KINGMAKER

KINGMAKER FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司

Stock Code : 1170

Annual Report 2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chen Ming-hsiung, Mickey
Huang Hsiu-duan, Helen
Lee Kung, Bobby
Chan Ho-man, Daniel
Kimmel, Phillip Brian
Chow Wing-kin, Anthony, SBS, J.P.
Tam King-ching, Kenny
Chan Mo-po, Paul, MH, J.P.
Yung Tse-kwong, Steven

PRINCIPAL BANKERS

Calyon
Standard Chartered Bank
Hang Seng Bank
UFJ Bank

SOLICITORS

Peter C. Wong, Chow & Chow

AUDITORS

BDO McCabe Lo Limited
Certified Public Accountants

COMPANY SECRETARY

Chan Ho-man, Daniel

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

17th Floor
Empress Plaza
17-19 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

PRINCIPAL REGISTRAR

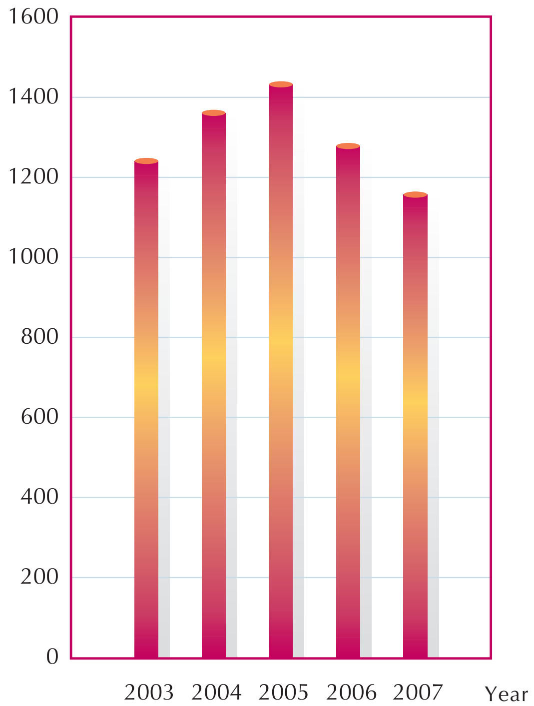
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Hamilton
Bermuda

HONG KONG REGISTRAR

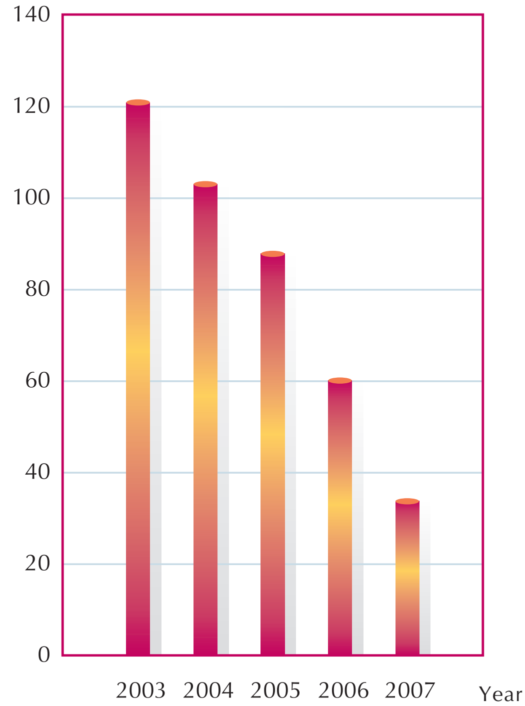
Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

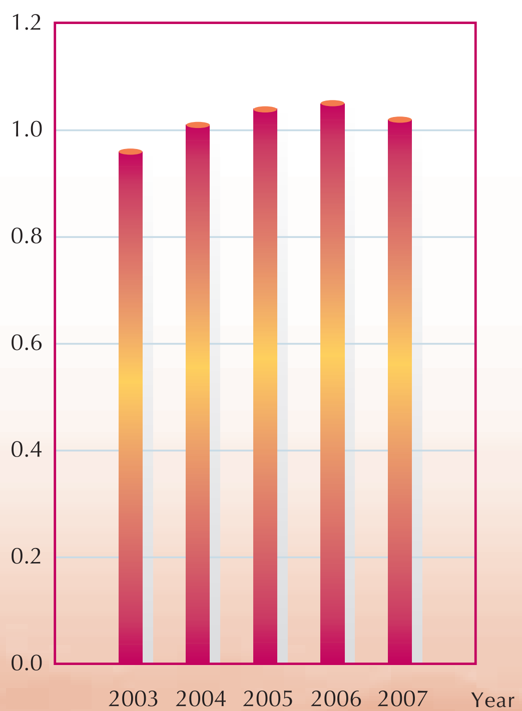
Turnover
(HK$ Mil)



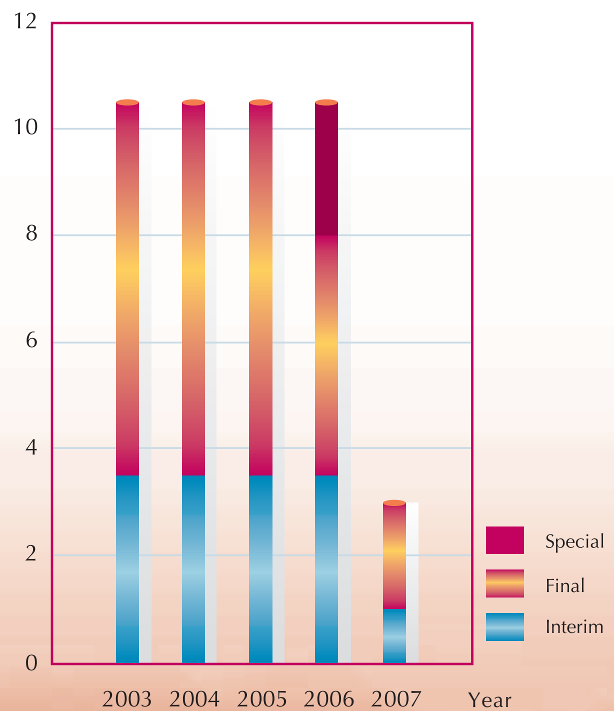
Net Profit
(HK$ Mil)



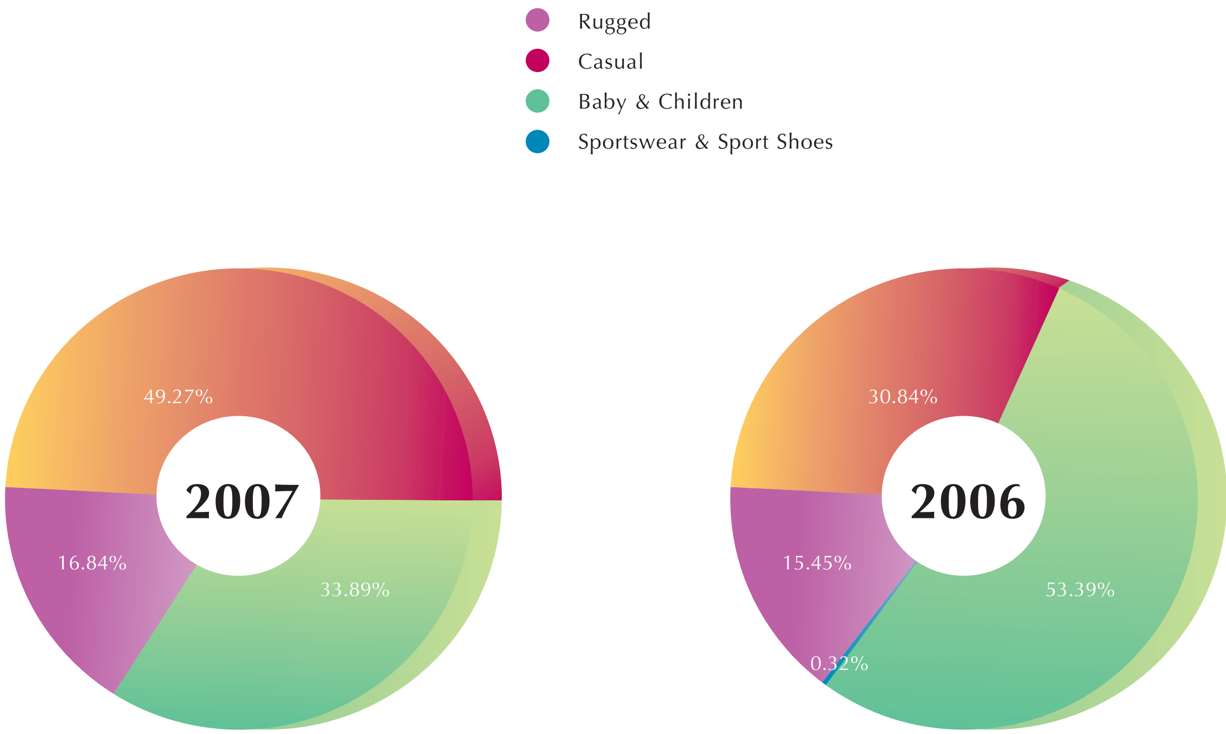
Net Asset Value Per Share
(HK$)



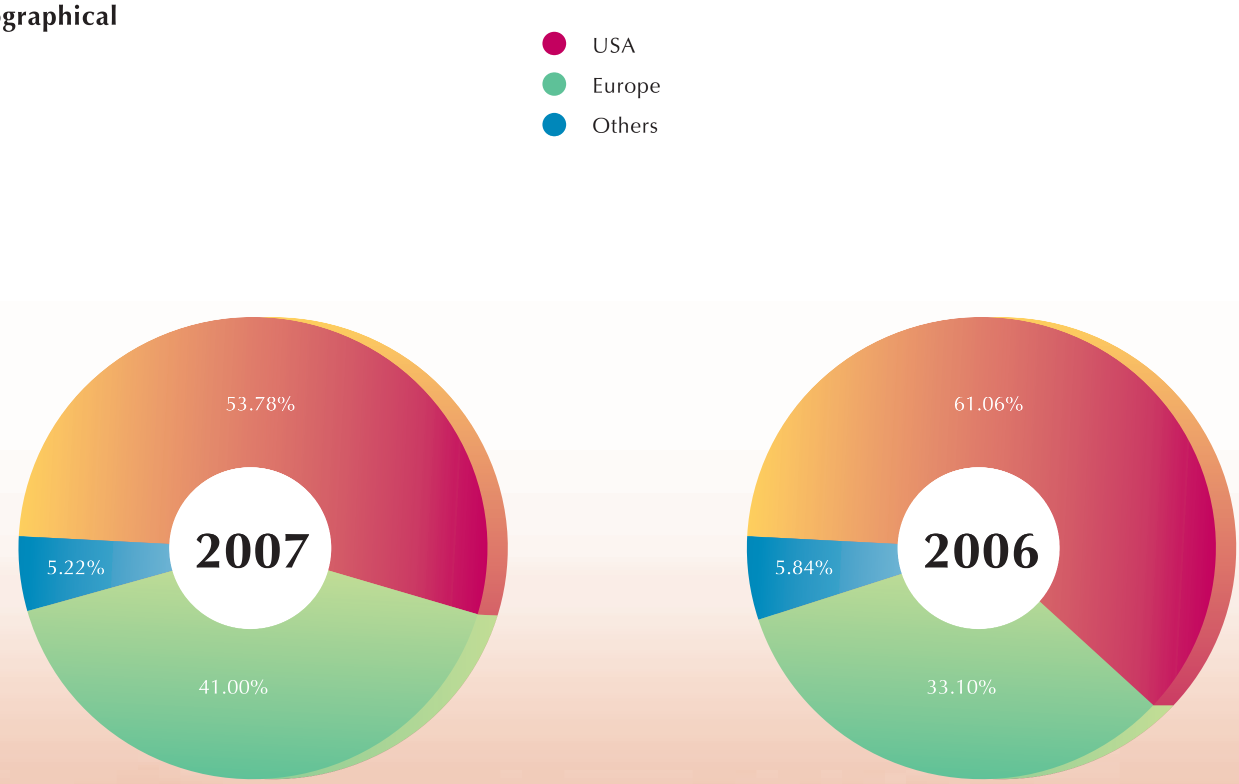
Dividend Per Share
(HK Cents)



Category



Geographical



"Over the past decade global outsourcing has assumed center stage as more and more products and services are outsourced by companies in the developed world to developing countries ..."

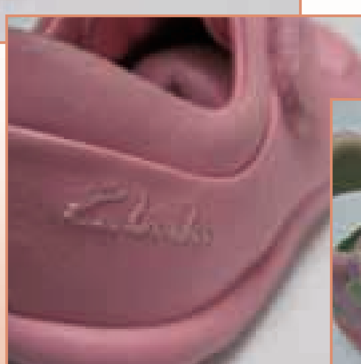
Over the past decade, global outsourcing has assumed center stage as more and more products and services are outsourced by companies in the developed world to developing countries. While people are increasingly aware of the fact that the world is flat, outsourcing has already been a routine practice in the footwear industry for the past couple of decades.

Despite constant trade disputes between countries, global outsourcing is an irreversible trend. In fact, with advances in logistics and information technology, the outsourcing trend in footwear manufacturing has in recent years overtaken such countries as Spain, France and Italy, which traditionally pride themselves in their local craftsmanship. Today, we see a transfer of outsourcing activities from these traditional homes of the world's renowned footwear name-brands to countries such as China, Indonesia, India and Vietnam.

On the other hand, the operating environment at the production end, such as in China, is witnessing increasing challenges. As footwear manufacturing is a labor-intensive industry, continuous increases in the minimum wage in China's Pearl River Delta and the shortage of skilled and experienced workers have added to the already difficult operating conditions for most manufacturers. This is further complicated by increasingly stringent customer requirements in terms of quality and production lead time.

Such challenges have pushed manufacturers to constantly deploy more resources and focus more management attention on the enhancement of not only technology but also overall management.

To combat the impact of escalating costs, the Group has made consistent efforts to control expenses. These efforts are both top-down and bottom-up in nature. Management formulates a clear direction for staff members, and engages and maintains a high-quality work force to fully implement the operating targets and manufacturing systems that the Group deploys. On the production front, the Group is constantly upgrading its facilities to strengthen production competence, minimizing wastage during production, and furthering process management through the application of lean manufacturing systems. Cost control measures at the



Clarks

production level are supported by the engagement of corporate e-business applications to enhance overall operating efficiency. Meanwhile, on the product front, the Group continues to enhance quality to promote customer satisfaction.

We work hard in order to secure our future. Our ongoing strategy is to achieve a broadened customer portfolio by extending the Group's capabilities in terms of styles, product categories, quality, order sizes and delivery lead time. This will enable us to take on more name-brand customers. Equipped with individual sample development centers, the Group's manufacturing facilities are well positioned to provide all-round services and secure incremental business from customers who look for tailor-made capabilities and services.

To stay in line with the world's growing corporate citizenship requirements, the Group also maintains "Code Of Conduct" management teams to execute and review the Group's human rights policies. One aspect also of the Group's corporate social responsibilities (CSR) is to maintain a fulfilling and quality working environment for staff, and to uphold a strong team spirit by maintaining effective communication with staff members.

Sales activities are not only restricted to getting new business. We have grown hand-in-hand with many of the world's major name brands in footwear by delegating highly experienced dedicated footwear manufacturing managers to regularly meet with customers in order to cement our longstanding working

Clarks

relationships. Through such ongoing communication, the Group is able to fine-tune its operations to meet with ever-changing customer needs.

Working as a production partner, the Group also engages in specialized research and development activities for its existing clients to help them tap new market potential with new products and wider product categories. One such effort is to develop new categories such as 'ath-leisure' shoes, which combine the functionality of athletic shoes with the fashion edge of leisure footwear.

Co-location production has always been one of the Group's basic strategies for minimizing risk exposure. From the initial production base in Zhuhai, the Group has diversified by establishing facilities in Zhongshan, then in Vietnam and Cambodia. With this broad production base, the Group is better positioned to serve a wider portfolio of customers in the US and Europe.

In China, the Group also stays alert to the increasingly challenging operating environment in the Pearl River Delta. In addition to upgrading its facilities and environment ahead of regulatory and CSR requirements, the Group is also investigating the feasibility of diversifying its Mainland production base further by setting up facilities in the China interior, such as Jiangxi. The Group will continue to adopt a prudent approach as regards the timing and pace of such a diversification plan, and will take proactive measures to safeguard shareholders' interests.

As a final note, I wish to thank our shareholders for their continuous support and the Board members for their vision and invaluable input. I would also like to thank all management and staff members for their dedicated efforts and contributions. To steer through the current difficulties, the Group is relying on strong teamwork by its staff and on its production and creative niche, as well as on continued support from our business partners and customers.

Chen Ming-hsiung, Mickey
Chairman

Hong Kong, 26 July 2007

REVIEW OF RESULTS

While the trading relationship between China and European Union (EU) continued to make headlines in the year under review, the Group stepped up efforts to improve its product range and mix in favor of those of higher margin and further broaden its customer sphere.

To stay relevant to the rapidly shifting operating landscape, moved by the combined forces of a continued global outsourcing trend, overhead increases in China, rising material and fuel costs, an unsteady political environment and ever changing customer tastes, the Group upholds its core competences by maintaining a niche product mix supported by strong development capabilities, market diversification, as well as a diversified production base built on a lean manufacturing system.

The management plans progressively and prudently implements measures to pursue sustainable development in today's complicated operating environment. The Group will continue to invest in and for the future.

FINANCIAL RESULTS

Turnover for the year fell 9.53% to HK$1,157 million, despite the fact that the Group lost one of its largest customers in 2006 which used to account for more than 31% of the Group's sales. In order to maintain the turnover, the Group has sacrificed some of its margin, coupled with sustained high operating cost in China, profit from operating activities dropped 43.81% to HK$34 million. Earnings per share were HK5.16 cents compared with HK9.18 cents the previous year.

As part of the Group's prudent cash-flow management which has taken consideration the Group's future capital expenditure arising from expansion of its manufacturing facilities in Cambodia and inland China, a final dividend was proposed at HK2.0 cents for the year under review.

The Group still maintains a conservative approach in cash management with a cash position of HK$216 million as at 31 March 2007.

Ecko Red

OPERATING PERFORMANCE

Product Mix

On the other hand, we are pleased to report our efforts to focus on increasing the manufacturing of premium casual footwear with higher margin have paid off with an 8.4% improvement in the average selling price (ASP) for the year. We managed to increase the share of casual footwear category in the Group's total output by 18.43% points to 49.27% through our dedicated efforts to provide a wider variety of quality products and superior services to valued existing customers such as Skechers and Clarks.

We believe that the current product share mix of 49.27%, 16.84% and 33.89% for premium casual, rugged, baby and children footwear respectively is a balanced combination. Major growth momentum will continue to be derived from the provision of greater varieties in the athletic-leisure products categories.

Market Segmentation

Despite the changing market environment and the overhanging uncertainties in Europe, the Group continued its diversification strategy and penetrated further to strengthen its market presence. For the year under review, Europe contributed 41% of the Group's total turnover, representing an increase of 7.9% points.

Even though there was significant pressure on overall order volume growth in Europe, the Group was encouraged with order growth from some customers of very attractive prospects. Additionally, strong negative pressures on Brazilian suppliers have opened up new prospects of additional styles moving to the Group's Vietnam facilities.

Under the circumstances, the Group will continue its Europe-driven market penetration strategy. We believe that once the anti-dumping uncertainties are cleared, and when more production facilities are in place in Cambodia, further penetration will be attained.

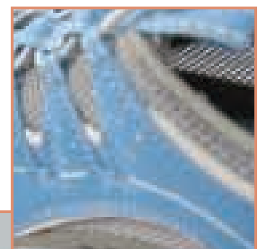
Meanwhile, the share of the US market to the Group's turnover fell 7.28% points to 53.78%, partly because of the continuing appreciation of RMB.

Production Capabilities

Geographical diversification of production facilities enables the Group to pursue a more flexible export strategy and cost management. As the manufacturing environment in China's Pearl River Delta region is becoming less favorable with higher labor cost and electricity shortage, the Group has suspended the planned installation of two production lines in Zhongshan.

Instead, the Group has shifted more of its manufacturing activities to the newly established factory in Cambodia. It is expected that the first phase of the Cambodia factory will incur a total investment of approximately HK$30 million when installation of the initial three production lines is completed.

The factories in Cambodia and Vietnam are designed to complement each other to support orders from not only European brands, but also distinctly American brands seeking better balance in production diversification to reduce risk exposure. The development pace of the Vietnam factory should therefore be able to pick up going forward.



Lands' End

There are also plans to set up plants in China interior where labor and operating costs are cheaper. Otherwise, the Group expects no other major capital expenditure in the next few years.

Currently, the Group operates a total of 38 production lines of which 11 are located in Vietnam, 2 in Cambodia, 9 in Zhongshan and 16 in Zhuhai.

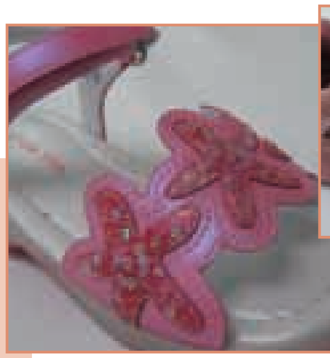
Cost Management

Apart from diversifying production bases to locations of cheaper operating costs, the Group will continue to improve upon the already proven lean manufacturing system that have been implemented to improve production efficiency and shorten the production lead-time to reduce transportation cost.

In addition, the upgrading of facilities will help the Group retain skilled experienced labor and improve their productivity in a better working environment.

FUTURE PLANS AND PROSPECTS

Looking ahead, the Group will further intensify its research and development activities to widen the range of premium athletic-leisure footwear categories for both new customers and existing customers and add athletic lines. This will be the Group's driving force for higher profitability and growth in the coming few years.



Stride Rite

ZooYork

Stringent cost control in all aspects is an ongoing priority to improve the Group's profitability.

While Europe remains a market of huge uncertainties, the Group adopts a relentless approach to seek further penetration and also to diversify its production bases for greater export flexibility.

At times of change, the Group continues to keep a vigilant eye on the situation and simultaneously works to bolster its fundamental competitiveness. It is a challenging time for everybody at the Group, and it is important that we have to continue to do what we do best to achieve strong results in the near future.

FINANCIAL REVIEW

Financial and Liquidity Resources

The Group's operation is generally financed by its internal cash generation from operation and banking facilities provided by various banks. As at 31 March 2007, the Group continued its conservative and healthy cash position and maintained a strong liquidity position which included cash and bank deposits of approximately HK$216 million (2006: HK$240 million). Most of the cash and bank deposits were denominated in US dollars as the denominated currency of the Group's trading activities was US dollars. During the year, the Group repaid its short-term bank loan of HK$20 million which was charged at floating interest rate.

As at 31 March 2007, the Group had aggregate banking facilities of approximately HK$352 million (2006: HK$291 million) with approximately HK$351 million (2006: HK$270 million) being unused. Based on the cash and bank deposits, the unused banking facilities and the completion of the major expansion plan up to 2007, the Directors are of the opinion that either the cash or liquidity position will be further strengthened in the coming few years.

As at 31 March 2007, the current ratio was approximately 1.9 (2006: approximately 1.9) based on current assets of approximately HK$526 million and current liabilities of approximately HK$277 million and the quick ratio was approximately 1.33 (2006: approximately 1.3).

The Group has put in place of maintaining a prudent gearing ratio. As at 31 March 2007, since the Group has repaid the short term bank loan and hence decreased its bank borrowings of approximately HK$20 million, no gearing ratio is resulted (2006: 2.9%) which was calculated based on the total bank borrowings over total shareholders equity.

Foreign Exchange Risk Management

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC and Vietnam factories. The Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if consider necessary. As at 31 March 2007, there was no outstanding forward contract in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are prohibited. The management of currency risk is centralized in the Hong Kong office of the Group.

EMPLOYMENT, TRAINING AND REMUNERATION POLICIES

The Group, including its subsidiaries employed approximately 14,000 employees as at 31 March 2007. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits, which include provident fund, medical insurance and training are provided. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 74.

An interim dividend of HK1.0 cent per ordinary share was paid during the year. The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 28 August 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheets. Subject to the passing of the necessary resolution at the forthcoming Annual General Meeting, such dividend will be payable on or around 5 October 2007, in cash of Hong Kong dollars.

SUMMARY FINANCIAL INFORMATION

A summary of the results, and of the assets and liabilities of the Group for the last five financial years, as extracted from the respective published audited financial statements and restated as appropriate, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,156,666**	1,278,488	1,432,388	1,360,856	1,240,651
PROFIT BEFORE TAX	**39,785**	70,360	92,796	108,934	125,105
Income tax expense	**(5,994)**	(10,225)	(4,896)	(5,845)	(4,184)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**33,791**	60,135	87,900	103,089	120,921

Assets and liabilities

	31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PROPERTY, PLANT AND EQUIPMENT	**342,758**	367,716	378,793	361,214	332,847
PREPAID LAND LEASE PAYMENTS	**74,208**	76,064	82,752	84,676	86,270
INVESTMENT PROPERTIES	**3,060**	2,973	–	–	–
INVESTMENTS IN CLUB MEMBERSHIPS	**1,030**	1,045	1,060	–	–
AVAILABLE-FOR-SALE INVESTMENTS	**1,693**	1,369	970	652	288
CURRENT ASSETS	**525,614**	498,120	456,845	491,652	488,113
TOTAL ASSETS	**948,363**	947,287	920,420	938,194	907,518
CURRENT LIABILITIES	**277,136**	261,154	239,137	275,214	272,670
LONG TERM BANK LOAN	**–**	–	–	–	5,850
TOTAL LIABILITIES	**277,136**	261,154	239,137	275,214	278,520
	671,227	686,133	681,283	662,980	628,998

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$84,627,000, of which HK$13,101,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$71,497,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's sales to the five largest customers accounted for 97% of the total sales for the year and sales to the largest customer included therein amounted to 48%. The Group's purchases from the five largest suppliers accounted for less than 32% of the Group's purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Chen Ming-hsiung, Mickey
Mdm. Huang Hsiu-duan, Helen
Mr. Lee Kung, Bobby
Mr. Chan Ho-man, Daniel
Mr. Kimmel, Phillip Brian

Non-executive director:

Mr. Chow Wing-kin, Anthony SBS, J.P.

Independent non-executive directors:

Mr. Tam King-ching, Kenny	
Mr. Chan Mo-po, Paul, MH, J.P.	
Mr. Yung Tse-kwong, Steven	(appointed on 1 July 2006)
Ms. Choi Hok-man, Constance	(resigned on 1 July 2006)

In accordance with article 86(2) and 87 of the Company's bye-laws, Mr. Chen Ming-hsiung, Mickey, Mr. Lee Kung, Bobby and Mr. Chow Wing-kin, Anthony, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position held	Number of years of service	Business experience
Chen Ming-hsiung, Mickey	54	Chairman and managing director	26	Mr. Chen is a co-founder of the Group. Mr. Chen has more than 29 years' experience in the footwear industry. He is responsible for formulating the overall business strategy and plans of the Group. He also oversees the functions of marketing and product design and development. He is the husband of Huang Hsiu-duan, Helen.
Huang Hsiu-duan, Helen	50	Director	26	Mdm. Huang is the wife of Mr. Chen Ming-hsiung, Mickey and is a co-founder of the Group. She is responsible for the Group's administration and has more than 30 years' experience in the footwear industry.
Lee Kung, Bobby	52	Director	26	Mr. Lee is a co-founder of the Group and is responsible for the Group's overall production in Vietnam. He is also responsible for formulating and controlling the Group's quality control policy and procedures. Mr. Lee has more than 27 years' experience in the footwear industry.
Chan Ho-man, Daniel	52	Director	11	Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. He is responsible for the Group's corporate finance and is also the Company Secretary of the Company. Mr. Chan has more than 28 years' accounting and finance experience in Hong Kong.

Name	Age	Position held	Number of years of service	Business experience
Kimmel, Phillip Brian	55	Director	13	Mr. Kimmel is responsible for the Group's marketing and customer relations. He holds a master's degree in China regional studies from the University of Washington. Mr. Kimmel has more than 31 years' experience in the footwear industry in Taiwan, the USA, Canada and the PRC.
Chow Wing-kin, Anthony, SBS, J.P.	57	Director	13	Mr. Chow has been practicing as a solicitor in Hong Kong for the past 27 years and is a partner in the law firm, Peter C. Wong, Chow & Chow. Mr. Chow is the Chairman of Process Review Panel for Securities and Futures Commission. He is also a Member of the Law Reform Commission of Hong Kong, a Council Member of the Hong Kong Institute of Education. He is a Member of National Committee of the Chinese People's Political Consultative Conference, and also serves as a steward of Hong Kong Jockey Club. He also serves on the boards of several listed companies in Hong Kong, one listed company in Singapore and is the former President of the Law Society of Hong Kong.

Name	Age	Position held	Number of years of service	Business experience
Tam King-ching, Kenny	58	Director	13	Mr. Tam King Ching, Kenny, aged 58. Mr. Tam was appointed as an Independent Non-executive Director of the Company in May 1994. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Ethics Committee, Practice Review Committee, Small and Medium Practitioners Committee, Insolvency Practitioners Committee in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors.
Chan Mo-po, Paul, MH, J.P.	52	Director	3	Mr. Chan has over 29 years' experience in accounting and finance field and is the director of Paul Chan & Partners, Certified Public Accountants. Mr. Chan holds both a Bachelor's and a Master's degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Association of Chartered Certified Accountants ("ACCA"), the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Chinese Accountants and Auditors, and a member of the Macau Society of Certified Practising Accountants. He Is the former president of the HKICPA and a former Chairman of the ACCA – Hong Kong. Mr. Chan Is also the Chairman of the Legal Aid Services Council.

Name	Age	Position held	Number of years of service	Business experience
Yung Tse-kwong, Steven	57	Director	2	Mr. Yung is the Chairman of Clear Media Limited which is listed on the main board of Hong Kong Stock Exchange. During his 26 years of media, advertising, consumer marketing, manufacturing and retailing career, he also held senior management positions with, and brought extensive management experience from multinational companies including the Coca-Cola Company in the U.S. & Asia Pacific. Mr. Yung has served on the Boards of various community, corporate and charitable organizations.
Hong Kong Office:				
Lai Chi-hang, David	40	Financial controller	14	Mr. Lai is responsible for the Group's accounting and financial management. He has 18 years' experience in the fields of auditing, accounting and financial management.
Taiwan Office:				
Huang Pen-yuan, David	54	Senior marketing manager	16	Mr. Huang is responsible for the Group's marketing and Taiwan operations in respect of customer relations. He has more than 28 years' experience in the footwear industry.
Zhuhai factory:				
Suen Chien-hsiang, Ava	52	Senior marketing manager	1	Ms. Suen joined the Group in 2006 and is responsible for the Group's marketing and China operations in respect of customer relations. She has over 30 years experience in shoes business for R & D, lean process and ERP program.

Name	Age	Position held	Number of years of service	Business experience
Vietnam factory:				
Kuo Chien-kuei, James	56	Senior production manager	17	Mr. Kuo is responsible for the Group's production in Vietnam. He has more than 27 years' experience in footwear production management.
Chen Hsien-yu, Simon	48	Senior technical & marketing manager	13	Mr. Chen is responsible for the Group's technical control operation and customer relations in Vietnam. Mr. Chen has over 20 years' experience in the footwear industry.
Zhongshan factory:				
Liu San-teng, Gerry	45	Senior manager	15	Mr. Liu is responsible for the Group's administration and operation in China. He has been incurred in the development of Vietnam factory and has experience in international trade. He has more than 15 years' experience in the footwear industry.

DIRECTORS' SERVICE CONTRACTS

Neither the executive directors, non-executive director, nor the independent non-executive directors proposed for re-election at the forthcoming annual general meeting, have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those contracts disclosed in note 31 to the financial statements, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through spouse or minor children*	Through controlled corporation**	Total	Percentage of the Company's issued capital
Mr. Chen Ming-hsiung, Mickey	7,906,250	21,731,250	269,704,752	299,342,252	45.70%
Mdm. Huang Hsiu-duan, Helen	21,731,250	7,906,250	269,704,752	299,342,252	45.70%
Mr. Lee Kung, Bobby	–	–	269,704,752	269,704,752	41.17%
Mr. Chan Ho-man, Daniel	3,200,000	–	–	3,200,000	0.49%
Mr. Kimmel, Phillip Brian	1,400,000	–	–	1,400,000	0.21%

* Mdm. Huang Hsiu-duan, Helen is the spouse of Mr. Chen Ming-hsiung, Mickey.

** These shares represent a 41.17% equity interest in the Company and are owned by King Strike Limited. The issued share capital of King Strike Limited is beneficially owned by Mr. Chen Ming-hsiung, Mickey as to 75.8%, Mdm. Huang Hsiu-duan, Helen as to 22.07% and Mr. Lee Kung, Bobby as to 2.13%.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the share option schemes in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the share option schemes of the Company are set out in note 26 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
King Strike Limited *(Note 1)*	Directly beneficially owned	269,704,752	41.17%
Commonwealth Bank of Australia.	Interest of Corporation controlled	72,291,400	11.04%
Aberdeen Asset Management Plc and its Associates	Investment Manager	52,782,000	8.06%

Note:

(1) The issued share capital of King Strike Limited is beneficially owned by Mr. Chen Ming-hsiung, Mickey, as to 75.8%, Mdm. Huang Hsiu-duan, Helen as to 22.07% and Mr. Lee Kung, Bobby as to 2.13%.

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

In December 2006, the former auditors, Ernst & Young, resigned and BDO McCabe Lo Limited was appointed as auditors of the Company.

BDO McCabe Lo Limited retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Ming-hsiung, Mickey
Chairman

Hong Kong
26 July 2007

CORPORATE GOVERNANCE REPORT

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Board of the Directors ("the Board") is committed to ensure the self-regulatory practices exist to protect the interests of the shareholders. These include a Board of high caliber members, Board Committees and effective internal audit and good systems of internal controls. The Company regularly reviews the corporate governance procedures and developments of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period under review with deviation from the code provision A.2.1 that the roles of chairman and chief executive officer ("CEO") of the Company should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high caliber individuals with a substantial number thereof being non-executive directors. The Directors believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans;

BOARD OF DIRECTORS

The duty of the Board is to manage the Company and its subsidiaries (the "Group") in a responsible and effective manner and every director has to carry out his/her duty in good faith and achieves the standard of any prevailing applicable laws and regulations and act in the best interests of the Company and its shareholders. The Board consists of five executive directors, one non-executive director and three independent non-executive directors:

Executive directors:

Mr. Chen Ming-hsiung, Mickey
Mdm. Huang Hsiu-duan, Helen
Mr. Chan Ho-man, Daniel
Mr. Kimmel, Phillip Brian
Mr. Lee Kung, Bobby

Non-executive director:

Mr. Chow Wing-kin, Anthony

Independent non-executive directors:

Mr. Tam King-ching, Kenny	
Mr. Chan Mo-po, Paul	
Mr. Yung Tse-kwong, Steven	(appointed on 1 July 2006)
Ms. Choy Hok-man, Constance	(resigned on 1 July 2006)

BOARD OF DIRECTORS *(continued)*

The board of Directors held several board meetings during the year. Details of the attendance of the meetings of the meetings of the board of Directors are as follows:

Name of directors	Number of attendances	
Mr. Chen Ming-hsiung, Mickey	5/5	
Mdm. Huang Hsiu-duan, Helen	4/5	
Mr. Chan Ho-man, Daniel	5/5	
Mr. Kimmel, Phillip Brian	4/5	
Mr. Lee Kung, Bobby	4/5	
Mr. Chow Wing-kin, Anthony	4/5	
Mr. Tam King-ching, Kenny	5/5	
Mr. Chan Mo-po, Paul	5/5	
Ms. Choy Hok-man, Constance	–	(resigned on 1 July 2006)
Mr. Yung Tse-kwong, Steven	5/5	(appointed on 1 July 2006)

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

The Board is responsible for determining the corporate strategic development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters and material transactions of the Group.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different business functional units of the operations of the Group.

Besides, to assist the Board in discharge of its duty, the Board established the audit committee, remuneration committee and nomination committee and their scope of duties and terms of reference were discussed and approved in the board meeting.

Ms. Choy Hok-man, Constance, an independent non-executive Director, resigned on 1 July 2006 due to personal reason. The Company appointed Mr. Yung Tse-kwong, Steven as an independent non-executive Director on 1 July 2006. Save as disclosed, the Company has all along appointed, pursuant to the Listing Rules, three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders of the Company during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Company should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high caliber individuals with a substantial number thereof being non-executive directors. The Directors believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans.

NON-EXECUTIVE DIRECTORS

All the non-executive directors were appointed for a specific term of three years that are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 (the "Model Code") to the Listing Rules to ensure directors' dealing in the securities of the Company are conducted in accordance with the Model Code. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2007.

REMUNERATION OF DIRECTORS

The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors.

During the year, members of the Remuneration Committee included:

Mr. Chen Ming-hsiung, Mickey *(Chairman)*	
Mdm. Huang Hsiu-duan, Helen	
Mr. Tam King-ching, Kenny	
Mr. Chan Mo-po, Paul	
Mr. Yung Tse-kwong, Steven	(appointed on 1 July 2006)
Ms. Choy Hok-man, Constance	(resigned on 1 July 2006)

The Remuneration Committee held 2 meetings on 13 October 2006 and 9 February 2007 to discuss remuneration related matters. All members of the Remuneration Committee attended the meeting. The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors with reference to the factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable. Details of the remuneration policy of the Directors are set out on page 22 of this report.

NOMINATION COMMITTEE

The role and function of the Nomination Committee include reviewing the structure, size and composition of the board of Directors on a regular basis and to make recommendations to the board of Directors regarding any proposed changes. The Board considers the past performance and qualification of the candidates for Directors, general market conditions and the Company's bye-laws in selecting and recommending candidates for directorship during the year under review.

During the year, the Nomination Committee held a meeting on and 11 May 2006, the Nomination Committee members namely, Mr. Chen Ming-hsiung, Mickey, Mr. Tam King-ching, Kenny and Mr. Chan Mo-po, Paul, Mr. Chow Wing-kin, Anthony and Mr. Yung Tse-kwong, Steven were present on the meetings held.

During the meeting, the Nomination Committee considered and resolved that all the existing Directors shall be recommended to stay. Further, in accordance with the Company's bye-laws and as resolved by the Nomination Committee, Mr. Chen Ming-hsiung, Mickey, Mr. Lee Kung, Bobby and Mr. Chow Wing-kin Anthony will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference, which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems.

During the year till the date of this report, members of the Audit Committee included:

Mr. Tam King-ching, Kenny	
Mr. Chow Wing-kin, Anthony	
Mr. Chan Mo-po, Paul	
Ms. Choy Hok-man, Constance	(resigned on 1 July 2006)
Mr. Yung Tse-kwong, Steven	(appointed on 1 July 2006)

The Audit Committee held two meetings during the year and all the committee members were present in these meetings.

The Group's audited consolidated results for the year ended 31 March 2007 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable Hong Kong Financial Reporting Standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The Audit Committee considered that the existing proposed terms in relation to the appointment of the Group's external auditors are fair and reasonable.

AUDITORS' REMUNERATION

The Company's external auditors are BDO McCabe Lo Limited. The audit committee of the Company (the "Audit Committee") is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group. During the year under review, the Group has provided HK$800,000 to the external auditors for their audit services. BDO McCabe Lo Limited has also provided the Group with non-audit services at a fee of HK$15,000.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders of the Company are set out on pages 31 and 32 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control procedures include a system for reporting information to executive management teams. Internal audit department reporting to the Managing Director on regular basis and also directly to the Audit Committee if necessary, provides independent assurance as to the existence and the effectiveness of the risk management activities and controls in the Group business operations.

Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Managing Director and the Audit Committee as well as following up on all reports to ensure all issues have been satisfactorily resolved.

Reports from the external auditor on internal controls and relevant financial reporting matters, if any, are presented to the Managing Director and the relevant management team for review and taking appropriate actions.

The Managing Director has the responsibility of developing and implementing risk mitigation strategies including the deploying of insurance to transfer the financial impact of risks and arranging appropriate insurance coverage.

The Board has kept the Group's system of internal control under review to ensure that it is effective. The Board convened meetings regularly to discuss financial, operational and risk management control.

INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meeting, road shows and conferences. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

COMMUNICATION WITH SHAREHOLDERS

The Company sets high priority in communicating with shareholders and investors. Regular meetings with institutional shareholders and general presentation of financial results are made when financial results are announced. The Company also provides extensive information in its annual report, interim report and press announcement.

CODE OF CONDUCT

To enhance the standards of employees, the Company has set out standards of professional and ethical conduct for all employees of the Group. The employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

CONCLUSION

The Company will continue it enduring effort in reviewing the corporate governance practices from time to time and will try the best in maintaining, strengthening and improving the standard and quality of the Company's corporate governance to meet with the continuous changing environment and for the benefit of the shareholders.

BDO McCabe Lo Limited
Certified Public Accountants
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Independent Auditor's Report
To the Shareholders of
Kingmaker Footwear Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kingmaker Footwear Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 74, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

REPORT OF INDEPENDENT AUDITOR

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 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO McCabe Lo Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 26 July 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	6	**1,156,666**	1,278,488
Cost of sales		**(1,009,962)**	(1,107,440)
Gross profit		**146,704**	171,048
Other income and gains	6	**16,029**	11,907
Distribution and selling costs		**(26,793)**	(26,322)
Administrative expenses		**(96,072)**	(85,684)
Finance costs	7	**(83)**	(589)
PROFIT BEFORE TAX	8	**39,785**	70,360
Income tax expense	11	**(5,994)**	(10,225)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	**33,791**	60,135
DIVIDENDS	13		
Interim		**6,550**	22,927
Proposed final and special		**13,101**	45,853
		19,651	68,780
EARNINGS PER SHARE	14		
Basic		**HK5.16 cents**	HK9.18 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**342,758**	367,716
Prepaid land lease payments	16	**74,208**	76,064
Investment properties	17	**3,060**	2,973
Investments in club memberships		**1,030**	1,045
Available-for-sale investments	19	**1,693**	1,369
Total non-current assets		**422,749**	449,167
CURRENT ASSETS			
Inventories	20	**156,570**	154,084
Accounts and bills receivable	21	**137,085**	91,192
Prepayments, deposits and other receivables		**15,553**	12,213
Tax recoverable		**178**	111
Cash and cash equivalents	22	**216,228**	240,520
Total current assets		**525,614**	498,120
CURRENT LIABILITIES			
Accounts and bills payable	23	**114,174**	83,016
Accrued liabilities and other payables		**70,921**	68,849
Tax payable		**92,041**	89,149
Bank borrowings	24	**–**	20,140
Total current liabilities		**277,136**	261,154
NET CURRENT ASSETS		**248,478**	236,966
Net assets		**671,227**	686,133
EQUITY			
Share capital	25	**65,505**	65,505
Reserves		**592,621**	574,775
Proposed final and special dividends	13	**13,101**	45,853
Total equity		**671,227**	686,133

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000
At 1 April 2005	65,483	71,132	53	–	(2,518)	–	501,295	45,838	681,283
Arising from consolidation of overseas subsidiaries recognised directly in equity	–	–	–	–	12,694	–	–	–	12,694
Change in fair value of available-for-sale investments	–	–	–	–	–	399	–	–	399
Total income and expenses recognised directly in equity	–	–	–	–	12,694	399	–	–	13,093
Profit for the year	–	–	–	–	–	–	60,135	–	60,135
Total income and expenses for the year	–	–	–	–	12,694	399	60,135	–	73,228
Final 2005 dividend declared and paid	–	–	–	–	–	–	–	(45,838)	(45,838)
Issued as 2005 final scrip dividends *(notes 25, 27)*	22	365	–	–	–	–	–	–	387
Interim 2006 dividend *(note 13)*	–	–	–	–	–	–	(22,927)	–	(22,927)
Proposed final and special 2006 dividends *(note 13)*	–	–	–	–	–	–	(45,853)	45,853	–
At 31 March 2006 and 1 April 2006	**65,505**	**71,497***	**53***	**–***	**10,176***	**399***	**492,650***	**45,853**	**686,133**
Arising from consolidation of overseas subsidiaries recognised directly in equity	**–**	**–**	**–**	**–**	**(814)**	**–**	**–**	**–**	**(814)**
Change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**324**	**–**	**–**	**324**
Total income and expenses recognised directly in equity	**–**	**–**	**–**	**–**	**(814)**	**324**	**–**	**–**	**(490)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**33,791**	**–**	**33,791**
Total income and expenses for the year	**–**	**–**	**–**	**–**	**(814)**	**324**	**33,791**	**–**	**33,301**
Final and special 2006 dividends declared and paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(45,853)**	**(45,853)**
Interim 2007 dividend *(note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**(6,550)**	**–**	**(6,550)**
Proposed final 2007 dividend *(note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**(13,101)**	**13,101**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**4,196**	**–**	**–**	**–**	**–**	**4,196**
At 31 March 2007	**65,505**	**71,497***	**53***	**4,196***	**9,362***	**723***	**506,790***	**13,101**	**671,227**

* These reserve accounts comprise the consolidated reserves of HK$592,621,000 (2006: HK$574,775,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	2007 *HK$'000*	2006 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**39,785**	70,360
Adjustments for:		
Finance costs	**83**	589
Interest income	**(11,044)**	(7,890)
Depreciation of property, plant and equipment	**38,712**	40,220
Amortisation of prepaid land lease payments	**1,890**	1,924
Impairment losses on accounts receivable	**–**	692
Write down/(reversal of write down) of inventories	**10,973**	(3,928)
Share-based payments	**4,196**	–
Gain on disposal of property, plant and equipment and prepaid land lease payments	**(1)**	(1,471)
Write off of property, plant and equipment	**2,477**	–
Amortisation of a club membership	**15**	15
Fair value gain on revaluation of investment properties	**(87)**	(278)
Effect of foreign exchange rate changes	**(945)**	–
Operating profit before working capital changes	**86,054**	100,233
(Increase)/decrease in inventories	**(13,459)**	43,553
Increase in accounts and bills receivable	**(45,893)**	(19,562)
Increase in prepayments, deposits and other receivables	**(3,374)**	(6,171)
Increase in accounts and bills payable	**31,158**	132
Increase/(decrease) in accrued liabilities and other payables	**2,072**	(4,259)
Cash generated from operations	**56,558**	113,926
Interest received	**11,044**	7,890
Interest paid	**(83)**	(589)
Hong Kong profits tax paid	**(776)**	(684)
Overseas taxes paid	**(2,393)**	(1,846)
Dividends paid	**(52,403)**	(68,378)
Net cash inflow from operating activities	**11,947**	50,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(16,477)**	(24,670)
Proceeds from disposal of property, plant and equipment and prepaid land lease payments	**247**	11,518
Prepayment for land lease payments	**–**	(590)
Net cash outflow from investing activities	**(16,230)**	(13,742)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		–	27,874
Repayment of bank loans		**(20,140)**	(9,425)
Net cash (outflow)/inflow from financing activities		**(20,140)**	18,449
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(24,423)**	55,026
Cash and cash equivalents at beginning of year		**240,520**	184,661
Effect of foreign exchange rate changes		**131**	833
CASH AND CASH EQUIVALENTS AT END OF YEAR		**216,228**	240,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**46,866**	50,797
Time deposits with original maturity of less than three months	22	**169,362**	189,723
		216,228	240,520

BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*18*	**67,190**	67,190
CURRENT ASSETS			
Due from subsidiaries	*18*	**722,430**	722,023
Other receivables		**43**	–
Cash and cash equivalents	*22*	**15,842**	39
Total current assets		**738,315**	722,062
CURRENT LIABILITIES			
Accrued liabilities and other payables		**2,522**	4,281
Due to subsidiaries	*18*	**577,105**	505,932
Total current liabilities		**579,627**	510,213
NET CURRENT ASSETS		**158,688**	211,849
Net assets		**225,878**	279,039
EQUITY			
Share capital	*25*	**65,505**	65,505
Reserves	*27(b)*	**147,272**	167,681
Proposed final and special dividends	*13*	**13,101**	45,853
Total equity		**225,878**	279,039

Director *Director*

1. GENERAL

Kingmaker Footwear Holdings Limited (the "Company") is a public limited liability company incorporated in Bermuda. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Its registered office is at Clarendon House, Church Street, Hamilton HM11, Bermuda. Its principal place of business is at 17th Floor, Empress Plaza, 17-19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and trading of footwear.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are hereafter collectively referred to as the "HKFRSs". In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, that are relevant to its operation and effective for the accounting period beginning on 1 April 2006. The adoption of the new HKFRSs had no material effect on how the Group's results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

(b) Potential impact arising on the new or revised accounting standards not yet effective

The Group has not yet applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Capital Disclosures	1 January 2007
HKAS 23 Revised	Borrowing Costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Interpretation 12	Service Concession Arrangements	1 January 2008

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and available-for-sale investments, which are measured at fair value as explained in the accounting policies set out below.

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

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings	5%
Machinery, furniture, equipment, leasehold improvements and motor vehicles	10% to 25%

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. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an asset is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement on disposal.

(e) Construction in progress

Construction in progress is stated at cost, less any identified impairment loss. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the policy stated in note 3(d).

(f) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value. Changes in fair value are recognised in the income statement.

(g) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in leasehold land for own use under operating leases. These payments are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement over the period of the lease on a straight-line basis.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Leasing

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

The Group as lessor

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

The Group as lessee

Where substantially all of the risks and rewards incidental to ownership of an asset are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(i) Intangible assets

(i) Investment in club memberships

Club memberships are initially recognised at cost. Subsequently, club memberships with indefinite useful lives are carried at cost less any impairment losses. Club memberships with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis over their useful lives. The amortisation expense is included within the administrative expenses line in the income statement.

(ii) Impairment

Club memberships with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of a club membership is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

Club memberships with finite useful lives are tested for impairment when there is an indication that they may be impaired.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the club membership is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the club membership in prior years.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. The accounting policies adopted for specific financial assets and financial liabilities are set out below:

(i) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale. After initial recognition, they are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Any impairment losses on available-for-sale financial assets are recognised in the income statement. Impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. Impairment losses recognised in income statement for these assets are not subsequently reversed through income statement.

(ii) Financial liabilities

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(iii) Equity instruments

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

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Revenue recognition

Revenue from sales of goods is recognised when title of the goods has passed to the purchaser, which is at the time of delivery.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Income taxes *(continued)*

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(n) Foreign currencies

Transactions entered into by each of group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rate approximating to those ruling when the transactions took place are used. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the " exchange fluctuation reserve").

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the gain or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Employee benefits

(i) Defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable.

(ii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

(iii) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid land lease payments; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the net selling price and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Financial guarantees

A financial guarantee contract (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Equity settled share-based payments

Options granted after 7 November 2002

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Options granted on or before 7 November 2002

The Group's adopts the transitional provision of HKFRS 2 under which the measurement policies as mentioned above have not been applied for options granted on or before 7 November 2002. No recognition and measurement of share-based payment transactions from these options granted is made.

(t) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Provision for taxation

The Group is subject to income taxes and other taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for taxation. 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 probable tax audit issues based on estimates (taking into account prevailing tax rules and practices of relevant tax jurisdictions) whether taxes and related penalties and surcharges, if any, may be payable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Write down of obsolete inventories

The management of the Group reviews an aged analysis at each balance sheet date, and writes down obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

Impairment losses on accounts receivable and bills receivable

The Group recognises impairment losses on accounts receivable and bills receivable based on an assessment of their recoverability. Impairment losses on accounts and bills receivable are recognised where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss requires the use of judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment losses recognised/reversed in the period in which such estimate has been changed.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

5. SEGMENT INFORMATION *(continued)*

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the rugged footwear segment represents the manufacture and trading of rugged footwear;

(b) the casual footwear segment represents the manufacture and trading of casual footwear;

(c) the baby and children's footwear segment represents the manufacture and trading of baby and children's footwear; and

(d) the sportswear and sports shoes segment represents the trading and distribution of sportswear and sports shoes.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's geographical segments include the United States of America, Europe and others. Europe mainly includes the United Kingdom and the Germany.

(i) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Sportswear and sports shoes		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**194,782**	197,466	**569,889**	394,268	**391,995**	682,629	**–**	4,125	**1,156,666**	1,278,488
Segment results	**6,840**	13,592	**18,932**	25,612	**10,113**	34,382	**–**	(6,434)	**35,885**	67,152
Unallocated income and gains									**16,029**	11,176
Unallocated expenses									**(12,046)**	(7,379)
Finance costs									**(83)**	(589)
Profit before tax									**39,785**	70,360
Income tax expense									**(5,994)**	(10,225)
Profit for the year									**33,791**	60,135

5. SEGMENT INFORMATION *(continued)*

(i) Business segments *(continued)*

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Sportswear and sports shoes		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**99,951**	126,694	**277,358**	205,610	**199,696**	197,903	**642**	1,402	**577,647**	531,609
Unallocated assets									**370,716**	415,678
Total assets									**948,363**	947,287
Unallocated liabilities									**277,136**	261,154
Other segment information:										
Depreciation:										
Segment	**10,314**	8,249	**11,880**	14,697	**14,608**	15,366	**–**	148	**36,802**	38,460
Unallocated									**1,910**	1,760
									38,712	40,220
Amortisation of prepaid land lease payments:										
Segment	**211**	206	**686**	651	**519**	559	**–**	–	**1,416**	1,416
Unallocated									**474**	508
									1,890	1,924
Capital expenditure:										
Segment	**1,541**	1,176	**11,894**	11,757	**2,913**	12,101	**–**	–	**16,348**	25,034
Unallocated									**129**	226
									16,477	25,260

5. SEGMENT INFORMATION *(continued)*

(ii) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	United States of America		Europe		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**622,055**	780,640	**474,233**	423,131	**60,378**	74,717	**1,156,666**	1,278,488
Other segment information:								
Segment assets	**76,210**	55,061	**52,748**	32,007	**819,405**	860,219	**948,363**	947,287
Capital expenditure	**–**	–	**–**	–	**16,477**	25,260	**16,477**	25,260

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**1,156,666**	1,278,488

	Group	
	2007	2006
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**8,486**	6,059
Interest income from accounts receivable	**2,558**	1,831
Fair value gain on revaluation of investment properties	**87**	278
Gross rental income from investment properties	**277**	123
Gain on disposal of property, plant and equipment and prepaid land lease payments	**1**	1,471
Others	**4,620**	2,145
	16,029	11,907

7. FINANCE COSTS

	Group 2007 HK$'000	Group 2006 HK$'000
Interest on bank loans wholly repayable within five years	**83**	589

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group 2007 HK$'000	Group 2006 HK$'000
Cost of inventories sold	**756,784**	859,010
Depreciation of property, plant and equipment	**38,712**	40,220
Amortisation of prepaid land lease payments	**1,890**	1,924
Amortisation of a club membership	**15**	15
Impairment losses on accounts receivable	**–**	692
Write down/(reversal of write down) of inventories	**10,973**	(3,928)
Minimum lease payments under operating leases for land and buildings	**1,320**	1,516
Write back of accrued commission expenses (included in distribution and selling costs)	**(8,000)**	–
Write off of property, plant and equipment	**2,477**	–
Auditors' remuneration		
Current year	**1,086**	1,114
Overprovision in prior year	**(247)**	–
	839	1,114
Employee benefits expense (including directors' remuneration)		
Staff costs	**219,300**	201,262
Share-based payments	**4,196**	–
Pension scheme contributions	**9,326**	5,552
Total staff costs	**232,822**	206,814
Bank interest income	**(8,486)**	(6,059)
Interest income from accounts receivable	**(2,558)**	(1,831)
Fair value gain on revaluation of investment properties	**(87)**	(278)
Foreign exchange losses/(gains), net	**1,396**	(749)
Gain on disposal of property, plant and equipment and prepaid land lease payments	**(1)**	(1,471)
Gross rental income from investment properties*	**(277)**	(123)
Less: Direct operating expenses from investment properties that generated rental income during the year	**63**	63
Net rental income	**(214)**	(60)

* All investment properties are rented out for rentals during the years ended 31 March 2007 and 2006.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees		
– Independent non-executive directors	**540**	480
– Non-executive director	**180**	120
	720	600
Other remuneration		
Salaries, allowances and benefits in kind	**5,725**	5,662
Bonuses	**859**	639
Pension scheme contributions	**12**	12
Share-based payments	**909**	–
	7,505	6,313
	8,225	6,913

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees	**Share-based payments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
2007			
Mr. Tam King-ching, Kenny	**180**	**56**	**236**
Mr. Chan Mo-po, Paul	**180**	**56**	**236**
Ms. Choy Hok-man, Constance	**45**	**–**	**45**
Mr. Yung Tse-kwong, Steven	**135**	**56**	**191**
	540	**168**	**708**
2006			
Mr. Tam King-ching, Kenny	180	–	180
Mr. Chan Mo-po, Paul	150	–	150
Ms. Choy Hok-man, Constance	150	–	150
Mr. Yung Tse-kwong, Steven	–	–	–
	480	–	480

There was no other remuneration payable to the independent non-executive directors during the year (2006: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2007						
Executive directors:						
Mr. Chen Ming-hsiung, Mickey	**–**	**2,520**	**210**	**–**	**153**	**2,883**
Mdm. Huang Hsiu-duan, Helen	**–**	**900**	**75**	**–**	**28**	**1,003**
Mr. Lee Kung, Bobby	**–**	**557**	**375**	**–**	**168**	**1,100**
Mr. Chan Ho-man, Daniel	**–**	**600**	**51**	**12**	**168**	**831**
Mr. Kimmel, Phillip Brian	**–**	**1,148**	**148**	**–**	**168**	**1,464**
	–	**5,725**	**859**	**12**	**685**	**7,281**
Non-executive director:						
Mr. Chow Wing-kin, Anthony	**180**	**–**	**–**	**–**	**56**	**236**
	180	**5,725**	**859**	**12**	**741**	**7,517**
2006						
Executive directors:						
Mr. Chen Ming-hsiung, Mickey	–	2,520	210	–	–	2,730
Mdm. Huang Hsiu-duan, Helen	–	900	75	–	–	975
Mr. Lee Kung, Bobby	–	566	214	–	–	780
Mr. Chan Ho-man, Daniel	–	600	50	12	–	662
Mr. Kimmel, Phillip Brian	–	1,076	90	–	–	1,166
	–	5,662	639	12	–	6,313
Non-executive director:						
Mr. Chow Wing-kin, Anthony	120	–	–	–	–	120
	120	5,662	639	12	–	6,433

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five employees whose remuneration was the highest in the Group for the year include four (2006: five) directors whose remuneration is disclosed in note 9 above. The remuneration payable to the remaining one (2006: Nil) employee during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**1,134**	–

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Current tax – Hong Kong	**449**	684
Current tax – Elsewhere		
Charge for the year	**4,402**	10,879
Under/(over) provision in prior years	**1,143**	(1,338)
Total tax expense for the year	**5,994**	10,225

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**39,785**	70,360
Tax at the applicable tax rate	**3,670**	11,748
Effect of tax concession or tax holidays	**1,428**	1,140
Under/(over) provision of current tax of prior years	**1,143**	(1,338)
Tax losses utilised from prior years	**–**	(105)
Income not subject to tax	**(164)**	(15,177)
Expenses not deductible for tax	**243**	13,957
Others	**(326)**	–
Tax expense at the Group's effective tax rate	**5,994**	10,225

11. INCOME TAX EXPENSE *(continued)*

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 17.5% (2006: 17.5%), the Taiwan Corporate Tax rate of 25.0% (2006: 25.0%), the preferential tax rates in Mainland China ranging from 10.0% to 24.0% (2006: 10.0% – 24.0%), and tax holidays granted to a subsidiary of the Group in Mainland China and a subsidiary in Vietnam.

In general, the Group's subsidiaries in Mainland China are subject to the People's Republic of China's corporate income tax at rate of 33.0%, except for certain subsidiaries which are entitled to tax holidays and preferential tax rates.

The Group has estimated deferred tax assets of approximately HK$6,992,000 (2006: HK$6,803,000) calculated on tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company for the year ended 31 March 2007 dealt with in the financial statements of the Company, was loss of HK$4,954,000 (2006: profit of HK$76,327,000) (note 27(b)).

13. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim – HK1.0 cent (2006: HK3.5 cents) per ordinary share	**6,550**	22,927
Proposed final – HK2.0 cents (2006: final – HK4.5 cents and special – HK2.5 cents) per ordinary share	**13,101**	45,853
	19,651	68,780

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year of HK$33,791,000 (2006: HK$60,135,000) and the weighted average of 655,046,445 (2006: 654,931,498) ordinary shares in issue during the year.

No disclosure for diluted earnings per share for the years ended 31 March 2007 and 2006 is shown as the exercise prices of the Company's outstanding share options were higher than the average market price of the Company's ordinary shares during the relevant years and thus the share options had no diluting effect.

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2007	Buildings *HK$'000*	Construction in progress *HK$'000*	Machinery, furniture, equipment, leasehold improvements and motor vehicles *HK$'000*	Total *HK$'000*
Cost:				
At 1 April 2006	334,724	1,533	259,298	595,555
Additions	8,993	2,421	5,063	16,477
Disposals	–	–	(2,459)	(2,459)
Written off	–	–	(5,116)	(5,116)
Reclassifications	3,954	(3,954)	–	–
At 31 March 2007	347,671	–	256,786	604,457
Accumulated depreciation:				
At 1 April 2006	81,715	–	146,124	227,839
Provided during the year	17,036	–	21,676	38,712
Disposals	–	–	(2,213)	(2,213)
Written off	–	–	(2,639)	(2,639)
At 31 March 2007	98,751	–	162,948	261,699
Net book value:				
At 31 March 2007	248,920	–	93,838	342,758

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

Group

31 March 2006	Buildings HK$'000	Construction in progress HK$'000	Machinery, furniture, equipment, leasehold improvements and motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2005	315,517	14,162	238,834	568,513
Additions	417	13,936	10,317	24,670
Disposals	(5,034)	–	(6,956)	(11,990)
Reclassifications	16,671	(26,935)	10,264	–
Transfer to investment properties *(note 17)*	(1,715)	–	–	(1,715)
Exchange realignment	8,868	370	6,839	16,077
At 31 March 2006	334,724	1,533	259,298	595,555
Accumulated depreciation:				
At 1 April 2005	67,245	–	122,475	189,720
Provided during the year	15,240	–	24,980	40,220
Disposals	(2,074)	–	(4,860)	(6,934)
Transfer to investment properties *(note 17)*	(578)	–	–	(578)
Exchange realignment	1,882	–	3,529	5,411
At 31 March 2006	81,715	–	146,124	227,839
Net book value:				
At 31 March 2006	253,009	1,533	113,174	367,716

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

The Group's buildings included above are held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Buildings held in Hong Kong under medium term leases	**9,261**	10,285
Buildings held outside Hong Kong under medium term leases	**239,659**	242,724
	248,920	253,009

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2007 HK$'000	2006 HK$'000
Net book value at 1 April	**77,988**	84,676
Additions	**–**	590
Disposals	**–**	(4,991)
Transfer to investment properties *(note 17)*	**–**	(1,558)
Amortised during the year	**(1,890)**	(1,924)
Exchange realignment	**–**	1,195
Net book value at 31 March	**76,098**	77,988
Current portion included in prepayments, deposits and other receivables	**(1,890)**	(1,924)
Non-current portion	**74,208**	76,064

The Group's prepaid land lease payments are held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Held in Hong Kong under medium term leases	**17,342**	17,791
Held outside Hong Kong under medium term leases	**58,756**	60,197
	76,098	77,988

17. INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
Fair value at 1 April	**2,973**	–
Transfer from owner-occupied properties and prepaid land lease payments *(notes 15 and 16)*	**–**	2,695
Fair value gain on revaluation	**87**	278
Fair value at 31 March	**3,060**	2,973

The Group's investment properties are situated outside Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2007 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at HK$3,060,000 on an open market, existing use basis. The investment properties are leased to a third party under operating leases, further summary details of which are included in note 29(a) to the financial statements.

18. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**67,190**	67,190
Due from subsidiaries	**722,430**	722,023
Due to subsidiaries	**(577,105)**	(505,932)
	212,515	283,281

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate their fair values.

Particulars of the principal subsidiaries as at 31 March 2007 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
MJ Haig Industries Limited	British Virgin Islands/Taiwan	Ordinary US$10,000	100	Sourcing of raw materials for footwear
Ready Luck Limited	British Virgin Islands	Ordinary US$5,000	100	Investment holding

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Discovery Star Development Limited	Hong Kong	Ordinary HK$2	100	Property holding
King Maker International (Import and Export) Limited	Macau	Registered MOP100,000	100	Property holding
Kingmaker (Vietnam) Footwear Co., Ltd.	Vietnam	US$15,000,000	100	Subcontracting of footwear
Lightening Star Corporation	British Virgin Islands	Ordinary US$1,000	100	Investment holding
Lightening Star (H.K.) Limited	Hong Kong	Ordinary HK$2	100	Footwear and sportswear trading
Lightening Star Limited	People's Republic of China/ Mainland China	RMB500,000	100	Footwear and sportswear trading
Maystar Footwear Company Limited ("Maystar")	People's Republic of China/ Mainland China	US$39,943,150 *(Note (a))*	100	Footwear manufacturing
Miri Footwear International Inc.	British Virgin Islands/ Mainland China	Ordinary US$1	100	Sourcing of raw materials for footwear and footwear trading
Victory Universal Corporation	British Virgin Islands/ Mainland China	Ordinary US$1	100	Footwear trading
Cross Star International Limited	Hong Kong	Ordinary HK$2	100	Property holding
Honest Star Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Efficient Business Corporation	British Virgin Islands	Ordinary US$1	100	Investment holding

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Future Bright Development Inc.	British Virgin Islands	Ordinary US$1	100	Investment holding
Kingmaker (Cambodia) Footwear Co., Ltd.	Cambodia	Ordinary US$1,000,000	100	Footwear manufacturing
Miri International Limited	Hong Kong	Ordinary HK$2	100	Provision of administrative services
Profit Success Investment Limited	Hong Kong	Ordinary HK$1,000	100	Investment holding
Kingmaker Footwear (Zhong Shan) Co., Ltd. ("Kingmaker Zhong Shan")	People's Republic of China/ Mainland China	US$24,955,561 *(Note (b))*	100	Footwear manufacturing
Sanford Resources Limited	British Virgin Islands/ Vietnam	Ordinary US$1	100	Trading of footwear products
Transcommerce International Inc.	British Virgin Islands/ Mainland China	Ordinary US$1	100	Sourcing and trading of raw materials for footwear

Notes:

(a) Maystar is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Maystar amounted to US$43,000,000 at 31 March 2007. The remaining unpaid capital contribution of approximately US$3,057,000 (equivalent to HK$23,843,000) is required to be paid up prior to 11 October 2008 (note 30(ii)).

(b) Kingmaker Zhong Shan is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Kingmaker Zhong Shan amounted to US$30,000,000 at 31 March 2007. The remaining unpaid capital contribution of approximately US$5,044,000 (equivalent to HK$39,347,000) is required to be paid up prior to 10 July 2010 (note 30(ii)).

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong listed investments, at fair value	**1,693**	1,369

The fair values of listed investments are based on quoted market prices.

20. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**98,068**	102,897
Work in progress	**24,245**	24,904
Finished goods	**34,257**	26,283
	156,570	154,084

21. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts and bills receivable mainly related to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management. Accounts receivable are non-interest-bearing, except for a balance due from a customer which bears interest at a rate of 0.5% for a fixed period of 60 days. At the balance sheet date, the amount due from this customer amounted to approximately HK$66,780,000 (2006: HK$42,618,000).

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the date of goods delivered, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**131,721**	90,307
Between 91 and 180 days	**30**	2
Between 181 and 365 days	**4,692**	883
Over 365 days	**642**	–
	137,085	91,192

The carrying amounts of the accounts and bills receivable, which are mainly denominated in United States dollars, approximate their fair values.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**46,866**	50,797	**40**	39
Time deposits	**169,362**	189,723	**15,802**	–
	216,228	240,520	**15,842**	39

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$4,264,238 (2006: HK$3,444,890). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents of the Group are mainly denominated in United States dollars and Hong Kong dollars.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of cash and cash equivalents approximate their fair values.

23. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the date of goods received, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**113,009**	76,250
Between 91 and 180 days	**1,065**	6,101
Between 181 and 365 days	**17**	152
Over 365 days	**83**	513
	114,174	83,016

The accounts payable are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the accounts and bills payable, which are mainly denominated in United States dollars, approximate their fair values.

24. BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000
Trust receipt loans, unsecured	6.12	April 2006	–	140
Bank loans, unsecured	4.93	May 2006	–	20,000
			–	20,140

Notes:

(a) At 31 March 2007, the Group had available banking facilities amounting to HK$352,100,000 (2006: HK$291,400,000) of which approximately HK$1,072,000 (2006: HK$21,680,000) were utilised. The banking facilities were supported by corporate guarantees executed by the Company and certain of its subsidiaries.

(b) The bank loans are all denominated in Hong Kong dollars.

The carrying amounts of the Group's borrowings approximate their fair values.

25. SHARE CAPITAL

Shares

	Number of ordinary shares of HK$0.10 each 2007	Number of ordinary shares of HK$0.10 each 2006	HK$'000 2007	HK$'000 2006
Authorised:				
Balance at beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
Balance at beginning of year	**655,046,445**	654,825,625	**65,505**	65,483
Issued as 2005 final scrip dividends	–	220,820	–	22
Balance at end of year	**655,046,445**	655,046,445	**65,505**	65,505

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 26 to the financial statements.

26. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 August 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 3 September 1994 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. The options granted under the Old Scheme will remain in force and effect. The New Scheme became effective on 28 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the Company's directors (including independent non-executive directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, and any shareholder of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme may not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates in excess of 0.1% of the shares of the Company in issue on that date or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the amount payable on acceptance of an offer is HK$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

26. SHARE OPTION SCHEMES *(continued)*

The following share options were outstanding under the New Scheme during the year:

Name or category of participants	Number of share options: At 1 April 2006	Granted during the year	Forfeited during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of Company's share at grant date of options*** HK$
Directors								
Mr. Chen Ming-hsiung, Mickey	550,000	–	–	550,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	–	550,000	–	550,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mdm. Huang Hsiu-duan, Helen	100,000	–	–	100,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	–	100,000	–	100,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Lee Kung, Bobby	400,000	–	–	400,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	–	600,000	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Chan Ho-man, Daniel	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
		600,000	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Kimmel, Phillip Brian	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
		600,000	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Tam King-ching, Kenny	–	200,000	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Chow Wing-kin, Anthony	–	200,000	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Chan Mo-po, Paul	–	200,000	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
Mr. Yung Tse-kwong, Steven	–	200,000	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	2,050,000	3,250,000	–	5,300,000				

26. SHARE OPTION SCHEMES *(continued)*

Name or category of participants	Number of share options: At 1 April 2006	Granted during the year	Forfeited during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of Company's share at grant date of options*** HK$
Other employees								
In aggregate	7,900,000	–	(880,000)	7,020,000	14 January 2004	1 January 2005 to 27 August 2012	3.225	3.2
	7,200,000	–	(650,000)	6,550,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	–	11,750,000	(1,300,000)	10,450,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	15,100,000	11,750,000	(2,830,000)	24,020,000				
	17,150,000	15,000,000	(2,830,000)	29,320,000				

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

At 31 March 2007, the Company had 15,620,000 and 13,700,000 share options with an exercise price of HK$3.225 and HK$1.01 per share respectively, outstanding under the New Scheme, which altogether represented approximately 4.48% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 29,320,000 additional ordinary shares of the Company and additional issued share capital of HK$2,932,000 and share premium of approximately HK$61,279,500 (before issue expenses).

No options were granted, forfeited or exercised during the year ended 31 March 2006.

The fair value of the share options granted during the year amounted to HK$4,196,004 which was recognised wholly as equity-settled share option expense of HK$4,196,004 during the year ended 31 March 2007.

The fair value was estimated as at the date of grant using Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for valuation of the options granted during the year ended 31 March 2007:

Date of share options granted:	13 October 2006
Volatility (%):	39.03%
Risk-free interest rate (%):	4.03%
Expected life of option (year):	5.88

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the Group.

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	71,132	53	66,982	–	21,602	159,769
Profit for the year *(note 12)*	–	–	–	–	76,327	76,327
Issued as 2005 final scrip dividends	365	–	–	–	–	365
Interim 2006 dividend *(note 13)*	–	–	–	–	(22,927)	(22,927)
Proposed final and special 2006 dividends *(note 13)*	–	–	–	–	(45,853)	(45,853)
At 31 March 2006 and 1 April 2006	**71,497**	**53**	**66,982**	**–**	**29,149**	**167,681**
Loss for the year *(note 12)*	**–**	**–**	**–**	**–**	**(4,954)**	**(4,954)**
Interim 2007 dividend *(note 13)*	**–**	**–**	**–**	**–**	**(6,550)**	**(6,550)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**4,196**	**–**	**4,196**
Proposed final 2007 dividend *(note 13)*	**–**	**–**	**–**	**–**	**(13,101)**	**(13,101)**
At 31 March 2007	**71,497**	**53**	**66,982**	**4,196**	**4,544**	**147,272**

The proposed final and special dividends account within the equity section of the balance sheet represents an appropriation from retained profits and therefore forms part of the total of such reserves until the dividend is declared and paid.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the group reorganisation in September 1994, over the nominal value of the Company's shares issued in exchange therefor.

28. CONTINGENT LIABILITIES

As at 31 March 2007, the Company had provided guarantees to banks for banking facilities granted to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK$1,072,000 (2006: HK$21,680,000) as at the balance sheet date.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**296**	269
In the second to fifth years, inclusive	**198**	146
	494	415

(b) As lessee

The Group leases certain of its land and buildings under operating lease arrangements, with leases negotiated for terms of two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,154**	219
In the second to fifth years, inclusive	**750**	164
	1,904	383

The Company did not have any operating lease arrangements at the balance sheet date (2006: Nil).

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitments:

(i) Commitments in respect of management fees payable falling due

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**310**	310
In the second to fifth years, inclusive	**1,900**	1,688
After five years	**19,179**	19,706
	21,389	21,704

(ii) Commitments in respect of investments in wholly-foreign-owned enterprises in Mainland China

	Group	
	2007	2006
	HK$'000	*HK$'000*
Maystar	**23,843**	60,622
Kingmaker Zhong Shan	**39,347**	15,483
	63,190	76,105

(iii) Capital commitments in respect of property, plant and equipment and prepaid land lease

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for		
Construction of factory buildings	**12,858**	2,742
Prepaid land lease	**7,207**	–
	20,065	2,742

(iv) Other commitments

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for		
Establishment of production plants in Mainland China	**390,000**	–
Others	**2,691**	–
	392,691	–

The Company did not have any other significant commitments at the balance sheet date (2006: Nil).

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, during the year, the Group paid rental expenses of HK$1,005,312 (2006: HK$968,100) to Kingmaker Footwear Company Limited, a related company of which Mr. Chen Ming-hsiung, Mickey, Mr. Lee Kung, Bobby and Mdm. Huang Hsiu-duan, Helen, directors and shareholders of the Company, are also directors and shareholders. The rental expenses were determined with reference to the market conditions existing at the time when the rental agreement was entered into.

(b) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	7,304	6,901
Post-employment benefits	12	12
Share-based payments	909	–
Total compensation paid to key management personnel	8,225	6,913

Further details of directors' remuneration are included in note 9 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivable and accounts and bills payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, cash flow interest rate risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

1. Credit

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's principal financial assets are accounts receivable, other receivables, bills receivable and bank balances and cash.

The Group's credit risk is primarily attributable to its accounts and bills receivable. The Group is exposed to credit risk as substantial portion of its revenue is generated from a few recognised and creditworthy customers. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is minimal because the counterparties are banks with high credit-ratings.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

2. Market

Interest rate

The Group's cash flow interest rate risk is the impact of rate changes on interest-bearing financial assets and financial liabilities. Interest-bearing financial assets are mainly cash balances with banks which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group. Interest-bearing financial liabilities are mainly bank borrowings. Management monitors interest rate exposure and considers hedging significant interest rate exposure should the need arises.

Foreign currency

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. The accounts receivable and accounts payable of the Group are mainly denominated in foreign currencies. The Group has not entered into foreign currency forward contracts against its exposure to change of foreign exchange rate. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2007.