of the bank loan borrowings as at 31 March 2012 are set out in Note 20 to the consolidated financial statements.

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.

Report of Directors *(Continued)*

DIRECTORS

The members of the Board during the year ended 31 March 2012 and up to the date of this report were:

Executive Directors

Ms CHAN Mei Sheung
Mr. KIU Wai Ming
Mr. CHU Yin Man (resigned on 24 June 2012)

Independent non-executive Directors

Mr. SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
Mr. LEE Kwan Hung

In accordance with Article 87 and Article 88 of the Company's Articles of Association, 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 and Dr. FAN Yiu Kwan, *JP* have been appointed for a term of two years commencing on 7 June 2012, subject to the provisions of the Company's Articles of Association. 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 and Senior Management as at the date of this report are set out on pages 9 to 10 of this annual report.

Directors' Service Contracts

Except Mr. CHU Yin Man whose resignation effective from 24 June 2012 and Mr. Lee Kwan Hung who signed an appointment letter with the Company for a term of two years commenced on 1 February 2011, each of Ms CHAN Mei Sheung and Mr. KIU Wai Ming had entered into a service agreement and each of Mr. SZE Tsai Ping, Michael and Dr. FAN Yiu Kwan, *JP* signed an appointment letter with the Company to act for a term of two years all commencing on 7 June 2012 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 and Short Positions in Shares of the Company

As at 31 March 2012, 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") 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 as at 31 March 2012 *(Note 3)*
CHAN Mei Sheung	—	449,150,000 *(Note 1)*	—	8,485,000	—	457,635,000	73.39%
KIU Wai Ming	6,500,000	—	—	7,400,000	—	13,900,000	2.23%
CHU Yin Man *(Note 4)*	671,000	—	—	4,040,000	—	4,711,000	0.76%

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 was 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 were available for purchase on the exercise of options granted to certain directors of the Company under the Share Purchase Scheme adopted on 5 August 2009. Subsequent to Mr. CHU Yin Man ("**Mr. Chu**"), an executive director of the Company, exercised the share purchase right on 18 March 2011 to acquire 800,000 Shares under the Share Purchase Scheme, Ms Chan was taken to be interested in the 449,150,000 Shares held by Smart Presto Holdings Limited. Grant of Letters of Administration ("Grant") dated 27 April 2012 was granted by the Probate Registry in Hong Kong in respect of the late Mr. Huang's estate in Hong Kong and the Grant is in the process of being resealed by the BVI Court in respect of the late Mr. Huang's estate in BVI.

2. These represent the number of Shares which will be transferred, 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 by the Company and/or the Share Option Scheme adopted on 21 May 2007 by the Company and/or the Share Purchase Scheme adopted on 5 August 2009 by Smart Presto Holdings Limited, where applicable.

3. Calculated as a percentage of the entire issued share capital of the Company as at 31 March 2012.

4. Other than 671,000 number of shares interests held in his personal capacity in the Company, Mr. CHU Yin Man's rights or benefits in unexercised number of shares held in his personal capacity as at the date of his resignation on 24 June 2012 under the Company's pre-IPO share option scheme in the number of 480,000 and under the share purchase scheme in the number of 3,200,000, which otherwise would have been lapsed on the said date of his resignation, were extended to 1 September 2012 by the Board of Directors pursuant to the respective terms of the said schemes and thereafter any unexercised number of shares thereof will then be lapsed forthwith.

Save as disclosed above, as at 31 March 2012, none of the Directors or the chief executives of the Company 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 as 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 the SFO shows that, other than the interests disclosed above in respect of certain directors, as at 31 March 2012, 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 as at 31 March 2012
Smart Presto Holdings Limited *(Note)*	449,150,000	Beneficial owner	72.03%

Note: Smart Presto Holdings Limited, which was owned as to 90% by estate of the late Mr. Huang and 10% by Ms Chan, was the registered owner of 449,150,000 Shares, the breakdown of which appears as follows:

Shareholder	Number of Smart Presto Holdings Limited shares Held	Capacity	Percentage of Shareholding
HUANG Wen Yi	90	Beneficial owner	90%
CHAN Mei Sheung	10	Beneficial owner	10%

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 2012 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 2012.

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.

Report of Directors *(Continued)*

Directors' Interest in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, each of the Directors confirmed that he/she does not have any interest in any business apart from the Group's business, which compete either directly or indirectly with the Group's business.

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 have 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, during 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, during 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 exercised or cancelled and a total of 3,059,000 Pre-IPO Share Options were lapsed during the year ended 31 March 2012. A summary of the movements of the Pre-IPO Share Options for the year ended 31 March 2012 is shown below:

	No. of Pre-IPO Share Options						
Name or Category of participant	Balance as at 1 April 2011	Granted during the year ended 31 March 2012	Exercised during the year ended 31 March 2012	Cancelled during the year ended 31 March 2012	Lapsed during the year ended 31 March 2012	Balance as at 31 March 2012	Approximate percentage of the total issued share capital of the Company as at 31 March 2012 %
Directors							
CHAN Mei Sheung	3,550,000	–	–	–	1,065,000	2,485,000	0.40
KIU Wai Ming	2,000,000	–	–	–	600,000	1,400,000	0.22
CHU Yin Man *(Note)*	1,200,000	–	–	–	360,000	840,000	0.13
Employees							
Continuous contract employees	2,630,000	–	–	–	1,034,000	1,596,000	0.26

Note: See pages 16 to 17 under Note 4 of Directors' and Chief Executives' Interests and Short Positions in Shares of the Company.

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

Subsequent to the grant date of the Pre-IPO Share Options and up to 31 March 2012, the Pre-IPO Share Options of the late Mr. HUANG Wen Yi and 4,299,000 Pre-IPO Share Options held by the executive Directors and continuous contract employees have lapsed.

Report of Directors *(Continued)*

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 2012, Pre-IPO Share Options in respect of 6,321,000 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$18,899,790.

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 on 5 August 2009.

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 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/her performance and/or years of service, or is regarded as valuable human resources of the Group based on his/her 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 37,460,000 Shares, representing approximately 6.0% of the issued share capital of the Company as at the date of this report, are available for issue under the Share Option Scheme.

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.

Report of Directors *(Continued)*

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 2012. A summary of the movements of the Post-IPO Share Options for the year ended 31 March 2012 is shown below:

	No. of Post-IPO Share Options						
Name or Category of participant	Balance as at 1 April 2011	Granted during the year ended 31 March 2012	Exercised during the year ended 31 March 2012	Cancelled during the year ended 31 March 2012	Lapsed during the year ended 31 March 2012	Balance as at 31 March 2012	Approximate percentage of the total issued share capital of the Company as at 31 March 2012 %
Director							
CHAN Mei Sheung	6,000,000	–	–	–	–	6,000,000	0.96
Employees							
Continuous contract employees	15,780,000	–	–	–	300,000	15,480,000	2.48

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

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

Subsequent to the date of Post-IPO share Options and up to 31 March 2012, 2,360,000 Post-IPO Share Options have been lapsed and 1,060,000 Post-IPO Share Options have been exercised.

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 2012, Post-IPO Share Options in respect of 21,480,000 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$10,740,000.

The Share Option Scheme shall expire on 21 May 2017.

Report of Directors *(Continued)*

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.

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 2012. A summary of the movements of the Share Options for the year ended 31 March 2012 is shown below:

	No. of Share Options						
Name or Category of participant	Balance as at 1 April 2011	Granted during the year ended 31 March 2012	Exercised during the year ended 31 March 2012	Cancelled during the year ended 31 March 2012	Lapsed during the year ended 31 March 2012	Balance as at 31 March 2012	Approximate percentage of the total issued share capital of the Company as at 31 March 2012 %
Directors							
KIU Wai Ming	6,000,000	–	–	–	–	6,000,000	0.96
CHU Yin Man *(Note)*	3,200,000	–	–	–	–	3,200,000	0.51

Note: See pages 16 to 17 under Note 4 of Directors and Chief Executives' Interests and Short Positions in Shares of the Company.

As at 31 March 2012, 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.

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.

Report of Directors *(Continued)*

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 March 2012, 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 under review, all suppliers of the Group are independent third parties. The Group's largest supplier accounted for approximately 9.1% of the Group's total purchases and the Group's five largest suppliers accounted for approximately 37.6% 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 26 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 26 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 2012.

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* and Mr. LEE Kwan Hung. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2012, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

Report of Directors *(Continued)*

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 2012, the proceeds had been utilized in the following manners:

	Planned amount per prospectus *HK$'Million*	Planned amount per announcement dated 14 October 2008 *HK$'Million*	Amount utilized up to 31 March 2012 *HK$'Million*	Balance as at 31 March 2012 *HK$'Million*
Setting up franchised and self-managed sales points	407	332	332	—
Setting up specialty sales points	96	52	52	—
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	614	—

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

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed minimum public float under the Listing Rules.

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 of the controlling shareholder of the Company and the Directors was approximately 73.07% of the entire issued share capital of the Company and the public float of the Company was approximately 26.93%, which was maintained the minimum percentage required by the Listing Rules.

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
26 June 2012

Independent Auditor's Report

pwc 羅兵咸永道

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 25 to 69, which comprise the consolidated and company balance sheets as at 31 March 2012, 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.

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 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2012

Consolidated Balance Sheet

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**60,520**	55,625
Investment property	7	**1,045**	1,078
Intangible assets	8	**64,953**	69,411
Deferred income tax assets	10	**19,124**	17,486
Available-for-sale financial assets	11	**42,145**	52,421
Rental deposits	14	**18,850**	15,462
		206,637	211,483
Current assets			
Inventories	12	**470,672**	405,553
Trade receivables	13	**148,543**	132,928
Deposits, prepayments and other receivables	14	**58,588**	85,779
Financial assets at fair value through profit or loss	15	**22,699**	39,732
Tax recoverable		**86**	149
Cash and cash equivalents	16	**95,552**	135,927
		796,140	800,068
Total assets		**1,002,777**	1,011,551
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**62,356**	62,356
Share premium	17	**562,600**	562,600
Reserves	18	**140,380**	149,664
		765,336	774,620
Non-controlling interests		**(2,066)**	89
Total equity		**763,270**	774,709
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	19	**—**	53
Deferred income tax liabilities	10	**2,940**	1,413
		2,940	1,466
Current liabilities			
Borrowings	20	**6,075**	—
Trade payables	21	**156,016**	160,129
Accruals and other payables	21	**72,623**	72,383
Obligation under finance lease	19	**53**	316
Taxation payable		**1,800**	2,548
		236,567	235,376
Total liabilities		**239,507**	236,842
Total equity and liabilities		**1,002,777**	1,011,551
Net current assets		**559,573**	564,692
Total assets less current liabilities		**766,210**	776,175

On behalf of the Board

Director
Chan Mei Sheung

Director
Kiu Wai Ming

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

Balance Sheet
As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**265**	531
Interests in subsidiaries	9	**655,165**	631,734
		655,430	632,265
Current assets			
Deposits, prepayments and other receivables	14	**199**	192
Amount due from a subsidiary	9	**1,235**	45,000
Cash and cash equivalents	16	**1,160**	1,106
		2,594	46,298
Total assets		**658,024**	678,563
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**62,356**	62,356
Share premium	17	**562,600**	562,600
Reserves	18	**31,812**	50,576
Total equity		**656,768**	675,532
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	19	**—**	53
Current liabilities			
Accruals and other payables	21	**1,203**	2,662
Obligation under finance lease	19	**53**	316
		1,256	2,978
Total liabilities		**1,256**	3,031
Total equity and liabilities		**658,024**	678,563
Net current assets		**1,338**	43,320
Total assets less current liabilities		**656,768**	675,585

On behalf of the Board

Director
Chan Mei Sheung

Director
Kiu Wai Ming

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

Consolidated Income Statement

For the year ended 31 March 2012

	Note	**2012 HK$'000**	2011 HK$'000
Revenue	5	**1,451,495**	1,299,284
Cost of sales	22	**(600,476)**	(526,783)
Gross profit		**851,019**	772,501
Selling and distribution costs	22	**(753,632)**	(638,780)
Administrative expenses	22	**(121,285)**	(110,727)
Other gains/(losses) — net	23	**4,514**	(611)
Other income	24	**12,515**	12,305
Operating (loss)/profit		**(6,869)**	34,688
Finance income	27	**336**	726
Finance costs	27	**(775)**	(301)
Finance (costs)/income — net		**(439)**	425
(Loss)/profit before income tax		**(7,308)**	35,113
Income tax expense	28	**(4,258)**	(11,947)
(Loss)/profit for the year		**(11,566)**	23,166
Attributable to:			
Equity holders of the Company		**(9,713)**	25,131
Non-controlling interests		**(1,853)**	(1,965)
		(11,566)	23,166
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (expressed in HK cents per share) — basic	30	**(1.56)**	4.04
— diluted	30	**(1.56)**	3.96
Dividend	31	**—**	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 2012

	2012 *HK$'000*	2011 *HK$'000*
(Loss)/profit for the year	**(11,566)**	23,166
Other comprehensive income		
Fair value (losses)/gains on available-for-sale financial assets	**(2,460)**	4,188
Exchange differences	**16,272**	16,092
Other comprehensive income for the year, net of tax	**13,812**	20,280
Total comprehensive income for the year	**2,246**	43,446
Attributable to:		
Equity holders of the Company	**4,401**	45,057
Non-controlling interests	**(2,155)**	(1,611)
	2,246	43,446

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	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 2010	624,320	76,121	24,820	725,261	825	726,086
Fair value gains on 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
Fair value losses on available-for-sale financial assets	—	(2,460)	—	(2,460)	—	(2,460)
Currency translation differences	—	16,574	—	16,574	(302)	16,272
Loss for the year	—	—	(9,713)	(9,713)	(1,853)	(11,566)
Total recognised income and expenses	—	14,114	(9,713)	4,401	(2,155)	2,246
Transfer	—	798	(798)	—	—	—
Share option scheme — value of employee services *(Note 17)*	—	1,324	—	1,324	—	1,324
Share award *(Note 17)*	—	580	—	580	—	580
Dividends *(Note 31)*	—	—	(15,589)	(15,589)	—	(15,589)
Balance at 31 March 2012	624,956	118,107	22,273	765,336	(2,066)	763,270

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

Consolidated Cash Flow Statement

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32(a)*	**(19,900)**	5,562
Interest paid		**(775)**	(301)
Interest income received on financial assets at fair value through profit or loss		**25**	—
Dividend income received on financial assets at fair value through profit or loss		**1,199**	1,093
Income tax refund		**86**	468
Income tax paid		**(4,635)**	(16,142)
Net cash used in operating activities		**(24,000)**	(9,320)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(40,313)**	(31,289)
Purchases of intangible assets		**(2,148)**	(2,050)
Purchases of financial assets at fair value through profit or loss		**—**	(8,694)
Proceeds from sale of property, plant and equipment		**1**	—
Proceeds from sale of financial assets at fair value through profit or loss		**22,055**	10,920
Proceeds from sale of available-for-sale financial assets		**7,946**	—
Dividend income received on available-for-sale financial assets		**2,853**	1,928
Interest received		**336**	726
Net cash used in investing activities		**(9,270)**	(28,459)
Cash flows from financing activities			
Proceeds from borrowings		**62,206**	34,507
Repayment of borrowings		**(56,131)**	(34,507)
Capital injection from non-controlling interests		**—**	875
Capital elements of finance lease payments		**(316)**	(316)
Share options exercised		**—**	636
Dividends paid		**(15,589)**	—
Net cash (used in)/generated from financing activities		**(9,830)**	1,195
Net decrease in cash and cash equivalents		**(43,100)**	(36,584)
Cash and cash equivalents at the beginning of the year		**135,927**	170,628
Exchange differences		**2,725**	1,883
Cash and cash equivalents at the end of the year	*16*	**95,552**	135,927

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 26 June 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) New and amended standards adopted by the Group:

The following new standards or amendments to standards are mandatory for the first time for the financial year beginning 1 April 2011 but do not have a material impact on the Group:

- HKAS 24 (Revised) — Related Party Disclosures
- HKAS 32 (Amendment) — Classification of Rights Issues
- HKFRS 1 (Amendment) — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
- HK(IFRIC) — Int 14 (Amendment) — Prepayments of a Minimum Funding Requirement
- HK(IFRIC) — Int 19 — Extinguishing Financial Liabilities with Equity Instruments
- Annual Improvements Project — Third annual improvements projects (2010) published in May 2010

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(ii) The following new or amended standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:

- HKAS 1 (Amendment) — Presentation of Financial Statements[3]
- HKAS 12 (Amendment) — Deferred Tax: Recovery of Underlying Assets[2]
- HKAS 19 (Amendment) — Employee Benefits[4]
- HKAS 27 (2011) — Separate Financial Statements[4]
- HKAS 28 (2011) — Investments in Associates and Joint Ventures[4]
- HKAS 32 (Amendment) — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
- HKFRS 1 (Amendment) — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
- HKFRS 7 (Amendment) — Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
- HKFRS 9 — Financial Instruments[6]
- HKFRS 10 — Consolidated Financial Statements[4]
- HKFRS 11 — Joint Arrangement[4]
- HKFRS 12 — Disclosures of Interest in Other Entities[4]
- HKFRS 13 — Fair Value Measurement[4]
- HK(IFRIC)-Int 20 — Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Changes effective for annual periods beginning on or after 1 July 2011
[2] Changes effective for annual periods beginning on or after 1 January 2012
[3] Changes effective for annual periods beginning on or after 1 July 2012
[4] Changes effective for annual periods beginning on or after 1 January 2013
[5] Changes effective for annual periods beginning on or after 1 January 2014
[6] Changes effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and interpretations 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.

(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.

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 received and receivable.

Notes to the Consolidated Financial Statements

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

2.2 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

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.

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.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within "other gains/(losses) — net".

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.

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.

Notes to the Consolidated Financial Statements

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

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 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 gains/(losses) — 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.

Computer software development costs recognised as assets are amortised over their estimated useful lives of not exceeding five 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 licence period.

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.

Notes to the Consolidated Financial Statements

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

2.9 Financial assets

2.9.1 Classification

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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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.

2.9.2 Recognition and measurement

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 gains/(losses) — 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 "other gains/(losses) — net".

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.

Notes to the Consolidated Financial Statements

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

2.9 Financial assets *(Continued)*

2.9.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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.

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 or 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 Licence fee payable

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

2.16 Borrowings and borrowing costs

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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

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

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.

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 and Taiwan participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and Taiwan 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.

(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.

Notes to the Consolidated Financial Statements

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

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.

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, returns 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.

(e) Licence fees income

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

Notes to the Consolidated Financial Statements

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

2.20 Revenue recognition *(Continued)*

(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.

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.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 2012, the Group's borrowings were carried at fixed rate and repayable in 90 days from the date of issuance. Therefore, the Group's exposure to fair value interest rate risk is minimal.

(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's concessionaire sales through department stores are generally collectible within 60 days from the invoice date. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past.

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.

The Group also makes deposits (current and non-current) for rental of certain of its retail sales point with the relevant landlords. Management does not expect any loss arising 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 2012, 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 loss after taxation would have been HK$2,270,000 (2011: HK$3,010,000) lower/higher.

At 31 March 2012, 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$4,215,000 (2011: HK$5,242,000) 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.

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.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

	Within 1 year *HK$'000*	Between 1 to 5 years *HK$'000*	Total *HK$'000*
As at 31 March 2012:			
Borrowings	**6,117**	**—**	**6,117**
Trade payables	**156,016**	**—**	**156,016**
Other payables, accruals and other liabilities	**72,684**	**—**	**72,684**
	234,817	**—**	**234,817**
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

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.

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.

The Group's capital structure is being reviewed annually to ensure these objectives are to be achieved.

During the year 2012, the Group's strategy was to maintain a gearing ratio within 5%. The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012 *HK$'000*	2011 *HK$'000*
Total borrowings	**6,075**	—
Total assets	**1,002,777**	1,011,551
Gearing ratio	**0.6%**	N/A

Note: the calculation of gearing ratio is based on the total borrowings divided by total assets as at 31 March.

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.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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).

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

	As at 31 March 2012			As at 31 March 2011		
	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	**22,699**	**—**	**—**	30,099	—	9,633
Available-for-sale financial assets	**42,145**	**—**	**—**	52,421	—	—
Total assets	**64,844**	**—**	**—**	82,520	—	9,633

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 2011	9,633
Fair value gains of financial assets at fair value through profit or loss recognised in the consolidated income statement	507
Disposal	(10,140)
At 31 March 2012	—

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The 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.

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 judgement 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.

(d) Current and deferred income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgement 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 depends 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 case 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 have 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 judgements 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 judgement is required. In making this judgement, 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.

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.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

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.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

The segment results for the year ended 31 March 2012 are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Revenue from sales of footwear, fashion wears and accessories	**298,533**	**1,125,173**	**27,789**	**1,451,495**
Segment profit/(loss)	**4,224**	**94,728**	**(1,565)**	**97,387**
Unallocated income and expenses				**(104,256)**
Finance income				**336**
Finance costs				**(775)**
Income tax expense				**(4,258)**
Loss for the year				**(11,566)**

Other segment items are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Capital expenditure	**6,729**	**34,173**	**1,559**	**42,461**
Depreciation of property, plant and equipment	**8,121**	**25,699**	**1,186**	**35,006**
Depreciation of investment property	**33**	**—**	**—**	**33**
Amortisation of intangible assets	**5,988**	**315**	**—**	**6,303**
Impairment of property, plant and equipment	**471**	**—**	**—**	**471**
Net provision for inventories	**3,562**	**4,212**	**226**	**8,000**

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

	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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

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

The segment assets and liabilities at 31 March 2012 are as follows:

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Taiwan** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**236,665**	**661,066**	**20,992**	**918,723**
Unallocated assets				**84,054**
Total assets				**1,002,777**
Segment liabilities	**20,017**	**204,595**	**10,102**	**234,714**
Unallocated liabilities				**4,793**
Total liabilities				**239,507**

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

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 31 March 2010						
Cost	40,792	106,431	6,470	18,904	11,280	183,877
Accumulated depreciation and impairment	(11,369)	(94,356)	(4,307)	(12,130)	(5,083)	(127,245)
Net book amount	29,423	12,075	2,163	6,774	6,197	56,632
Year ended 31 March 2011						
Opening net book amount	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
Year ended 31 March 2012						
Opening net book amount	28,617	13,174	1,920	5,583	6,331	55,625
Exchange differences	—	319	7	79	60	465
Additions	—	38,476	—	857	980	40,313
Disposals	—	(152)	(5)	(241)	(8)	(406)
Depreciation	(806)	(29,434)	(811)	(1,990)	(1,965)	(35,006)
Impairment	—	(471)	—	—	—	(471)
Closing net book amount	27,811	21,912	1,111	4,288	5,398	60,520
At 31 March 2012						
Cost	40,792	85,143	6,928	18,928	14,327	166,118
Accumulated depreciation and impairment	(12,981)	(63,231)	(5,817)	(14,640)	(8,929)	(105,598)
Net book amount	27,811	21,912	1,111	4,288	5,398	60,520

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.

Notes to the Consolidated Financial Statements

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

(b) Company

	Motor vehicle 2012 HK$'000	Motor vehicle 2011 HK$'000
At the beginning of the year		
Cost	**1,580**	1,580
Accumulated depreciation	**(1,049)**	(784)
Net book amount	**531**	796
During the year		
Opening net book amount	**531**	796
Depreciation	**(266)**	(265)
Closing net book amount	**265**	531
At the end of the year		
Cost	**1,580**	1,580
Accumulated depreciation	**(1,315)**	(1,049)
Net book amount	**265**	531

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

	2012 HK$'000	2011 HK$'000
Selling and distribution costs	**30,011**	25,615
Administrative expenses	**4,995**	5,166
	35,006	30,781

(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:

	2012 HK$'000	2011 HK$'000
Cost — capitalised finance lease	**1,580**	1,580
Accumulated depreciation	**(1,315)**	(1,049)
	265	531

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 lies with 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

	2012 *HK$'000*	2011 *HK$'000*
At the beginning of the year		
Cost	**1,531**	1,531
Accumulated depreciation	**(453)**	(420)
Net book amount	**1,078**	1,111
During the year		
Opening net book amount	**1,078**	1,111
Depreciation	**(33)**	(33)
Closing net book amount	**1,045**	1,078
At the end of the year		
Cost	**1,531**	1,531
Accumulated depreciation	**(486)**	(453)
Net book amount	**1,045**	1,078

The fair value of investment property was HK$4,570,000 as at 31 March 2012 (2011: HK$4,040,000). The valuation was performed by DTZ Debenham Tie Leung Limited, an independent professional valuer. Valuation was 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 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
Year ended 31 March 2012				
Opening net book amount	60,870	181	8,360	69,411
Exchange differences	—	—	32	32
Additions	—	—	2,148	2,148
Disposals	—	—	(335)	(335)
Amortisation	(3,478)	(137)	(2,688)	(6,303)
Closing net book amount	57,392	44	7,517	64,953
At 31 March 2012				
Cost	69,566	468	15,165	85,199
Accumulated amortisation	(12,174)	(424)	(7,648)	(20,246)
Net book amount	57,392	44	7,517	64,953

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

	2012 HK$'000	2011 HK$'000
Cost of sales	**137**	132
Selling and distribution costs	**123**	77
Administrative expenses	**6,043**	5,775
	6,303	5,984

Notes to the Consolidated Financial Statements

9. INTERESTS IN SUBSIDIARIES

Company

	2012 HK$'000	2011 HK$'000
Non-current		
Unlisted equity investments, at cost	**10,000**	10,000
Amounts due from subsidiaries *(Note a)*	**645,165**	621,734
	655,165	631,734
Current		
Amount due from a subsidiary *(Note b)*	**1,235**	45,000

Note:

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

(b) Amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment. This amount approximates its fair value.

(c) Particulars of the subsidiaries of the Group are set out in Note 35.

10. DEFERRED INCOME TAX ASSETS/LIABILITIES

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:

	2012 HK$'000	2011 HK$'000
Deferred income tax assets	**19,124**	17,486
Deferred income tax liabilities	**(2,940)**	(1,413)
	16,184	16,073

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

	2012 HK$'000	2011 HK$'000
At the beginning of the year	**16,073**	12,195
Exchange differences	**587**	278
Charged/(credited) to the consolidated income statement *(Note 28)*	**(476)**	3,600
At the end of the year	**16,184**	16,073

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 HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
As at 1 April 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
Exchange differences	225	262	144	631
Credited/(charged) to the consolidated income statement	(2,141)	2,422	726	1,007
As at 31 March 2012	5,278	9,348	4,498	19,124

Notes to the Consolidated Financial Statements

10. DEFERRED INCOME TAX ASSETS/LIABILITIES *(Continued)*

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$214,459,000 (2011: HK$168,010,000) 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 *HK$'000*	Tax depreciation allowance *HK$'000*	Total *HK$'000*
As at 1 April 2010	—	222	222
Charged to the income statement	1,191	—	1,191
As at 31 March 2011	1,191	222	1,413
Exchange difference	44	—	44
Charged to the income statement	1,483	—	1,483
As at 31 March 2012	2,718	222	2,940

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 ***HK$'000***	2011 *HK$'000*
At the beginning of the year	**52,421**	48,233
Disposals	**(7,816)**	—
Fair value (losses)/gains recognised in equity	**(2,460)**	4,188
At the end of the year	**42,145**	52,421

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$18,333,000 (2011: HK$27,813,000) and HK$23,812,000 (2011: HK$24,608,000) 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$592,339,000 (2011: HK$521,210,000).

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.

Notes to the Consolidated Financial Statements

13. TRADE RECEIVABLES *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
0 — 30 days	**114,102**	114,624
31 — 60 days	**15,786**	6,999
61 — 90 days	**6,291**	3,530
Over 90 days	**12,364**	7,775
	148,543	132,928

As of 31 March 2012, trade receivables of HK$33,026,000 (2011: HK$31,099,000) 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:

	2012 **HK$'000**	2011 HK$'000
1 — 30 days	**14,449**	15,134
31 — 60 days	**6,213**	4,922
61 — 90 days	**4,131**	3,378
Over 90 days	**8,233**	7,665
	33,026	31,099

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

	2012 **HK$'000**	2011 HK$'000
Hong Kong dollar	**1,604**	2,115
Renminbi	**144,300**	127,598
New Taiwan dollar	**2,639**	3,087
Others	**—**	128
	148,543	132,928

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.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		**Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Deposits	**40,392**	36,795	**—**	—
Prepayments	**9,470**	3,422	**199**	192
Other receivables	**2,488**	4,307	**—**	—
Value-added tax recoverable	**25,088**	56,717	**—**	—
	77,438	101,241	**199**	192
Less: long-term rental deposits	**(18,850)**	(15,462)	**—**	—
	58,588	85,779	**199**	192
Denominated in:				
Hong Kong dollar	**30,498**	26,540	**199**	192
Renminbi	**45,896**	73,529	**—**	—
New Taiwan dollar	**353**	443	**—**	—
United States dollar	**614**	—	**—**	—
Others	**77**	729	**—**	—
	77,438	101,241	**199**	192

Notes to the Consolidated Financial Statements

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 **HK$'000**	2011 HK$'000
At the beginning of the year	**39,732**	41,870
Additions	**—**	8,694
Disposals	**(22,058)**	(9,613)
Fair value gains/(losses) *(Note 23)*	**5,025**	(1,219)
At the end of the year	**22,699**	39,732

	2012 **HK$'000**	2011 HK$'000
Denominated in:		
Hong Kong dollar	**22,699**	30,099
United States dollar	**—**	9,633
	22,699	39,732

Financial assets at fair value through profit or loss included investment in listed shares in Hong Kong of HK$22,699,000 (2011: unlisted equity-linked notes issued by a financial institution of HK$9,633,000 and listed shares in Hong Kong of HK$30,099,000) which are designated as fair value through profit or loss on initial recognition.

16. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Cash at banks and on hand	**95,552**	125,927	**1,160**	1,106
Short-term bank deposits	**—**	10,000	**—**	—
Cash and cash equivalents	**95,552**	135,927	**1,160**	1,106

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

	Group		**Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Hong Kong dollar	**22,760**	39,402	**1,090**	936
Renminbi	**66,870**	87,640	**70**	170
United States dollar	**3,048**	7,286	**—**	—
Others	**2,874**	1,599	**—**	—
	95,552	135,927	**1,160**	1,106

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.

Notes to the Consolidated Financial Statements

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 2011 and 2012	9,000,000,000	900,000	—	900,000
Issued and fully paid				
At 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 and 2012	623,560,000	62,356	562,600	624,956

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 2010	1.29	33,980
Exercised	0.6	(1,060)
Forfeited	0.6	(1,760)
At 31 March 2011	1.35	31,160
Forfeited	0.6	(300)
Forfeited	3.09	(330)
Expired	3.09	(2,694)
At 31 March 2012	1.17	27,836

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 2012	2011
7 June 2008	6 June 2011	3.09	—	2,814
7 June 2009	6 June 2012	3.09	**2,724**	2,814
7 June 2010	6 June 2013	3.09	**3,632**	3,752
5 August 2010	4 August 2017	0.6	**3,800**	3,860
5 August 2011	4 August 2017	0.6	**4,420**	4,480
5 August 2012	4 August 2017	0.6	**4,420**	4,480
5 August 2013	4 August 2017	0.6	**4,420**	4,480
5 August 2014	4 August 2017	0.6	**4,420**	4,480
			27,836	31,160

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$1,324,000 (2011: HK$2,593,000) was recognised in the income statement.

Share award:

For the purpose of the Company's initial public offering in June 2007, the controlling shareholder of the Company and immediate holding company of the Group, Smart Presto Holdings Limited ("Smart Presto") 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 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$580,000 (2011: HK$1,073,000) was recognised in the income statement for the year ended 31 March 2012. 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$'000*	Statutory reserves *(Note ii)* *HK$'000*	Foreign currency translation reserve *HK$'000*	Available-for-sale investment reserves *HK$'000*	Share-based compensation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 April 2010	22,002	19,043	19,436	(6,705)	22,345	24,820	100,941
Fair value gains on 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
Fair value losses on available-for-sale financial assets	—	—	—	(2,460)	—	—	(2,460)
Currency translation differences	—	—	16,574	—	—	—	16,574
Loss for the year	—	—	—	—	—	(9,713)	(9,713)
Transfer	—	798	—	—	—	(798)	—
Share option scheme — value of employee services *(Note 17)*	—	—	—	—	1,324	—	1,324
Share award *(Note 17)*	—	—	—	—	580	—	580
Dividends *(Note 31)*	—	—	—	—	—	(15,589)	(15,589)
Balance at 31 March 2012	22,002	21,419	51,748	(4,977)	27,915	22,273	140,380

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.

(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.

Notes to the Consolidated Financial Statements

18. RESERVES *(Continued)*

(b) Company

	Retained earnings/ (accumulated losses) HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
At 1 April 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
Loss for the year	(5,079)	—	(5,079)
Share option scheme — value of employee services *(Note 17)*	—	1,324	1,324
Share award *(Note 17)*	—	580	580
Dividends *(Note 31)*	(15,589)	—	(15,589)
At 31 March 2012	3,897	27,915	31,812

19. OBLIGATION UNDER FINANCE LEASE — GROUP AND COMPANY

	2012 HK$'000	2011 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Within one year	**61**	363
In the second to fifth year inclusive	**—**	61
	61	424
Less: future finance charges	**(8)**	(55)
Present value of obligation under finance lease	**53**	369
The present value of finance lease liabilities is as follows:		
Within one year	**53**	316
In the second to fifth year inclusive	**—**	53
Present value of obligation under finance lease	**53**	369

The weighted average effective interest rates per annum of the Group's obligation under finance lease at 31 March 2012 is 2.98% (2011: 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.

20. BORROWINGS

	2012 HK$'000	2011 HK$'000
Short-term bank loan — secured	**6,075**	—

The bank loan is denominated in New Taiwan dollar, repayable in 90 days from the date of issuance and is interest bearing at 2.75% per annum.

The bank loan is secured by the Group's standby letter of credit amounting to US$1 million and a promissory note of New Taiwan dollar 28 million co-made by the Group and the non-controlling shareholder.

The fair value of the bank loan equals its carrying amount, as the impact of discounting is not significant due to its short maturity.

Notes to the Consolidated Financial Statements

21. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**156,016**	160,129	**—**	—
Accruals and other payables	**72,623**	72,383	**1,203**	2,662
	228,639	232,512	**1,203**	2,662

The ageing analysis of trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 — 30 days	**90,497**	63,698
31 — 60 days	**44,544**	22,237
61 — 90 days	**15,847**	52,408
Over 90 days	**5,128**	21,786
	156,016	160,129

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**20,058**	63,755	**1,203**	2,662
Renminbi	**204,594**	165,172	**—**	—
New Taiwan dollar	**3,987**	3,585	**—**	—
	228,639	232,512	**1,203**	2,662

22. EXPENSES BY NATURE

	2012	2011
	HK$'000	*HK$'000*
Purchase of and changes in inventories	**592,339**	521,210
Auditor's remuneration		
— current	**1,915**	1,817
— under/(over) provision in respect of prior year	**7**	(233)
Depreciation of property, plant and equipment *(Note 6)*		
— owned assets	**34,740**	30,516
— leased assets	**266**	265
Impairment of property, plant and equipment *(Note 6)*	**471**	800
Amortisation of intangible assets *(Note 8)*	**6,303**	5,984
Operating lease rental in respect of leasehold land and buildings		
— minimum lease payments	**44,101**	44,612
— including turnover rental expenses	**400,081**	328,551
Advertising and promotion expenses	**26,461**	22,361
Net provision for inventories	**8,000**	5,441
Employee benefit expenses *(Note 25)*	**251,974**	214,859
Other expenses	**108,735**	100,107
Total cost of sales, selling and distribution costs and administrative expenses	**1,475,393**	1,276,290

Notes to the Consolidated Financial Statements

22. EXPENSES BY NATURE *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Cost of sales	**600,476**	526,783
Selling and distribution costs	**753,632**	638,780
Administrative expenses	**121,285**	110,727
	1,475,393	1,276,290

23. OTHER GAINS/(LOSSES) — NET

	2012 HK$'000	2011 HK$'000
Financial assets at fair value through profit or loss — fair value gains/(losses) *(Note 15)*	**5,025**	(1,219)
(Loss)/profit on disposal of financial assets at fair value through profit or loss	**(3)**	1,307
Gain on disposal of available-for-sale financial assets	**130**	—
Loss on disposal of property, plant and equipment	**(405)**	(1,276)
Loss on disposal of intangible assets	**(335)**	(4)
Net foreign exchange gains	**102**	581
	4,514	(611)

24. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Dividend income on available-for-sale financial assets	**2,853**	1,928
Interest income on financial assets at fair value through profit or loss	**25**	—
Dividend income on financial assets at fair value through profit or loss	**1,199**	1,093
Licence fee income	**1,140**	535
Royalty income	**275**	447
Government subsidies	**2,309**	6,158
Others	**4,714**	2,144
	12,515	12,305

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

25. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Salaries, wages and bonuses	**217,344**	185,405
Pension costs — defined contribution plans	**25,798**	19,763
Share award and option expenses	**1,904**	3,666
Welfare and other expenses	**6,928**	6,025
	251,974	214,859

Notes to the Consolidated Financial Statements

26. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2012 *HK$'000*	2011 *HK$'000*
Fees	**620**	653
Basic salaries, housing allowances, other allowances and benefits-in-kind	**5,499**	4,675
Share options and share award	**928**	1,772
Contributions to pension plans	**36**	36
	7,083	7,136

The emoluments of each director for the year ended 31 March 2012 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	—	2,221	348	167	12	2,748
Mr. Kiu Wai Ming	—	1,541	348	133	12	2,034
Mr. Chu Yin Man	—	1,349	232	88	12	1,681
Non-executive directors:						
Mr. Sze Tsai Ping, Michael	220	—	—	—	—	220
Dr. Fan Yiu Kwan, *JP*	200	—	—	—	—	200
Mr. Lee Kwan Hung	200	—	—	—	—	200
	620	5,111	928	388	36	7,083

The emoluments of each director for the year ended 31 March 2011 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	—	1,880	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

Notes to the Consolidated Financial Statements

26. 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 (2011: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,016**	1,807
Discretionary bonuses	**—**	849
Share options and share award	**206**	414
Contributions to pension plans	**12**	12
	2,234	3,082

The emoluments fell within the following bands:

	2012	2011
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$2,000,000	**1**	2
	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 (2011: Nil).

None of the directors have waived emoluments in respect of the years ended 31 March 2011 and 2012.

27. FINANCE INCOME AND COSTS

	2012 HK$'000	2011 HK$'000
Finance income		
— Interest income from deposits	**336**	726
Finance costs		
— Interest on bank borrowings	**(728)**	(254)
— Interest on obligation under finance leases	**(47)**	(47)
	(775)	(301)
Finance (cost)/income — net	**(439)**	425

Notes to the Consolidated Financial Statements

28. INCOME TAX EXPENSE

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

	2012 HK$'000	2011 HK$'000
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	4,183	15,703
Over-provision in respect of prior year	(401)	(156)
	3,782	15,547
Deferred income tax *(Note 10)*	476	(3,600)
	4,258	11,947

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 years ended 31 March 2011 and 2012.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at a range from 24% to 25% (2011: range from 22% to 25%).

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

	2012 HK$'000	2011 HK$'000
(Loss)/profit before income tax	(7,308)	35,113
Tax calculated at domestic tax rates applicable to profits in the respective countries	(1,325)	9,602
Income not subject to tax	(5,617)	(5,164)
Expenses not deductible for tax purposes	953	2,827
Deductible temporary differences not recognised	1,126	(1,907)
Tax losses not recognised	8,040	8,406
Over-provision in respect of prior year	(401)	(156)
Utilisation of previously unrecognised tax losses	—	(3,110)
Temporary difference not recognised	—	258
Withholding tax	1,482	1,191
Tax charge	4,258	11,947

The weighted average applicable tax rate was 18% (2011: 27%) for the year.

There is no tax charge relating to components of other comprehensive income for the year (2011: Nil).

Notes to the Consolidated Financial Statements

29. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$5,079,000 (2011: profit of HK$27,353,000).

30. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2012	2011
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(9,713)**	25,131
Weighted average number of ordinary shares in issue *('000)*	**623,560**	622,755
Basic (loss)/earnings per share attributable to equity holders of the Company *(HK cents)*	**(1.56)**	4.04

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2012 as there were no dilutive share options for the year.

For the year ended 31 March 2011, the diluted earnings per share is based on 622,755,000 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 11,176,000 shares deemed to be issued at no consideration.

	2012	2011
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(9,713)**	25,131
Weighted average number of ordinary shares in issue *('000)*	**623,560**	622,755
Adjustments for share options *('000)*	**—**	11,176
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**623,560**	633,931
Diluted (loss)/earnings per share attributable to equity holders of the Company *(HK cents)*	**(1.56)**	3.96

Notes to the Consolidated Financial Statements

31. DIVIDEND

On 28 June 2011, the directors declared a final dividend of 2.5 HK cents per ordinary share, totalling HK$15,589,000, which was paid on 6 September 2011.

The Board has recommended not to declare dividend for the year ended 31 March 2012.

32. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/ profit before income tax to cash (used in)/generated from operations

	2012 *HK$'000*	2011 *HK$'000*
(Loss)/ profit before income tax	**(7,308)**	35,113
Adjustments for:		
— Depreciation of property, plant and equipment	**35,006**	30,781
— Depreciation of investment property	**33**	33
— Impairment of property, plant and equipment	**471**	800
— Amortisation of intangible assets	**6,303**	5,984
— Loss on disposal of property, plant and equipment	**405**	1,276
— Loss on disposal of intangible assets	**335**	4
— Loss/(profit) on disposal of financial assets at fair value through profit or loss	**3**	(1,307)
— Gain on disposal of available-for-sale financial assets	**(130)**	—
— Fair value (gains)/losses on financial assets at fair value through profit or loss	**(5,025)**	1,219
— Interest income on financial assets at fair value through profit or loss	**(25)**	—
— Dividend income on financial assets at fair value through profit or loss	**(1,199)**	(1,093)
— Dividend income on available-for-sale financial assets	**(2,853)**	(1,928)
— Interest income	**(336)**	(726)
— Interest expense	**775**	301
— Share award and option expenses	**1,904**	3,666
	28,359	74,123
Changes in working capital		
— Inventories	**(52,340)**	(117,793)
— Trade receivables	**(10,698)**	(8,000)
— Deposits, prepayments and other receivables	**25,222**	(23,286)
— Trade payables	**(9,774)**	64,740
— Accruals and other payables	**(669)**	15,778
Cash (used in)/generated from operations	**(19,900)**	5,562

Notes to the Consolidated Financial Statements

32. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

	2012 HK$'000	2011 HK$'000
Net book amount *(Note 6)*	**406**	1,276
Loss on disposal of property, plant and equipment *(Note 23)*	**(405)**	(1,276)
Proceeds from disposal of property, plant and equipment	**1**	—

(c) Proceeds from disposal of intangible assets

Proceeds from disposal of intangible assets are calculated as follows:

	2012 HK$'000	2011 HK$'000
Net book amount *(Note 8)*	**335**	4
Loss on disposal of intangible assets *(Note 23)*	**(335)**	(4)
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:

	2012 HK$'000	2011 HK$'000
Carrying amount *(Note 15)*	**22,058**	9,613
(Loss)/gain on disposal of financial assets at fair value through profit or loss *(Note 23)*	**(3)**	1,307
Proceeds from disposal of financial assets at fair value through profit or loss	**22,055**	10,920

(e) Proceeds from disposal of available-for-sale financial assets

In the consolidated cash flow statement, proceeds from disposal of available-for-sale financial assets comprise:

	2012 HK$'000	2011 HK$'000
Carrying amount *(Note 11)*	**7,816**	—
Gain on disposal of available-for-sale financial assets *(Note 23)*	**130**	—
Proceeds from disposal of available-for-sale financial assets	**7,946**	—

Notes to the Consolidated Financial Statements

33. COMMITMENTS

(a) Capital commitments

As at 31 March 2012, 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:

	2012 ***HK$'000***	2011 *HK$'000*
Land and buildings		
— No later than one year	**98,087**	72,494
— Later than one year and no later than five years	**95,594**	36,893
	193,681	109,387
Furniture, fixtures and equipment		
— No later than one year	**168**	187
— Later than one year and no later than five years	**70**	238
	238	425
	193,919	109,812

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.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Smart Presto Holdings Limited (incorporated in the 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:

	2012 ***HK$'000***	2011 *HK$'000*
Key management compensation		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**12,986**	13,873
Share options and share award	**1,418**	2,718
Contributions to pension plans	**114**	132
	14,518	16,723

Note:

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

Notes to the Consolidated Financial Statements

35. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2012:

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 2012	2011
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%
Ascent Pride Investments Limited	The British Virgin Islands, 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 Islands, 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%
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 Islands, 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%

Notes to the Consolidated Financial Statements

35. 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 2012	2011
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%
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%
奥卡索國際貿易(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				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,451,495**	1,299,284	1,137,502	1,043,513	930,106
Cost of sales	**(600,476)**	(526,783)	(484,198)	(476,239)	(379,947)
Gross profit	**851,019**	772,501	653,304	567,274	550,159
Operating expenses	**(874,917)**	(749,507)	(664,314)	(654,629)	(486,419)
Other gains/(losses) — net	**4,514**	(611)	5,046	(9,289)	2,961
Other income	**12,515**	12,305	17,507	9,358	7,541
Operating profit/(loss)	**(6,869)**	34,688	11,543	(87,286)	74,242
Finance income/(costs) — net	**(439)**	425	333	4,008	32,245
Share of loss of a jointly controlled entity	**—**	—	—	(1,422)	(192)
Profit/(loss) before income tax	**(7,308)**	35,113	11,876	(84,700)	106,295
Income tax expense	**(4,258)**	(11,947)	(10,063)	(5,355)	(11,621)
Profit/(loss) for the year	**(11,566)**	23,166	1,813	(90,055)	94,674
Attributable to:					
Equity holders of the Company	**(9,713)**	25,131	2,918	(89,384)	94,674
Non-controlling interests	**(1,853)**	(1,965)	(1,105)	(671)	—
	(11,566)	23,166	1,813	(90,055)	94,674
Dividends	**—**	15,589	—	—	69,836

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

Five-Year Financial Summary *(Continued)*

CONSOLIDATED BALANCE SHEETS

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)
ASSETS					
Non-current assets					
Property, plant & equipment	**60,520**	55,625	56,632	62,525	61,288
Investment property	**1,045**	1,078	1,111	1,144	—
Intangible assets	**64,953**	69,411	73,341	71,350	10,866
Interests in a jointly controlled entity	**—**	—	—	—	1,318
Deferred income tax assets	**19,124**	17,486	12,417	18,826	8,129
Available-for-sale financial assets	**42,145**	52,421	48,233	25,065	1,211
Rental deposits	**18,850**	15,462	14,542	20,260	20,378
	206,637	211,483	206,276	199,170	103,190
Current assets					
Inventories	**470,672**	405,553	274,844	316,275	217,281
Trade and bills receivables	**148,543**	132,928	119,267	109,576	97,107
Deposits, prepayments and other receivables	**58,588**	85,779	62,079	52,549	41,076
Financial assets at fair value through profit or loss	**22,699**	39,732	41,870	37,658	19,779
Tax recoverable	**86**	149	544	86	3,395
Restricted cash	**—**	—	—	—	10,000
Cash and cash equivalents	**95,552**	135,927	170,628	177,975	452,231
	796,140	800,068	669,232	694,119	840,869
LIABILITIES					
Current liabilities					
Borrowings	**(6,075)**	—	—	(22,525)	—
Trade and bills payables	**(156,016)**	(160,129)	(89,966)	(116,559)	(85,589)
Accruals and other payables	**(72,623)**	(72,383)	(55,584)	(56,587)	(30,363)
Licence fees payable	**—**	—	—	—	(3,752)
Obligation under finance lease	**(53)**	(316)	(316)	(316)	(316)
Tax payable	**(1,800)**	(2,548)	(2,965)	(6,953)	(4,264)
	(236,567)	(235,376)	(148,831)	(202,940)	(124,284)
Net current assets	**559,573**	564,692	520,401	491,179	716,585
Total assets less current liabilities	**766,210**	776,175	726,677	690,349	819,775
Non-current liabilities					
Licence fees payable	**—**	—	—	—	(5,889)
Obligation under finance lease	**—**	(53)	(369)	(685)	(1,001)
Deferred income tax liabilities	**(2,940)**	(1,413)	(222)	(260)	(340)
	(2,940)	(1,466)	(591)	(945)	(7,230)
Net assets	**763,270**	774,709	726,086	689,404	812,545
EQUITY					
Capital and reserves					
Share capital	**62,356**	62,356	62,250	62,250	62,250
Reserves	**702,980**	712,264	663,011	627,812	750,295
	765,336	774,620	725,261	690,062	812,545
Non-controlling interests	**(2,066)**	89	825	(658)	—
Total equity	**763,270**	774,709	726,086	689,404	812,545

Investment Property

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