2008
ANNUAL
REPORT
二零零八年報

Walker Group
Holdings Limited

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

Walker shop
new style of your life

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian

AUDIT COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian

REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP (Chairman)*
SZE Tsai Ping, Michael
TSANG Link Carl, Brian

NOMINATION COMMITTEE

SZE Tsai Ping, Michael *(Chairman)*
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian

COMPANY SECRETARY

CHU Yin Man

QUALIFIED ACCOUNTANT

CHONG Lai Chu

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

Baker & McKenzie
P. C. Woo & Co

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR IN HONG KONG

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

REGISTRAR IN CAYMAN ISLANDS

Bank of Bermuda (Cayman) Limited
P.O. Box 513, Strathvale House
North Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

COMPLIANCE ADVISER

Taifook Capital Limited

INTERNET ADDRESS

www.walkershop.com.hk

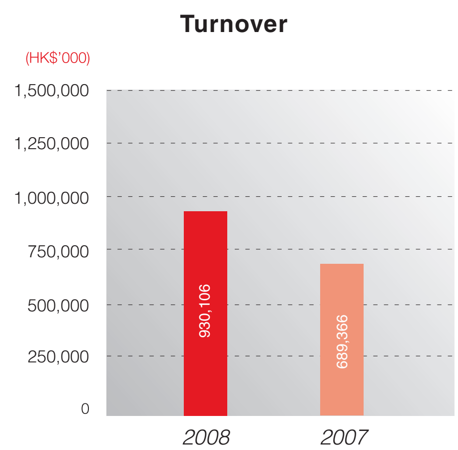
STOCK CODE

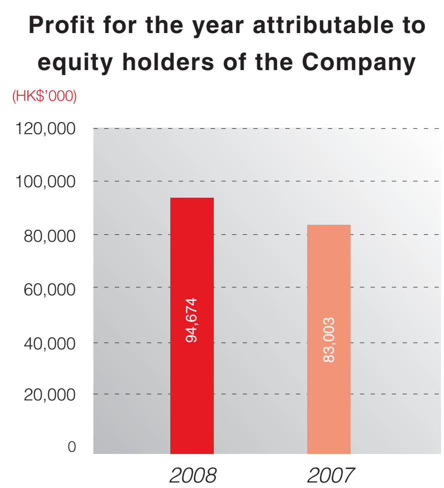
1386

Financial and Operational Highlights

FINANCIAL PERFORMANCE

	For the year ended 31 March **2008**	2007
Turnover *(HK$'000)*	**930,106**	689,366
Gross profit *(HK$'000)*	**550,159**	446,469
Profit for the year attributable to equity holders of the Company *(HK$'000)*	**94,674**	83,003
Basic earnings per share *(HK cents)*	**16.1**	18.4





KEY FINANCIAL INDICATORS

	For the year ended 31 March **2008**	2007
Average inventory turnover (days) *(Note 1)*	**179**	188
Average debtors' turnover (days) *(Note 2)*	**33**	28
Average creditors' turnover (days) *(Note 3)*	**82**	100
Capital expenditure *(HK$'000)*	**34,660**	43,662

KEY FINANCIAL INDICATORS

	As at 31 March **2008**	2007
Cash and cash equivalents *(HK$'000)*	**452,231**	47,823
Bank loans *(HK$'000)*	**—**	109,138
Equity attributable to equity holders of the Company *(HK$'000)*	**812,545**	140,019
Current ratio (times) *(Note 4)*	**6.8**	1.2
Gearing ratio (%) *(Note 5)*	**—**	24.2%

Financial and Operational Highlights

Notes:

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

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

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

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

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

Chairman's Statement

On 10 February 2008, we mourned the passing of my predecessor Mr. HUANG Wen Yi, who was also the founder of Walker Group Holdings Limited (the "Company") and its subsidiaries (the "Group"). After his unfortunate sudden departure, I was appointed Chairman of the Board of Directors (the "Board") of the Company. Though missing Mr. HUANG, the management and staff of the Group believe the best way to express our gratitude to him is to devote wholeheartedly to growing the Group's business. We will continue to work hard to take the business of the Group to new heights.

On behalf of the Board, I hereby present to you the annual report of the Company for the year ended 31 March 2008.

The Group designs and sells a diverse range of casual, smart casual and sports casual footwear products in the Greater China Region. For the year ended 31 March 2008, the net profit of the Group was approximately HK$95 million, representing an approximately 14.1% increase when compared with 2007. Turnover for the year ended 31 March 2008 rose by approximately 34.9% to approximately HK$930 million. The increase was due to the opening of new shops and increase of same store growth in the People's Republic of China ("PRC") by approximately 17.0% and in Hong Kong by approximately 5.8%.

The Group manages an extensive sales network in Hong Kong and the PRC through its headquarters in Hong Kong and three PRC regional operational offices in Beijing, Shanghai and Shenzhen. The Group is delighted with the positive prospects it is seeing in Greater China Sales. As at 31 March 2008, the Group had 533 self-managed sales points of which 475 were in 26 provinces in the PRC serving customers in over 92 cities including Guangzhou, Shenzhen, Wuhan, Hangzhou, Nanjing, Kunming, Chengdu, Xian, Shenyang and Harbin and four municipalities, namely, Beijing, Tianjin, Shanghai and Chongqing in the PRC and 58 were in Hong Kong. In addition, it had 7 concessions operated by a franchisee in Taiwan and 37 concessions operated by PRC franchisees in the PRC.

The Group does not own any production facilities. It engages a number of manufacturers in the PRC to produce its own and authorized brand products. This strategy has enabled the Group to focus resources and effort on sales points management, product design, quality control and sales and marketing and free business development from restriction by direct production concerns. The arrangement also gives the Group flexibility in securing product supply supported by the capacities of different manufacturers, minimized costs, quality assurance, and proximity to market. As a result, the Group has been able to expand its sales network effectively and guarantee adequate and timely supply of footwear products for its own and authorized brands.

Chairman's Statement *(Continued)*

PROSPECTS

Following the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 June 2007, its financial position has improved substantially. The net proceeds from the listing and exercise of over-allotment option were approximately HK$614 million giving the Group sufficient funds to execute our expansion plans. We will expend efforts in capturing business opportunities with existing and potential customers in the PRC market and other countries.

Tapping the Potential of the China Retail Market — Expansion of the Sales Network in the PRC and Hong Kong

To enlarge its shares in the footwear market in the PRC and Hong Kong, the Group has expanded and will continue to expand its sales network by setting up (i) franchised sales points in the PRC and (ii) additional self-managed sales points in the PRC and Hong Kong. The Directors are particularly confident of the prospects of the PRC market taking into account the growing purchasing power of consumers on the mainland fuelled by the booming Chinese economy in recent years.

For comparison, a breakdown of the Group's sales network is shown below:

Sales Points	As at 31.3.2007		As at 31.3.2008		Increase	
	Self-managed	Franchise	Self-managed	Franchise	Self-managed	Franchise
PRC	289	—	475	37	+186	+37
Hong Kong	55	—	58	—	+3	—
Taiwan	—	6	—	7	—	+1
	344	6	533	44	+189	+38

The Group intends to open approximately 250 new self-managed sales points in total in the PRC and Hong Kong and approximately 100 new franchised sales points in the PRC in the coming year.

Apply Outstanding Product Design and Development Capacities to Strengthen Own Brands

The Group owns six footwear brands, namely COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI and is dedicated to offering customers with premier footwear of exceptional designs and functionality. It intends to invest more resources in product design and development for its own and authorized brands. The product design and development team of the Group will continue to attend major fashion and footwear trade fairs and exhibitions to keep abreast of the latest fashion and footwear trends. The team will also continue to cooperate with the Group's manufacturers on applying new materials and technologies so as to enhance the quality and functionality of the Group's products.

Chairman's Statement *(Continued)*

Development of ACUPUNCTURE and PINK PANTHER brands

Our strategy of targeting different customers segments with different brands and different partners has allowed us to integrate different geographic and demographic business models to create a closely brand alliance that boasts tremendous synergies.

As at 31 March 2008, the Group operated 22 ACUPUNCTURE sales points in the PRC and Hong Kong but for PINK PANTHER, however, based on the degree in market acceptance to date, the Group does not believe it is time to open stand alone stores for the brand. Products of the brand will be offered on the market along with other brands the Group carries. ACUPUNCTURE, on the other hand, has been demonstrating strong potential in helping the Group to broaden its customer base and revenue sources. The Group intends to set up approximately 30 and 2 new ACUPUNCTURE sales points in total in the PRC and Hong Kong respectively in the coming year. In addition, the Group has been cooperating with a business partner in Japan to sell ACUPUNCTURE products to Japanese consumers and strengthen the brand's foothold in the country riding on its partner's distribution network.

Opening of Walker One in Beijing

The opening of Walker One in Beijing on 28 March 2008 was an important event and milestone for the Group's future business development in the PRC. It is not merely the addition of a new sales point for attracting more potential customers, but has given the Group a presence that can facilitate business expansion in the PRC and a platform for enhancing the image of the Group's own and licensed brands. It brings out the value of the Walker Shop trading model – a one-stop shop carrying multi-brands and varieties of footwear for meeting different needs of different consumers. This model boasts attraction to groups and families as it can offer choices and satisfy the different needs of their members at the same visit, which translates into higher business turnover of the Group.

Future Market Opportunities

To increase the profitability of the Group, we will keep on developing our brand businesses. The new OXOX sportswear collection is gaining reputation and ready to generate returns to the Group. We will continue to devote more marketing efforts to fortify the brand. As for Acupuncture products, we are very optimistic about their sales as the demands for them among the mass consumers in the PRC as well as in Hong Kong are growing fast. All taken into account, we expect to reap optimum returns from the different brands operated by the Group.

In addition to higher-tier cities, we will also expand our distribution network more aggressively to cover more in medium-sized cities in the PRC. We will keep looking for growth opportunities in the retail market of the country.

Chairman's Statement *(Continued)*

Upgrading Management Information Systems to Enhance Operation Efficiency

To enhance its operational efficiency, the Group is upgrading management information systems used by its warehouses, shops and concessions in Hong Kong and expects to complete related work by 31 March 2009. The Group plans to extend the system to other cities such as Beijing, Shanghai and Shenzhen in the PRC by March 2010. The Directors believe the upgraded systems will enable the Group to implement real time control on inventory and points of sales so that it can increase our distribution efficiency and minimize our working capital requirements. Through centralizing management of different operations, including sales and marketing, financial management and stock management in the PRC and Hong Kong, the Group will be able to enhance overall cost-effectiveness of its business.

Sales, Marketing and Promotion

Marketing and promotional activities are crucial to boosting brand awareness and stimulating sales of the Group's products. In this respect, the Group has appointed a famous PRC actress Miss ZHANG Yu Yee (張雨綺) as the first spokesperson for Walker Shop and the local girl singer group Hotcha to represent OXOX. For the year ended 31 March 2008, the Group's expenditure on sales and marketing was approximately 2.4% (2007: 0.9%). The increase of advertising expenditure was for long-term benefit of the Group in strengthening brand image and in fortifying healthy growth in the coming years. The Group will continue to launch advertising campaigns for its major own brands of COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI and the authorized brand ACUPUNCTURE. The Group will place advertisements in various media such as newspapers, magazines, television channels and outdoor bill boards. The Group will continue to ride on celebrities to maximize exposure of its various brands.

LOOKING AHEAD

What has long set us apart from our peers is our commitment to innovation and ability to understand and meet the needs of our customers.

We have planned to increase the number of shops for Walker Shop, COUBER.G, ARTEMIS AND ACUPUNCTURE and we have also planned to bring out in-house brands WALACI and OXOX as specialty stores by opening 15 and 50 shops in the coming year.

To show appreciation for the loyalty and hard work of the employees who have consistently contributed to the remarkable growth of the Group's business, our substantial shareholder had, from its own holdings, granted award shares to 29 employees before the listing of the Group in June 2007. Employees covered in this share award scheme are entitled to gradually take up 100% of their granted shares of the Company in 3-year vesting period.

Chairman's Statement *(Continued)*

Finally, on behalf of the Board, I would like to take this opportunity to express my thanks and sincere appreciation to all business partners, employees, the management and shareholders for their dedication and support to the long-term growth of the Group.

CHAN Mei Sheung
Chairman

10 July 2008

Management Discussion and Analysis

BUSINESS REVIEW

The Group designs and sells a diverse range of casual, smart casual and sports casual footwear products in Hong Kong and the PRC. It has divided its business in two main categories:

1. Sales of footwear products under six major own brands, namely COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI, and two authorized brands, namely, ACUPUNCTURE and PINK PANTHER; and

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

As at 31 March 2008, the Group operated a total of 577 sales points including self-managed shops of 58 in Hong Kong and 475 in the PRC and franchised concessions operated by franchisees of 37 in the PRC and 7 in Taiwan.

For the year ended 31 March 2008, the net profit of the Group was approximately HK$95 million, representing an approximately 14.1% increase when compared with 2007. Turnover for the year ended 31 March 2008 rose by approximately 34.9% to approximately HK$930 million. The increase was due to the opening of new shops and increase of same store growth in the PRC by approximately 17.0% and in Hong Kong by approximately 5.8%.

Riding on the thriving Chinese economy and growing spending power of consumers, the Group expanded sales points of its own brands, namely, COUBER.G, FORLERIA, OXOX, ARTEMIS and the licensed brand ACUPUNCTURE and effectively captured more business opportunities. The expanded network boosted the Group's own brand business by approximately 33% to approximately 812 million, accounting for approximately 87.3% of its total turnover. Sales of authorized brands and other brand business rose by approximately 50% to approximately HK$118 million, representing approximately 12.7% of the total turnover of which Acupuncture increased by approximately 78.0% to approximately HK$85 million representing approximately 9.1% of the total turnover.

Average daily sale of footwear products of the Group for the year ended 31 March 2008 was approximately 8,000 pairs (2007: 6,300 pairs) and the average selling price was approximately HK$300 (2007: HK$280).

During the year under review, the Group derived its income mainly from the PRC and Hong Kong and other markets which accounted for approximately 61.7%, 37.2%, and 1.1% of its turnover respectively.

Management Discussion and Analysis *(Continued)*

PRC

As the economy in the PRC continues to grow rapidly and the living standard of the people improves, demand for high quality footwear products in the PRC has also surged. To capture the rising demand, the Group has been active in promoting its brands in the PRC and is a frequent participant in promotional activities in department stores or shopping malls. During the year, the Group added 96 self-managed sales points for Walker Shop, 56 for COUBER.G, 11 for ARTEMIS, 10 for ACUPUNCTURE, 12 for OXOX and 1 Walker One bringing the total number of self-managed sales points in the PRC to 475 (2007: 289). The total revenue derived in the PRC amounted to approximately HK$573 million (2007: HK$366 million), an approximately 56.8% jump.

Hong Kong

The turnover and operating profits of our Hong Kong operation had grown steadily during the year under review. The Group has established authorized brand ACUPUNCTURE shop in the year which targets customers who follow latest fashion trends closely, has received very encouraging market response. During the year, the Group opened 4 ACUPUNCTURE shops and closed 2 COUBER. G shops and the Group also had a net increase of 1 Walker Shop. The total number of self-managed sales points in Hong Kong was 58 as at 31 March 2008 (2007: 55). In addition, the Group also mounted various advertising campaigns to increase exposure of its different brands. The total revenue generated in Hong Kong was approximately HK$347 million (2007: HK$318 million), a rise of approximately 9.1%.

PROSPECTS

The Group intends to open approximately 250 new self-managed sales points in total in the PRC and Hong Kong funded by IPO proceeds and approximately 100 new franchised sales points in the PRC in the coming year.

To increase the profitability of the Group, we will keep on developing our brand businesses. We will continue to devote more marketing efforts to fortify our brands.

The increase of advertising expenditure was for long-term benefit of the Group in strengthening brand image and in fortifying healthy growth in the coming years. The Group will continue to launch advertising campaigns for its major own brands of COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI and the authorized brand ACUPUNCTURE.

We will expend efforts in capturing business opportunities with existing and potential customers in the PRC market and other countries.

Management Discussion and Analysis *(Continued)*

FINANCIAL REVIEW

Results of Operations

The Group's consolidated turnover continued to grow steadily, increased by approximately 34.9% for the year, to approximately HK$930 million (2007: HK$689 million). Gross profit of the Group was approximately HK$550 million (2007: HK$446 million), an increase of approximately 23.2%, and profit attributable to shareholders increased by approximately 14.1% to approximately HK$95 million (2007: HK$83 million).

For the first half of the 2008 financial year ("first half"), the net profit of the Group was approximately HK$60 million whereas for the second half of the 2008 financial year ("second half"), the net profit of the Group was approximately HK$35 million. The aforesaid net profit includes non-operating items such as interest income from deposits relating to share subscription under the new listing of approximately HK$19 million in the first half and gain on disposal of property, plant and equipment of approximately HK$3 million in the first half and share option and share award expenses in the first half of approximately HK$6 million and in the second half of approximately HK$5 million. Upon exclusion of such non-operating items, the Group's adjusted net profit was approximately HK$44 million and HK$40 million for the first and second half respectively. The main reasons for the decrease of approximately 10.7% in the second half when compared with the first half were due to (a) the sales performance of sales points located in Sichuan, Hubei, Hunan, Jiangxi and Guizhou in the PRC totaling 77 and representing about 16% of the total sales points in the PRC were affected by the heavy snow storms in January 2008; and (b) the absorption of advertising and promotion expenses of approximately HK$7 million in the first half and approximately HK$15 million in the second half which doubled the first half. The increase of advertising and promotion expenditures was necessary for long-term benefit of the Group in strengthening brand image and in fortifying healthy growth in the coming year.

Liquidity and Financial Resources

As at 31 March 2008, the Group had working capital of approximately HK$717 million (2007: HK$53 million) and its current ratio was steady at approximately 6.8 times (2007: 1.2 times).

As at 31 March 2008, the Group had cash and cash equivalents of approximately HK$452 million (2007: HK$48 million). The Group had no outstanding bank borrowings as at 31 March 2008 (gearing ratio: N/A). The gearing ratio (being total interest-bearing bank loans divided by total assets) of the Group as at 31 March 2007 was approximately 24.2%. Details of borrowings and cash and cash equivalents are set out in Note 21 and Note 18 to the consolidated financial statements respectively.

Management Discussion and Analysis *(Continued)*

As at 31 March 2008, the Group had aggregate banking facilities of approximately HK$237 million for overdrafts, bank loans and trade financing. For the year ended 31 March 2008, rental cost was approximately HK$235 million (2007: HK$188 million), staff cost was approximately HK$134 million (2007: HK$80 million), and advertisement cost was approximately HK$22 million (2007: HK$6 million). As at 31 March 2008, the Group had no charge on its assets.

With adequate cash flow generated from operating activities and financial resources available, the Group believes it has sufficient working capital to meet current requirements.

During the year, the Group increased inventory to ensure it had sufficient stock to meet the needs of its rapidly expanding business. Inventory turnover was approximately 179 days (2007: 188 days) and the total value of inventory as at 31 March 2008 was approximately HK$217 million (2007: HK$155 million).

Foreign Exchange Management

The Group operates principally in Hong Kong and Mainland China. Transactions are mainly conducted in the functional currency of each group entity and therefore the foreign currency risk is considered to be minimal. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control of the PRC government.

Contingent Liabilities

As at 31 March 2008, the Group did not have any contingent liability.

HUMAN RESOURCES

As at 31 March 2008, the Group had a total of 3,479 employees. Training courses on sales skills and product knowledge are regularly organized for employees by the Group. Staff remuneration are determined by reference to qualification, experience, performance and contribution to the Group. Competitive remuneration packages including basic salaries, allowances, share options, insurance and bonuses are also offered to employees.

Management Discussion and Analysis *(Continued)*

DIVIDENDS

The Directors have proposed payment of final dividend of 1.5 HK cents per ordinary share for the year ended 31 March 2008 to shareholders whose names appear on the register of members of the Company on Friday, 22 August 2008. Subject to approval of the shareholders at Annual General Meeting of the Company to be held on 28 August 2008, the final dividend is expected to be paid to the shareholders on or around 11 September 2008.

SHARE CAPITAL AND REORGANIZATION

Details of the material changes in share capital and reorganization of the Group during the year are set out in Note 19 and Note 1.2 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. CHAN Mei Sheung, aged 41, is an executive Director and the Chairman of the Company. She is a director of Smart Presto Holdings Limited, a holding company of the Group, and she is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, and Walker Shop Footwear Limited. She is responsible for the overall management and strategic development of the Group. Ms. CHAN has around 16 years of experience in the footwear industry. She joined the Group in 1992 as a director of Trunari Enterprises Company Limited.

Mr. KIU Wai Ming, aged 59, is an executive Director and the Chief Executive Officer of the Company. He is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, and Walker Shop Footwear Limited. He is responsible for the overall management of the Group. Mr. KIU is an experienced banker and has extensive experience in the finance and banking industry. Between 1990 and 1999, he was a director of Dah Sing Financial Holdings Limited and a director of Dah Sing Bank Limited. From 1999 to 2002, Mr. KIU was a director and Deputy Chief Executive at Industrial & Commercial Bank of China (Asia) Limited. Mr. KIU currently is an independent non-executive director of Man Sang International Limited, a company listed on the Stock Exchange. He is also an independent non-executive director of CCB International (Holdings) Limited, an investment bank wholely-owned by China Construction Bank. He holds a Bachelor of Science degree from Louisiana State University. He joined the Group in March 2007.

Mr. CHU Yin Man, aged 48, is an executive Director, the Chief Financial Officer and the company secretary of the Company. He is also a director of major subsidiaries of the Group including Trunari Enterprises Limited, Senet International Limited, and Walker Shop Footwear Limited. He is responsible for the finance and information technology function of the Group. Mr. CHU obtained a Bachelor's Degree in Accountancy from the City University of Hong Kong in 1991 and then obtained a Diploma of Electronic Business and Business Management from ZhongShan University in 2001. In 1995, Mr. CHU was graduated from the University of Strathclyde with a Master Degree in Business Administration. Mr. CHU is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Besides, he is also an associate of the Hong Kong Institute of Company Secretaries, an associate of Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Institute of Directors. Mr. CHU has over 26 years of experience in accounting and finance. He joined the Group in 2006.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SZE Tsai Ping, Michael, aged 62, is an independent non-executive Director. Mr. SZE has over 30 years of extensive experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from the University of Hong Kong. He is currently a Member of the Disciplinary Appeals Committee of the Stock Exchange and a Member of the Market Misconduct Tribunal. He was a former Council Member, Member of the Main Board Listing Committee of the Stock Exchange, Member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited and Member of the Securities and Futures Appeals Panel. Mr. SZE is a non-executive director of Burwill Holdings Limited and an independent non-executive director of GOME Electrical Appliances Holding Limited, Greentown China Holdings Limited, Harbour Centre Development Limited and CY Foundation Group Limited all of which are listed on the Stock Exchange. Mr. SZE is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a fellow of the Hong Kong Institute of Directors. Mr. SZE was appointed as an independent non-executive Director of the Company in May 2007.

Dr. FAN Yiu Kwan, *JP***,** aged 63, is an independent non-executive Director. Dr. FAN is Executive Director of Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Dr. FAN received his Bachelor of Arts (Hon) degree from the University of Hong Kong, Master of Arts degree from the University of Toronto, Canada and PhD from the University of Wisconsin-Madison, USA. He currently serves as a member of the Panel on Pan-Pearl River Delta, Central Policy Unit, Government of the HKSAR, and the Council and Executive Committee of the Hong Kong Institute of Directors. He was appointed as an independent non-executive Director of the Company in May 2007.

Mr. TSANG Link Carl, Brian, aged 44, is an independent non-executive Director. Mr. TSANG is a practicing solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li. He was graduated from King's College, London with a LLB Degree in 1985. He is also admitted to practice law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. He is currently an independent non-executive director of CITIC Resources Holdings Limited and Pacific Century Premium Developments Limited, both are public companies listed on the Main Board of the Stock Exchange, and a non-executive director of Midland IC&I Limited, which is a public company listed in the GEM Board of the Stock Exchange. In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal. In 2006, he has also been a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a member of the Appeal Panel on Housing. Mr. TSANG was appointed as an independent non-executive Director of the Company in May 2007.

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

SENIOR MANAGEMENT

Mr. CHENG Dong Xue (alias Cheng Zi), aged 40, is the general manager of the China region of the Group and is responsible for planning, executing and monitoring of operational strategies in the PRC. Mr. CHENG has a qualification of assistant engineer in the PRC and has over 4 years experience in business management. He joined the Group in 2003.

Mr. LI Hoi Wing, Dennis, aged 47, is the general manager of the Hong Kong Division. Mr. LI holds a Bachelor of Education (Hons) degree of the University of Nottingham, U.K. He was a Disciplinary Master in a catholic secondary school for some years and since 1988 he was the Marketing Director and General Manager of several companies. In 1991, Mr. LI obtained a Higher Diploma in China Trade of the University of Jinan, China and he is undertaking a Master of Business Administration degree program of the University of Hull, U.K. He joined the Group in November 2007.

Mr. HUNG Tin Chun, aged 60, is the general manager of the Guangzhou office and he is responsible for product development management, merchandising and quality control in our Group. Mr. HUNG has around 30 years experience in footwear industry and is strong on the product technology and manufacturing. He joined the Group in November 2007.

Ms. CHENG Wan Wai, Clara, aged 38, is the brand manager for Footwear Product Development in the Group. She holds a Bachelor of Applied Arts degree in Fashion Merchandising of Ryerson Polytechnic University, Toronto, and a Fashion Master of Business Administration degree of the Hong Kong Polytechnic University. Ms. CHENG has over 18 years experience in retail image design, brand development and fashion products design. She joined the Group in February 2008.

Ms. CHONG Lai Chu, aged 40, is the senior finance manager and is responsible for the Group's accounting and finance matters. Ms. CHONG is also the Company's full-time qualified accountant. She holds a Post-Secondary Diploma in Accounting from the Hong Kong Shue Yan College and Degree of Master of Business Administration from the University of Manchester. Ms. CHONG is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a fellow associate of the Association of Chartered Certified Accountants. Ms. CHONG has over 14 years of experience in auditing and accounting. She served as accounts manager of a group of companies engaged in footwear manufacturing prior to joining the Group in 2006.

Mr. CHOW Wai Kwong, Barry, aged 42, is the information technology manager of the Group. Mr. CHOW holds a Bachelor degree and a Master degree in Computer Science of Victoria University of Technology (Australia). He is a Certified Project Management Professional (PMP) and sub-committee member of Project Management Institute, Hong Kong. He has more than 16 years of IT experience in project management, systems design and implementation in the public and private sectors. He joined the Group in December 2007.

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

Ms. LUK Chiu Lan, aged 43, is the human resources manager. Ms. LUK holds a degree of Bachelor of Commerce from the University of Guelph with about 13 years of experiences in human resources and administration. Before joining the Group in 2007, Ms. LUK had worked as human resources and/or administration manager for a number of companies engaging in the retail, information technology, air forwarder and hotel industries. She is an experienced professional in human resources and is responsible for the Group's human resources policy and administration affairs.

Ms. GAO Shu Hua, aged 39, is the human resources manager in the PRC region. Ms. GAO obtained a Degree in Public Relations from Beijing University of Post and Telecommunications (北京郵電大學). Ms. GAO has over 8 years of experience in human resources and administration.

Mr. WANG Yin Hua, aged 44, is the leasing manager of the PRC and is responsible for business development in the PRC. Mr. WANG obtained a Degree by studying a Business Management course jointly organized by the University of Linguistics and Logic (中國邏輯語言授函大學) and the Commercial and Economic Department of People's University (中國人民大學). Mr. WANG has more than 17 years of experience in the retail business and 4 years experience in the department store industry.

Ms. KEI Wei Hong, aged 40, is the finance manager of the PRC region and is responsible for financial management. Ms. KEI holds a Certificate of Accountancy in China and is a qualified accountant in the PRC (中華人民共和國會計師) with 6 years of experience in financial management in respect of the China retail industry. She joined the Group in 2003.

Corporate Governance Report

The Board recognizes the importance of corporate governance practice to a listed company. The Company is committed to ensure high standards of corporate governance in the interest of the shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Board believes that the Company has since the date of listing on 7 June 2007 complies with the Code.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code since the Listing Date.

BOARD OF DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

Mr. SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
Mr. TSANG Link Carl, Brian

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

Corporate Governance Report *(Continued)*

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

During the year, 5 full board meetings were held and the attendance of each director is set out on page 24.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with article 87 and article 88 of the Company's Articles of Association, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each annual general meeting. Each of the independent non-executive Directors has been appointed for a term of three years commencing on 7 June 2007, subject to the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors entered into a service agreement with the Company to act for a term of three years, all commencing 7 June 2007 and shall continue thereafter until terminated, among others, by not less than three months' notice in writing served to each other or in accordance with the terms of service agreement.

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

The independent non-executive Directors have been appointed for a term of 3 years. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

RESPONSIBILITIES OF DIRECTORS

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

Corporate Governance Report *(Continued)*

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

BOARD COMMITTEES

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

NOMINATION COMMITTEE

The Nomination Committee has been established in May 2007 and currently consists of three members, including Mr. Sze Tsai Ping, Michael, Dr. Fan Yiu Kwan, *JP*, and Mr. Tsang Link Carl, Brian, all of them are independent non-executive Directors. Mr. Sze Tsai Ping, Michael is the chairman of the Nomination Committee.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will be based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment) to identify and recommend proposed candidates to the Board.

Primary functions and roles of the Nomination Committee are:

1. To identify suitable candidates and make recommendations to the Board on selection of candidates so nominated for directorships and to make recommendations to the Board concerning appointment or re-appointment of directors.

2. To review the size, structure, and composition of the Board on a regular basis.

The Nomination Committee shall meet at least once a year. During the year, one Nomination Committee was held and the attendance of each member is set out on page 24.

At the meeting held during the year, the re-appointment of retiring directors which were approved by the shareholders at the annual general meeting was recommended and the nomination of Ms. CHAN Mei Sheung as the new Chairman of the Group after the death of Mr. HUANG Wen Yi was recommended.

Corporate Governance Report *(Continued)*

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in May 2007 with specific written terms of reference which deal with its authority and duties. It currently consists of three members, including Dr. Fan Yiu Kwan, *JP*, Mr. Sze Tsai Ping, Michael, and Mr. Tsang Link Carl, Brian, all of them are independent non-executive Directors. Dr. Fan Yiu Kwan, *JP* is the chairman of the Remuneration Committee.

Primary functions and roles of the Remuneration Committee are:

1. To make recommendations to the Board regarding the Company's policy and structure for all remuneration of directors and senior management and to ensure that they could be retained and motivated.

2. To determine the specific remuneration packages of all directors and senior management having regard to other comparables listed companies in Hong Kong, qualifications, experience, performance and contribution to the Company.

3. To review and approve from time to time the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

4. To ensure no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least twice a year. During the year, two Remuneration Committee meetings were held and the attendance of each member is set out on page 24.

At the meeting held during the year, the remuneration packages of all directors of the Company with reference to their experience, performance and other comparables listed companies in Hong Kong were reviewed and considered. Performance based bonus to directors and senior management staffs were also considered and reviewed. Details of the emoluments paid/payable to individual directors of the Company are set out in Note 29 to the consolidated financial statements.

Audit Committee

The Board set up the Audit Committee in May 2007 and its role is to review the Group's financial reporting, internal controls and to make relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Sze Tsai Ping, Michael, Dr. Fan Yiu Kwan, *JP*, and Mr. Tsang Link Carl, Brian. Mr. Sze Tsai Ping, Michael is the chairman of the Audit Committee.

Corporate Governance Report *(Continued)*

Primary functions and roles of the Audit Committee are:

1. To assess the external auditor's independence and their nature and scope of works.

2. To review financial information of the Group including the Group's financial reporting system, internal control procedures and risk management and to make recommendations to the Board.

3. To consider the external auditor's appointment, reappointment and removal, and to approve their remuneration and the terms of engagement, and matters relating to the resignation or dismissal of the Group's external auditor.

4. To review interim and annual financial report before submission to the Board.

5. To review the external auditor's management letter and material queries relating to accounting records, financial accounts or systems of control and management's response.

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

1. To review 2008 annual and interim financial report.

2. To review external auditor's audit plan, terms of engagement and recommend the auditor's fees for the Board's approval.

3. To review the management letters and reports issued by the external auditor.

4. To review the effectiveness of internal control and financial control systems.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

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

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

Corporate Governance Report *(Continued)*

ATTENDANCE OF BOARD AND BOARD COMMITTEES' MEETINGS

The attendance rates of individual members in the Board and the Board Committees' meetings held for the year ended 31 March 2008 are detailed as follows:

	Number of meetings attended/held for the year ended 31 March 2008			
	Board	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. HUANG We Yi *(passed away on 10 February 2008)*	3/5		1/2	
Ms. CHAN Mei Sheung *(Chairman)*	5/5	1/1	1/2	
Mr. KIU Wai Ming *(CEO)*	5/5			
Mr. CHU Yin Man *(CFO)*	5/5			2/2
Independent non-executive Directors				
Mr. SZE Tsai Ping, Michael *(Chairman of Nomination & Audit Committees)*	5/5	1/1	2/2	2/2
Dr. FAN Yiu Kwan, *JP* *(Chairman of Remuneration Committee)*	4/5	1/1	2/2	2/2
Mr. TSANG Link Carl, Brian	5/5	1/1	2/2	2/2
Average attendance rate	97%	100%	100%	100%

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board reviews the effectiveness of the internal control system of the Group covering financial, operational, compliance and risk management functions with no material issues noted.

Corporate Governance Report *(Continued)*

MANAGEMENT FUNCTIONS

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

AUDITOR'S REMUNERATION

During the year, the fees paid/payable to the Company's external auditor, PricewaterhouseCoopers, for the provision of audit services and non-audit services amounted to approximately HK$1,700,000 (audit) and approximately HK$297,000 (non-audit) comprising interim review fee at approximately HK$230,000 and tax compliance service fee at approximately HK$67,000.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

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

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

Report of Directors

The Directors of Walker Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2008.

Corporate Reorganization and Public Listing

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

Details of the group reorganization of the Group are set out in Note 1.2 to the consolidated financial statements. The shares of the Company were listed on Stock Exchange on 7 June 2007.

Principal Activities

The Company is an investment holding company. The activities of the subsidiaries are set out in Note 39 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42.

Dividend

An interim dividend of HK1.5 cents per ordinary share totaling HK$9,337,500 was paid on 29 January 2008.

The board of Directors recommends payment of a final dividend of HK1.5 cents per ordinary share for the year ended 31 March 2008, totaling HK$9,337,500 to the shareholders whose names appear on the Register of Members on Friday, 22 August 2008.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 113 to 116.

Report of Directors *(Continued)*

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 19 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 43 of this Annual Report.

Movements in the reserves of the Company during the year are set out in Note 19 and 20 to the consolidated financial statements.

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

As at 31 March 2008, the share premium of the Company was approximately HK$562,070,000 (2007: nil), the share-based compensation reserve of the Company was approximately HK$10,196,000 (2007: nil). The retained earnings of the Company was approximately HK$18,750,000 (2007: nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 7 to the consolidated financial statements.

Directors

The members of board of Directors during the year ended 31 March 2008 and up to the date of this report were:

Executive Directors

Mr. Huang Wen Yi	(appointed on 10 November 2006, deceased on 10 February 2008)
Ms.Chan Mei Sheung	(appointed on 10 November 2006)
Mr. Kiu Wai Ming	(appointed on 21 May 2007)
Mr. Chu Yin Man	(appointed on 21 May 2007)

Independent non-executive Directors

Mr. Sze Tsai Ping, Michael	(appointed on 21 May 2007)
Dr. Fan Yiu Kwan, *JP*	(appointed on 21 May 2007)
Mr. Tsang Link Carl, Brian	(appointed on 21 May 2007)

Report of Directors *(Continued)*

In accordance with article 87 and article 88 of the Company's Articles of Association, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each annual general meeting. Each of the independent non-executive Directors has been appointed for a term of three years commencing on 7 June 2007, subject to the provisions of the Company's Articles of Association.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive Directors is independent. Biographical details of the Directors as at the date of this report are set out on pages 15 to 18.

Directors' Service Contracts

Each of the Directors entered into a service agreement with the Company to act for a term of three years, all commencing 7 June 2007 and shall continue thereafter until terminated, among others, by not less than three months' notice in writing served to each other or in accordance with the terms of service agreement.

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

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

As at 31 March 2008, the interests of each Director and chief executive in the shares, share options, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long Position

Beneficial interests in the shares of the Company:

	Capacity & number of Shares held			Number of share options held			
Name of Director	Personal interest	Family interest	Corporate interest	Personal interest *(note 3)*	Family interest	Total	Approximate percentage of shareholding
Chan Mei Sheung *(note 2)*	—	449,920,000 *(note 1)*	—	3,550,000	1,314,000	454,784,000	73.06%
Chu Yin Man *(note 4)*	300,000	—	—	1,200,000	—	1,500,000	0.24%
Kiu Wai Ming	—	—	—	2,000,000	—	2,000,000	0.32%

Report of Directors *(Continued)*

Notes:

1. Mr. Huang Wen Yi ("Mr. Huang"), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang's estate is taken to be interested in the 449,920,000 Shares held by Smart Presto Holdings Limited, owned as to 90% by estate of Mr. Huang and 10% by Ms. Chan Mei Sheung ("Ms. Chan").

2. Ms. Chan was the wife of Mr. Huang and is taken to be interested in the 449,920,000 Shares held by Smart Presto Holdings Limited and the option relating to 1,314,000 shares granted to Mr. Huang. Ms. Chan is in the process of applying to the Probate Registry in Hong Kong for Grant of Letters of Administration in respect of the estate of the late Mr. Huang.

3. These represent the number of Shares which will be allotted and issued to such Directors upon the exercise of the option granted to each of them under the Pre-IPO Share Option Scheme.

4. The 300,000 Shares were granted to Mr. Chu Yin Man pursuant to the Employee Share Purchase Agreement entered into by Mr. Huang, Smart Presto Holdings Limited and Mr. Chu Yin Man on 2 May 2007.

Save as disclosed above, as at 31 March 2008, none of the directors or the chief executives of the Company nor their associates had any interests or short positions in any shares, share options, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholder's Interests in Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed above in respect of certain directors, as at 31 March 2008, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Long Position

Substantial Shareholder	Number of Shares Held	Capacity	Approximate percentage of shareholding
Smart Presto Holdings Limited *(note 1)*	449,920,000	Beneficial owner	72.28%

Note:

1. Smart Presto Holdings Limited, which is owned as to 90% by estate of Mr. Huang and 10% by Ms. Chan, is the registered owner of 449,920,000 Shares.

As at the date of this report, save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) who as at 31 March 2008 had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of Directors *(Continued)*

Save as the shareholders as disclosed herein, the Directors are not aware of any persons who were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Directors' Interest in Contracts of Significance

The Company had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 March 2008. No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interest in Competing Business

1. The Excluded Business

Ms. Chan, the director and controlling shareholder of the Company, has set up the following business in 2000 (collectively known as "Excluded Business") with the objective to establish a separate sales network with a focus on sales of casual footwear and casual apparel products in the PRC and Hong Kong to young and fashion-conscious customers. Hong Kong Excluded Business comprised of the sales business operated by Walker Group Footwear Limited (before 30 November 2006) and Hoso International Company Limited (after 30 November 2006) in Hong Kong through the sales points under the name of HOSO PLACE. The PRC Excluded Business comprised the sale business operated by Guangzhou Walker Shop Trading Limited in the PRC through sales points under the name of HOSO PLACE. All Excluded Businesses were ceased by September 2007.

2. Non-competition Undertaking

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

In compliance with the Non-competition Undertaking, the Company has received confirmation from Ms. CHAN Mei Sheung in respect of her compliance with the Non-competition Undertaking since the date of listing in the Stock Exchange.

Report of Directors *(Continued)*

Pre-IPO Share Option Scheme

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

On 21 May 2007, options (the "Share Option") to subscribe for a total of 15,000,000 shares ("Shares") in the Company, representing 2.5% of its issued share capital, at the exercise price of HK$3.09 per share equivalent to 80% of the final offer price of HK$3.86 per share upon its listing on the Stock Exchange (the "Listing") were granted under the Pre-IPO Scheme.

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

Share Options relating to a total of 1,120,000 shares were surrendered by some of the continuous contract employees of the Group who left employment during the year ended 31 March 2008. None of the Share Options was exercised during the year ended 31 March 2008.

A summary of the movements for the year ended 31 March 2008 of the Share Options is as follows:

	No. of share options						
Name or Category of participant	**Balance as at 1 April 2007**	**Granted during the year ended 31 March 2008**	**Exercised during the year ended 31 March 2008**	**Lapsed during the year ended 31 March 2008**	**Balance as at 31 March 2008**		**Percentage of issued share capital**
							%
Directors							
Huang Wen Yi	–	4,380,000	–	3,066,000	1,314,000	*(note)*	0.21
Chan Mei Sheung	–	3,550,000	–	–	3,550,000		0.57
Chu Yin Man	–	1,200,000	–	–	1,200,000		0.19
Kiu Wai Ming	–	2,000,000	–	–	2,000,000		0.32
Employees							
Continuous contract employees	–	3,870,000	–	1,120,000	2,750,000		0.44

Report of Directors *(Continued)*

Note: Mr. Huang Wen Yi passed away on 10 February 2008. Pursuant to the terms of the Pre-IPO Scheme, Mr. Huang's legal personal representative shall be entitled after commencement of the option period until the last day of the period of 12 months from 10 February 2008 to exercise his Share Option. Since the option periods in respect of 70% of the Shares comprised in his Share Option would not commence by such last day, Mr. Huang's legal personal representative would only have the benefit of his Share Option in respect of 30% of the Shares comprised therein, i.e. 1,314,000 Shares, as at 31 March 2008.

The offer price of the Shares upon listing on 7 June 2007 is HK$3.86. The value of the options granted to the respective parties is as follows:

	HK$
Directors	
Mr. Huang Wen Yi	7,621,200
Ms. Chan Mei Sheung	6,177,000
Mr. Kiu Wai Ming	3,480,000
Mr. Chu Yin Man	2,088,000
Employees	
Continuous contract employees	6,733,800

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

As at 31 March 2008, Share Option in respect of 10,814,000 shares were outstanding. The exercise in full of such Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK$32,334,000.

The Pre-IPO Scheme expired on 23 May 2007 and save for the options that have been granted mentioned above, no further option will be offered or granted under the Pre-IPO Scheme.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by the shareholders' written resolution of the Company dated 21 May 2007. Summary of principal terms of the Share Option Scheme is set out below. No option had been granted under the Share Option Scheme since its adoption on 21 May 2007.

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

Report of Directors *(Continued)*

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

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

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

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

The number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. As at the date of this report, a total of 60,000,000 Shares representing 10% and approximately 9.6% of the issued share capital of the Company as at the date of commencement of dealings of Shares in the Stock Exchange and as at the date of this report respectively are available for issue under the Share Option Scheme.

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

During the year, no options had been granted or remained outstanding under the Share Option Scheme.

Report of Directors *(Continued)*

Directors' Right to Acquire Shares

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

Management Contract

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Pre-emptive Rights

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

Major Customers and Suppliers

During the year, all suppliers of the Group are independent third parties except one chief supplier who operates a joint venture with one of the subsidiaries of the Group producing office lady shoes under the brand name of EPICA. The Group's largest supplier accounted for approximately 12.3% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 41.8% of the Group's total purchases.

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

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

Directors' and the Five Highest Paid Individuals' Emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 29 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties and responsibilities, the Company's performance, the prevailing market conditions and after considering the market emoluments for directors of other listed companies.

Report of Directors *(Continued)*

The contributions to pension scheme of Directors for the year are disclosed in Note 29 to the consolidated financial statements.

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code since the date of listing.

Corporate Governance

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

Audit Committee

The Company established an audit committee on 21 May 2007 with terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The members of the audit committee are independent non-executive Directors, namely Mr. Sze Tsai Ping, Michael, Dr. Fan Yiu Kwan, *JP* and Mr. Tsang Link Carl, Brian. Mr. Sze Tsai Ping, Michael is the chairman of the audit committee. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2008, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

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

The proceeds from the issuance of new shares by the Group in June 2007, net of listing expenses, were approximately HK$614 million. For the year ended 31 March 2008, net proceeds were utilized in the following manners:

	Per Prospectus *HK$'million*	**Amount utilized** *HK$'million*	**Balance as at 31 March 2008** *HK$'million*
Setting up franchised and self-managed sales points	407	126	281
Setting up specialty sales points	96	18	78
Strengthening the product design and development capability	15	—	15
Upgrading management information system	15	—	15
Marketing and promotional activities	30	11	19
Working capital	51	51	—
	614	206	408

The unutilized balance was placed in short-term bank deposits in commercial banks in Hong Kong. The Group intends to utilize the net proceeds balance in the same manner and proportion as set out in the prospectus of the Company dated 28 May 2007.

Report of Directors *(Continued)*

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float of the Shares as required by the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 18 August 2008 to Friday, 22 August 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend all transfers accompanied by the relevant share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 15 August 2008.

Auditor

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

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

On behalf of the Board

CHAN Mei Sheung
Chairman

Hong Kong
10 July 2008

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Walker Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 112, which comprise the consolidated and company balance sheets as at 31 March 2008, 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 our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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.

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 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 July 2008

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land	6	**18,877**	35,196
Property, plant and equipment	7	**42,411**	41,061
Intangible assets	8	**10,866**	14,039
Interests in joint ventures	10	**1,318**	—
Deferred income tax assets	11	**8,129**	1,061
Available-for-sale financial assets	12	**1,211**	1,168
Rental deposits		**20,378**	14,160
		103,190	106,685
Current assets			
Inventories	13	**217,281**	155,176
Trade receivables	14	**97,107**	68,781
Amounts due from related companies	15	**—**	33,280
Deposits, prepayments and other receivables	16	**41,076**	28,709
Financial assets at fair value through profit or loss	17	**19,779**	—
Tax recoverable		**3,395**	17
Restricted cash	18	**10,000**	10,000
Cash and cash equivalents	18	**452,231**	47,823
		840,869	343,786
Total assets		**944,059**	450,471
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	**62,250**	10,000
Share premium	19	**562,070**	—
Other reserves	20	**59,329**	29,941
Retained earnings		**128,896**	100,078
Total equity		**812,545**	140,019

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	—	9,914
License fees payable		5,889	9,393
Obligation under finance lease	22	1,001	—
Deferred income tax liabilities	11	340	295
		7,230	19,602
Current liabilities			
Borrowings	21	—	99,224
Trade payables	23	85,589	84,905
Accruals and other payables		30,363	37,559
License fees payable		3,752	3,302
Amounts due to related companies	15	—	37,786
Amounts due to directors	24	—	13,048
Obligation under finance lease	22	316	—
Tax payable		4,264	15,026
		124,284	290,850
Total liabilities		131,514	310,452
Total equity and liabilities		944,059	450,471
Net current assets		716,585	52,936
Total assets less current liabilities		819,775	159,621

On behalf of the Board

Director
Chan Mei Sheung

Director
Chu Yin Man

The notes on pages 45 to 112 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,415	—
Interests in subsidiaries	9	379,013	—
		380,428	—
Current assets			
Deposits, prepayments and other receivables	16	457	—
Cash and cash equivalents	18	275,499	—
		275,956	—
Total assets		656,384	—
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	62,250	—
Share premium	19	562,070	—
Share-based compensation reserve	20	10,196	—
Retained earnings	20	18,750	—
Total equity		653,266	—
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	22	1,001	—
Current liabilities			
Accruals and other payables		1,801	—
Obligation under finance lease	22	316	—
		2,117	—
Total liabilities		3,118	—
Total equity and liabilities		656,384	—
Net current assets		273,839	—
Total assets less current liabilities		654,267	—

On behalf of the Board

Director	*Director*
Chan Mei Sheung	**Chu Yin Man**

Note: At 31 March 2007, the Company had the sole asset of bank balance of HK$0.1, representing the Company's issued and fully paid up capital upon incorporation.

The notes on pages 45 to 112 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	930,106	689,366
Cost of sales	25	(379,947)	(242,897)
Gross profit		550,159	446,469
Selling and distribution costs	25	(408,506)	(297,393)
Administrative expenses	25	(77,913)	(41,010)
Other gains/(losses) — net	26	2,961	(268)
Other income	27	7,541	3,084
Operating profit		74,242	110,882
Finance income	30	35,365	129
Finance costs	30	(3,120)	(3,134)
Finance income/(costs) — net		32,245	(3,005)
Share of loss of joint ventures	10	(192)	—
Profit before income tax		106,295	107,877
Income tax expense	31	(11,621)	(24,874)
Profit for the year attributable to equity holders of the Company	32	94,674	83,003
Earnings per share for profit attributable to the equity holders of the Company (HK cent per share)			
— basic	33	16.1	18.4
— diluted	33	16.1	18.4
Dividends	34	69,836	25,930

The notes on pages 45 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2008

	Share capital and premium *(Note 19)* *HK$'000*	Other reserves *(Note 20)* *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 April 2006	10,000	24,713	98,720	133,433
Fair value losses of available-for-sale financial assets	—	(2)	—	(2)
Currency translation differences	—	1,951	—	1,951
Profit for the year	—	—	83,003	83,003
Total recognised income and expenses	10,000	26,662	181,723	218,385
Transfer	—	2,515	(2,515)	—
Distribution *(Note 20(a)(iii))*	—	764	(53,200)	(52,436)
Dividends *(Note 34)*	—	—	(25,930)	(25,930)
Balance at 31 March 2007	10,000	29,941	100,078	140,019
Fair value gains of available-for-sale financial assets	—	43	—	43
Currency translation differences	—	13,791	—	13,791
Profit for the year	—	—	94,674	94,674
Total recognised income and expenses	10,000	43,775	194,752	248,527
Issue of shares	665,850	—	—	665,850
Listing expenses	(51,530)	—	—	(51,530)
Transfer	—	5,358	(5,358)	—
Share option scheme — value of employee services *(Note 19)*	—	8,267	—	8,267
Share award *(Note 19)*	—	1,929	—	1,929
Dividends *(Note 34)*	—	—	(60,498)	(60,498)
Balance at 31 March 2008	624,320	59,329	128,896	812,545
Representing:				
Reserves	624,320	59,329	119,558	803,207
Proposed final dividend *(Note 34)*	—	—	9,338	9,338
	624,320	59,329	128,896	812,545

The notes on pages 45 to 112 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35(a)	**(26,429)**	15,426
Interest paid		**(3,120)**	(3,134)
Interest income on financial assets at fair value through profit or loss		**761**	—
Income tax paid		**(33,434)**	(24,832)
Net cash used in operating activities		**(62,222)**	(12,540)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(32,783)**	(28,701)
Proceeds from disposal of leasehold land and property, plant and equipment	35(b)	**5,175**	1,102
Purchase of intangible assets		**(297)**	(2,266)
Investment in a joint venture		**(1,510)**	—
Bank interest received		**34,101**	309
Net cash generated from/(used in) investing activities		**4,686**	(29,556)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		**614,320**	—
Proceeds from borrowings		**38,372**	175,228
Repayments of borrowings		**(147,815)**	(98,378)
Capital elements of finance lease payments		**(263)**	—
Dividends paid		**(39,898)**	(5,000)
Net cash generated from financing activities		**464,716**	71,850
Net increase in cash and cash equivalents		**407,180**	29,754
Cash and cash equivalents at the beginning of the year		**47,823**	16,583
Exchange differences		**(2,772)**	1,486
Cash and cash equivalents at the end of the year	18	**452,231**	47,823

The notes on page 45 to 112 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") on 7 June 2007 ("Listing Date").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 10 July 2008.

1.2 Reorganisation

On 21 May 2007, the Group completed a group reorganisation (the "Reorganisation") which included exchange of shares to rationalise the structure of the Group in preparation for the listing of the Company's shares on the HKSE.

Prior to the Reorganisation, Walker Shop Footwear Limited had wholesale and retail businesses under the names "Walker Shop", "Couber.G" and "Acupuncture" (collectively known as "HK Footwear Business") and "HOSO Place" (the "HK Excluded Business") in Hong Kong. Guangzhou Walker Shop Trading Company Limited ("WS Guangzhou") also had retail businesses under the name "Walker Shop" and "HOSO Place" (the "PRC Excluded Business") in the PRC.

The Reorganisation was summarised as follows:

(i) On 9 February 2007, Walker Shop Footwear Limited disposed of its assets and transferred its liabilities related to the HK Excluded Business at their carrying value to Hoso International Company Limited, which was beneficially owned by Mr. Huang Wen Yi, the former chairman and majority shareholder of the Company, and Ms. Chan Mei Sheung. Upon completion, Walker Shop Footwear Limited only operates its HK Footwear Business in Hong Kong.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 Reorganisation *(Continued)*

(ii) On 31 January 2007, Beijing Trunari Footwear Company Limited ("TC Beijing") and WS Guangzhou, companies which were beneficially owned by Mr. Huang Wen Yi and Ms. Chan Mei Sheung, entered into agreements with Smarter Trading (Beijing) Company Limited and Smart Trend Trading (Shenzhen) Company Limited to transfer the footwear wholesale and retail businesses and certain related assets, to Smarter Trading (Beijing) Company Limited and Smart Trend Trading (Shenzhen) Company Limited.

(iii) On 16 May 2007, Genius Earn Investments Limited acquired the entire interest of all subsidiaries of the Company and became the then holding company.

(iv) On 21 May 2007, the Company acquired the entire issued capital of Genius Earn Investments Limited through a share swap.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Reorganisation involved companies under common control and accordingly, the Company has applied merger accounting to account for the Reorganisation in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), under which the accompanying consolidated balance sheet, income statement and cash flow statement were presented as if the current structure of the Group had always been in existence.

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

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

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(i) Standard, amendment and interpretations to existing standards effective for the current year

The following standard, amendment and interpretations to existing standards are mandatory for financial year ended 31 March 2008:

HKAS 1 Amendment	Presentation of financial statements: capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 10	Interim financial reporting and impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and treasury share transactions

The adoption of the above standard, amendment and interpretations to existing standards is not relevant to the Group's operations except that HKFRS 7 and HKAS 1 Amendment introduce new disclosures relating to financial instruments which do not have any impact on the classification and valuation of the Group's financial instruments.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008, but the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). It requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(ii) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*** *(Continued)*

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

HKAS 32 and HKAS 1 Amendments, "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

HKFRS 2 Amendment, "Share-based payment — vesting conditions and cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(ii) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*** *(Continued)*

HKFRS 3 (Revised), "Business combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) — Int 12, "Service concession arrangements" (effective from 1 January 2008). HK(IFRIC) — Int 12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As none of the Group's companies have service concession arrangements, HK(IFRIC)-Int 12 is not relevant to the Group's operations.

HK(IFRIC) — Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK(IFRIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) — Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(ii) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*** *(Continued)*

HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK(IFRIC) — Int 14 is not relevant to the Group's operations.

2.2 Consolidation

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

(a) ***Subsidiaries***

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of entities that are under common control have been consolidated using the uniting of interests method. Other acquisitions of subsidiaries by the Group are accounted for using the purchase method of accounting. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Notes to the Consolidated Financial Statements

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

2.2 Consolidation *(Continued)*

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) ***Joint ventures***

Joint ventures are those entities held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' profits or losses is recognised in the income statement, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Financial Statements

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

2.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

Notes to the Consolidated Financial Statements

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

2.4 Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

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

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

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

2.5 Leasehold land

Leasehold land is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various buildings are generally situated for a period from 40 to 50 years. Amortisation of leasehold land is calculated on a straight-line basis over the period of the lease and is charged to the administrative expenses in the income statement.

2.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

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

— Buildings	50 years
— Leasehold improvements	over the lease term

Notes to the Consolidated Financial Statements

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

2.6 Property, plant and equipment *(Continued)*

Depreciation of other property, plant and equipment is calculated using the reducing balance method to allocate cost over their estimated useful lives, at the following rates per annum:

— Motor vehicles	25%
— Furniture, fixtures and equipment	20%
— Computer equipment	20%

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

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

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

2.7 Intangible assets

(i) Computer software

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

(ii) Patents and licences

Expenditure on acquiring licences for sale of products is initially recognised and measured at fair value, which represent the capitalisation of unavoidable licence fee payments in accordance with the licence agreements. Cost of licences is amortised using the straight-line method over the licence period, ranging from 3 to 5 years.

Notes to the Consolidated Financial Statements

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

2.8 Impairment of investments in subsidiaries, joint ventures and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

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

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

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

(b) Loans and receivables

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(c) Available-for-sale financial assets

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

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary security are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

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

Notes to the Consolidated Financial Statements

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

2.9 Financial assets *(Continued)*

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

2.10 Inventories

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

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the Consolidated Financial Statements

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

2.13 Share capital

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

2.14 Trade payables

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

2.15 License fee payable

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

Notes to the Consolidated Financial Statements

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

2.17 Current and deferred income tax *(Continued)*

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

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

2.18 Employee benefits

(i) Employee leave entitlement

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

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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

(iii) Pension obligations

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

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

Notes to the Consolidated Financial Statements

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

2.18 Employee benefits *(Continued)*

(iv) Share-based compensation

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

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

2.19 Revenue recognition

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

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

(i) Sales of goods — retail

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

Notes to the Consolidated Financial Statements

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

2.19 Revenue recognition *(Continued)*

(ii) Sales of goods — wholesale

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

(iii) Interest income

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

(iv) License fees income

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

(v) Royalty income

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

2.20 Government grants

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

2.21 Operating lease

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

Notes to the Consolidated Financial Statements

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

2.22 Finance lease

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

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

2.23 Dividend distribution

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(i) Foreign currency risk

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

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. All the borrowings were repaid during the year and therefore, the interest rate risk is considered to be minimal.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk

The Group's credit risk arises from cash and cash equivalents, as well as credit exposures to trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. Deposits are placed with major and sizeable banks. Sales to retail customers are made in cash or via major credit cards. The Group has put in place policies to ensure that wholesale sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Management does not expect any losses from non-performance by these counterparties.

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

(iv) Liquidity risk

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

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

	Within 1 year *HK$'000*	**Between 1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
As at 31 March 2008:				
Trade payables	**85,589**	**—**	**—**	**85,589**
Other payables, accruals and other current liabilities	**34,888**	**8,431**	**—**	**43,319**
	120,477	**8,431**	**—**	**128,908**
As at 31 March 2007:				
Trade payables	84,905	—	—	84,905
Other payables accruals and other current liabilities	44,343	11,370	—	55,713
Borrowings	99,224	4,914	5,000	109,138
	228,472	16,284	5,000	249,756

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, equity-linked notes) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

3.3 Capital risk management

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Consolidated Financial Statements

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

(a) Useful lives of property, plant and equipment

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

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

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

(c) Income taxes

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

(d) Impairment of property, plant and equipment and intangible assets

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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

At 31 March 2008, the Group is organised into two main business segments operating in Hong Kong and Mainland China:

(i) Operation of chains of retail outlets for footwear; and
(ii) Sale of a range of footwear on a wholesale basis.

Segment assets consist primarily of leasehold land, property, plant and equipment, intangible assets, rental deposits, inventories, receivables and operating cash. They exclude tax recoverable, deferred income tax assets, available-for-sale financial assets, financial assets at fair value through profit or loss, interests in joint ventures and amounts due from related companies.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise tax payable, borrowings, deferred income tax liabilities, and amounts due to related companies and directors.

Capital expenditure comprises additions to leasehold land, property, plant and equipment and intangible assets.

The segment results for the year ended 31 March 2008 are as follows:

	For the year ended 31 March 2008			
	Retail *HK$'000*	**Wholesales** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Total** *HK$'000*
Turnover				
Sales of goods	**905,479**	**24,627**	**—**	**930,106**
Segment results	**143,900**	**8,255**	**—**	**152,155**
Unallocated				**(77,913)**
				74,242
Finance income				**35,365**
Finance costs				**(3,120)**
Share of loss of joint ventures				**(192)**
Income tax expense				**(11,621)**
Profit for the year				**94,674**

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

Other segment items are as follows:

	Retail HK$'000	Wholesales HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	34,660	—	—	34,660
Depreciation of property, plant and equipment	24,600	—	—	24,600
Amortisation of leasehold land	—	—	518	518
Amortisation of intangible assets	3,479	—	—	3,479
Net write-back of provision for inventories	(2,151)	—	—	(2,151)

The segment assets and liabilities at 31 March 2008 are as follows:

	Retail HK$'000	Wholesales HK$'000	Unallocated HK$'000	Total HK$'000
Segment assets	904,621	5,606	22,308	932,535
Deferred income tax assets				8,129
Tax recoverable				3,395
Total assets				944,059
Segment liabilities	125,593	—	1,317	126,910
Deferred income tax liabilities				340
Tax payable				4,264
Total liabilities				131,514

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment results for the year ended 31 March 2007 are as follows:

	For the year ended 31 March 2007			
	Retail	Wholesales	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
Sales of goods	660,668	28,698	—	689,366
Segment results	140,177	11,566	—	151,743
Unallocated				(40,861)
				110,882
Finance income				129
Finance costs				(3,134)
Income tax expense				(24,874)
Profit for the year				83,003

Other segment items are as follows:

	Retail	Wholesales	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	43,662	—	—	43,662
Depreciation of property, plant and equipment	19,427	—	396	19,823
Amortisation of leasehold land	—	—	869	869
Amortisation of intangible assets	1,562	—	—	1,562
Net write-back of provision for inventories	(10,089)	—	—	(10,089)

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment assets and liabilities at 31 March 2007 are as follows:

	Retail *HK$'000*	Wholesales *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	411,802	3,143	34,448	449,393
Deferred income tax assets				1,061
Tax recoverable				17
Total assets				450,471
Segment liabilities	135,159	—	159,972	295,131
Deferred income tax liabilities				295
Tax payables				15,026
Total liabilities				310,452

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format — geographical segments

The Group primarily operates in Hong Kong and Mainland China. The Group's turnover by geographical locations is determined by the country in which the customer is located.

	2008	2007
	HK$'000	*HK$'000*
Revenue:		
Hong Kong	**346,773**	317,809
Mainland China	**573,497**	365,807
Others	**9,836**	5,750
	930,106	689,366

Total assets are allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Segment assets:		
Hong Kong	**629,554**	234,937
Mainland China	**303,228**	181,176
	932,782	416,113
Unallocated assets	**11,277**	34,358
	944,059	450,471

Capital expenditure is allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Hong Kong	**14,281**	27,036
Mainland China	**20,379**	16,626
	34,660	43,662

Notes to the Consolidated Financial Statements

6. LEASEHOLD LAND

The Group's interests in leasehold land in Hong Kong held on leases of between 40 to 50 years represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Opening net book amount	**35,196**	36,761
Disposals	**(15,801)**	(696)
Amortisation	**(518)**	(869)
Closing net book amount	**18,877**	35,196

As at 31 March 2007, bank borrowings were secured by certain leasehold land with an aggregate carrying value of approximately HK$33,528,000 (Note 21).

Notes to the Consolidated Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings	Leasehold improve-ments	Motor vehicles	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006						
Cost	19,969	31,071	3,017	14,501	3,193	71,751
Accumulated depreciation	(3,665)	(21,713)	(2,712)	(9,553)	(1,564)	(39,207)
Net book amount	16,304	9,358	305	4,948	1,629	32,544
Year ended 31 March 2007						
Opening net book amount	16,304	9,358	305	4,948	1,629	32,544
Exchange differences	—	251	—	30	32	313
Additions	—	25,448	—	1,573	1,680	28,701
Disposals	(338)	(234)	—	(34)	(68)	(674)
Depreciation	(396)	(17,626)	(66)	(1,209)	(526)	(19,823)
Closing net book amount	15,570	17,197	239	5,308	2,747	41,061
At 31 March 2007						
Cost	19,539	41,425	3,017	15,466	4,231	83,678
Accumulated depreciation	(3,969)	(24,228)	(2,778)	(10,158)	(1,484)	(42,617)
Net book amount	15,570	17,197	239	5,308	2,747	41,061

Notes to the Consolidated Financial Statements

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

(a) Group *(Continued)*

	Buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
Year ended 31 March 2008						
Opening net book amount	15,570	17,197	239	5,308	2,747	41,061
Exchange differences	—	824	6	130	120	1,080
Additions	—	29,054	1,739	2,157	1,413	34,363
Disposals	(1,881)	(6,008)	—	(9)	(30)	(7,928)
Depreciation	(354)	(21,805)	(233)	(1,332)	(876)	(24,600)
Impairment	—	(1,492)	—	(36)	(37)	(1,565)
Closing net book amount	13,335	17,770	1,751	6,218	3,337	42,411
At 31 March 2008						
Cost	17,555	65,695	4,765	17,767	5,720	111,502
Accumulated depreciation and impairment	(4,220)	(47,925)	(3,014)	(11,549)	(2,383)	(69,091)
Net book amount	13,335	17,770	1,751	6,218	3,337	42,411

Notes to the Consolidated Financial Statements

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

(b) Company

	Motor vehicle	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year		
Cost	**—**	—
Accumulated depreciation	**—**	—
Net book amount	**—**	—
During the year		
Opening net book amount	**—**	—
Additions	**1,580**	—
Depreciation	**(165)**	—
Closing net book amount	**1,415**	—
At the end of the year		
Cost	**1,580**	—
Accumulated depreciation	**(165)**	—
Net book amount	**1,415**	—

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

	2008	2007
	HK$'000	*HK$'000*
Selling and distribution costs	**22,059**	17,753
Administrative expenses	**2,541**	2,070
	24,600	19,823

As at 31 March 2007, bank borrowings were secured by certain property, plant and equipment with an aggregate carrying value of approximately HK$14,959,000 (Note 21).

As at 31 March 2008, the net book value of the Group's and the Company's property, plant and equipment held under finance lease was HK$1,415,000 (2007: Nil).

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS

	Licence fees *HK$'000*	Computer Software *HK$'000*	Total *HK$'000*
At 1 April 2006			
Cost	—	1,747	1,747
Amortisation	—	(1,109)	(1,109)
Net book amount	—	638	638
Year ended 31 March 2007			
Opening net book amount	—	638	638
Exchange differences	—	2	2
Additions	14,578	383	14,961
Amortisation	(1,261)	(301)	(1,562)
Closing net book amount	13,317	722	14,039
At 31 March 2007			
Cost	14,578	2,132	16,710
Accumulated amortisation	(1,261)	(1,410)	(2,671)
Net book amount	13,317	722	14,039
Year ended 31 March 2008			
Opening net book amount	13,317	722	14,039
Exchange differences	—	9	9
Additions	168	129	297
Amortisation	(3,171)	(308)	(3,479)
Closing net book amount	10,314	552	10,866
At 31 March 2008			
Cost	14,746	2,255	17,001
Accumulated amortisation	(4,432)	(1,703)	(6,135)
Net book amount	10,314	552	10,866

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Cost of sales	**3,171**	1,261
Selling and distribution costs	**48**	46
Administrative expenses	**260**	255
	3,479	1,562

License fees represent license rights on the authorised products, namely ACUPUNCTURE, PINK PANTHER and SPIDERMAN 3.

9. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'000
Unlisted equity investments, at cost	**10,000**	—
Amounts due from subsidiaries *(a)*	**369,013**	—
	379,013	—

(a) Amounts due from subsidiaries are unsecured and non-interest bearing and have no fixed terms of repayment.

(b) Particulars of the subsidiaries of the Group are set out in Note 39.

Notes to the Consolidated Financial Statements

10. INTERESTS IN JOINT VENTURES

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**—**	—
Additions	**1,510**	—
Share of loss	**(192)**	—
At the end of the year	**1,318**	—

Details of the joint ventures:

Name	**Place of incorporation/ establishment**	**Particulars of paid-up/ registered capital**	**Interest held indirectly**	**Principal activities**
Main Legend Investment Limited	Hong Kong	10,000 ordinary shares of HK$1 each	50%	Investment holding
EPICA International Trading (Shenzhen) Company Limited (伊比嘉國際貿易(深圳)有限公司)*	Mainland China	HK$600,000	50%	Wholesale and trading of footwear

* The English name of the joint venture represents the best effort by the management of the Group in translating its Chinese name as it does not have an official English name.

Notes to the Consolidated Financial Statements

11. DEFERRED INCOME TAX

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Deferred income tax assets	**8,129**	1,061
Deferred income tax liabilities	**(340)**	(295)
	7,789	766

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

	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**766**	(54)
Exchange differences	**15**	2
Credited to the income statement *(Note 31)*	**7,008**	818
At the end of the year	**7,789**	766

Notes to the Consolidated Financial Statements

11. DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets:

	Tax depreciation allowance *HK$'000*	Provision *HK$'000*	Total *HK$'000*
As at 1 April 2006	122	89	211
Exchange differences	—	2	2
Credited to the income statement	736	112	848
As at 31 March 2007	858	203	1,061
Exchange differences	—	15	15
Credited to the income statement	1,265	5,788	7,053
As at 31 March 2008	2,123	6,006	8,129

Deferred income tax liabilities:

	Tax depreciation allowance *HK$'000*
As at 1 April 2006	265
Charged to the income statement	30
As at 31 March 2007	295
Charged to the income statement	45
As at 31 March 2008	340

Notes to the Consolidated Financial Statements

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**1,168**	1,170
Net gains/(losses) transfer to equity	**43**	(2)
At the end of the year	**1,211**	1,168

Available-for-sale financial assets represent an investment in a guaranteed fund issued by a financial institution in Hong Kong and are denominated in US$.

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

13. INVENTORIES

Inventories represent merchandising stock.

The cost of inventories recognised as expenses and included in cost of sales during the year amounted to HK$382,098,000 (2007: HK$252,986,000).

The Group has written back provisions of HK$4,750,000 (2007: HK$8,128,000) relating to those inventories that were subsequently sold during the year. In the year ended 31 March 2007, the Group had also written back provisions of HK$3,466,000 relating to the increase in expected net realisable value. All these write-backs have been included in cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements

14. TRADE RECEIVABLES

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

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

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**85,840**	65,325
31 — 60 days	**5,667**	1,894
61 — 90 days	**2,819**	445
Over 90 days	**2,781**	1,117
	97,107	68,781

As of 31 March 2008, trade receivables of HK$18,281,000 (2007: HK$6,736,000) were past due. These relate to a number of independent customers for whom there is no recent history of default. No impairment provision has been made for both years. The ageing analysis of these trade receivables is as follows:

1 — 30 days	**10,180**	5,070
31 — 60 days	**3,507**	842
61 — 90 days	**1,960**	522
Over 90 days	**2,634**	302
	18,281	6,736

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

HKD	**8,109**	5,118
RMB	**88,998**	63,663
	97,107	68,781

The carrying amount of trade receivables approximates its fair value.

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

Notes to the Consolidated Financial Statements

15. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies were unsecured, interest free and repayable on demand, and denominated in Hong Kong dollars.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**21,167**	24,164	**—**	—
Prepayments	**14,972**	2,369	**—**	—
Other receivables	**4,937**	2,176	**457**	—
	41,076	28,709	**457**	—
Denominated in:				
HKD	**31,232**	25,607	**457**	—
RMB	**9,844**	3,102	**—**	—
	41,076	28,709	**457**	—

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

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**—**	—
Additions	**20,000**	—
Fair value loss *(Note 26)*	**(221)**	—
At the end of the year	**19,779**	—

Notes to the Consolidated Financial Statements

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

It represents investment in an unlisted equity-linked notes issued by a financial institution in Hong Kong and is denominated in Hong Kong dollars.

The fair value of the note is estimated by Monte-Carlo simulation approach based on risk free rate of 1.98% per annum, stock return volatility of 22.15% per annum and dividend yield of 1.17% per annum.

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**65,460**	47,823	**618**	—
Short-term bank deposits	**386,771**	—	**274,881**	—
Cash and cash equivalents	**452,231**	47,823	**275,499**	—
Restricted cash	**10,000**	10,000	**—**	—
	462,231	57,823	**275,499**	—

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**406,823**	33,552	**275,499**	—
RMB	**54,142**	23,148	**—**	—
USD	**1,266**	1,123	**—**	—
	462,231	57,823	**275,499**	—

The weighted average effective interest rate on short-term bank deposits, with maturity of 30 days, was 1.62% (2007: 3.74%) per annum for the year.

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

Notes to the Consolidated Financial Statements

19. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
Authorised:					
Ordinary shares of HK$0.1 each upon incorporation	*(a)*	3,900,000	390	—	390
Increase in authorised share capital	*(b)*	8,996,100,000	899,610	—	899,610
		9,000,000,000	900,000	—	900,000
Issued and fully paid:					
Issue of ordinary share of HK$0.10 upon incorporation	*(a)*	1	—	—	—
At 1 April 2007		1	—	—	—
Issue of shares arising from Reorganisation	*(c)*	99,999,999	10,000	—	10,000
Capitalisation of share premium account	*(d)*	350,000,000	35,000	(35,000)	—
Issue of shares in connection with the listing	*(e)*	172,500,000	17,250	648,600	665,850
Listing expenses		—	—	(51,530)	(51,530)
At 31 March 2008		622,500,000	62,250	562,070	624,320

Notes to the Consolidated Financial Statements

19. SHARE CAPITAL AND PREMIUM *(Continued)*

Notes:

(a) On 10 November 2006 (date of incorporation of the Company), the authorised share capital of the Company was HK$390,000 divided into 3,900,000 ordinary shares of HK$0.10 each. On the same date, one subscriber's share of HK$0.10 was allotted and issued to the initial subscriber for cash at par.

(b) On 21 May 2007, the authorised share capital of the Company was increased from HK$390,000 to HK$900,000,000 by the creation of an addition of 8,996,100,000 shares of HK$0.10 each.

(c) On 21 May 2007, the Company acquired the entire issued share capital of Genius Earn Investments Limited and the consideration of which was satisfied by the issue and allotment of 99,999,999 shares to Smart Presto Holdings Limited, the then immediate holding company of the Group.

(d) On 6 June 2007, pursuant to the written resolution of shareholders of the Company passed on 4 June 2007, 350,000,000 ordinary shares of the Company were issued at par as fully paid to shareholders whose names appeared on the register of members of the Company on 21 May 2007 in proportion to their then existing shareholding in the Company. The amount was paid up in full by applying an amount of HK$35,000,000 standing to the credit of the share premium account of the Company.

(e) On 7 June 2007, the Company issued 150,000,000 ordinary shares of HK$0.10 each at HK$3.86 per share in connection with the listing, and raised gross proceeds of approximately HK$579,000,000. Besides, on 26 June 2007, pursuant to the exercise of the over-allotment option, additional 22,500,000 ordinary shares of HK$0.10 each were issued at HK$3.86 per share and raised gross proceeds of HK$86,850,000.

Share options:

Share options are granted to directors and to selected employees under the Pre-IPO share option scheme. The exercise price of the granted options is equal to 80% of the offer price for initial public offering. Options are conditional on the employee completing one to three year's service (the vesting period). The options are exercisable starting one to three years from the listing date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Average exercise price in HK dollar per share	Options (thousands)
At 1 April 2007	—	—
Granted on 22 May 2007	3.09	15,000
Forfeited	—	(4,186)
At 31 March 2008	3.09	10,814

Notes to the Consolidated Financial Statements

19. SHARE CAPITAL AND PREMIUM *(Continued)*

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

Vesting date	Expiry date	Exercise price HK dollar per share	Share options 2008	Share options 2007
10 February 2008 *(note)*	9 February 2009	3.09	**1,314**	
7 June 2008	6 June 2011	3.09	**2,850**	—
7 June 2009	6 June 2012	3.09	**2,850**	—
7 June 2010	6 June 2013	3.09	**3,800**	—
			10,814	—

Note: Mr. Huang Wen Yi was granted an option in respect of 4,380,000 shares of the Company under the Pre-IPO Share Option Scheme. Mr. Huang passed away on 10 February 2008 and his legal representative is entitled to the option in respect of 1,314,000 shares of the Company which is exercisable until the last day of the period of 12 months from the date of cessation. All the remaining outstanding options at 31 March 2008 were not exercisable.

The weighted average fair value of options granted during the period determined using the binomial lattice model was HK$1.74 per option. The significant inputs into the model were weighted average share price of HK$3.86, at the grant date, the exercise price shown above, volatility of 33.18% and annual risk-free interest rate of 4.01% to 4.08%. Total share option expense of HK$8,267,000 was recognised in the income statement.

Share award:

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

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

The Company is required to recognise the value of such shares as a non-cash employee benefit expense on a straight line basis over the relevant vesting period. Total share expense of HK$1,929,000, based on the offer price of HK$3.86 per share, was recognised in the income statement for the year ended 31 March 2008. A corresponding amount was credited as share-based compensation reserve under equity in the financial statements of the Company.

Notes to the Consolidated Financial Statements

20. RESERVES

(a) Group

	Merger reserve *(Note i)* HK$'000	Statutory reserves *(Note ii)* HK$'000	Foreign currency translation reserve HK$'000	Available-for-sale investment reserve HK$'000	Share-based compensation reserve HK$'000	Total other reserves HK$'000
Balance at 1 April 2006	22,473	2,897	(657)	—	—	24,713
Fair value losses of available-for-sale financial assets	—	—	—	(2)	—	(2)
Currency translation differences	—	—	1,951	—	—	1,951
Transfer	—	2,515	—	—	—	2,515
Distribution *(Note iii)*	(471)	—	1,235	—	—	764
Balance at 31 March 2007	22,002	5,412	2,529	(2)	—	29,941
Fair value gains of available-for-sale financial assets	—	—	—	43	—	43
Currency translation differences	—	—	13,791	—	—	13,791
Transfer	—	5,358	—	—	—	5,358
Share option scheme — value of employee services *(Note 19)*	—	—	—	—	8,267	8,267
Share award *(Note 19)*	—	—	—	—	1,929	1,929
Balance at 31 March 2008	22,002	10,770	16,320	41	10,196	59,329

Notes:

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

Notes to the Consolidated Financial Statements

20. RESERVES *(Continued)*

(a) Group *(Continued)*

Notes: (Continued)

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

(iii) Pursuant to the Reorganisation as set out in Note 1.2(ii) and the agreements dated 31 January 2007, TC Beijing and WS Guangzhou transferred their footwear wholesale and retail businesses to Smarter Trading (Beijing) Company Limited and Smarter Trend Trading (Shenzhen) Company Limited respectively. The aggregate net liabilities of TC Beijing and WS Guangzhou amounted to HK$38,670,000 at 30 November 2006 were not assumed by the Group. The payment of the considerations net of the net liabilities not assumed by the Group, amounted to HK$53,200,000, was recognised as a distribution to equity holders of the Company in the consolidated financial statements for the year ended 31 March 2007.

Notes to the Consolidated Financial Statements

20. RESERVES *(Continued)*

(b) Company

	Retained earnings *HK$'000*	Share-based compensation reserve *HK$'000*	Total *HK$'000*
At 1 April 2007	—	—	—
Profit for the year	28,087	—	28,087
Dividends *(Note 34)*	(9,337)	—	(9,337)
Share option scheme – value of employment services *(Note 19)*	—	8,267	8,267
Share award (Note 19)	—	1,929	1,929
At 31 March 2008	18,750	10,196	28,946
Representing:			
Reserves	9,412	10,196	19,608
Proposed final dividend *(Note 34)*	9,338	—	9,338
	18,750	10,196	28,946

21. BORROWINGS

	Group 2008 *HK$'000*	Group 2007 *HK$'000*
Non-current		
Long-term bank loans	—	9,914
Current		
Current portion of long-term bank loans	—	1,667
Short-term bank loans	—	97,557
	—	99,224
Total bank borrowings — secured	—	109,138

As at 31 March 2007, the long-term bank loans were secured by the Group's leasehold land with net book amount of HK$33,528,000 (Note 6) and property, plant and equipment with net book amount of HK$14,959,000 (Note 7).

Notes to the Consolidated Financial Statements

21. BORROWINGS *(Continued)*

As at 31 March 2007, bank borrowings amounted to HK$74,485,000 were also secured by all monies guarantee and indemnity duly executed by Mr. Huang Wen Yi and Ms. Chan Mei Sheung.

The Group's borrowings were repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	—	99,224
In the second year	—	1,667
In the third to fifth year	—	3,247
After the fifth year	—	5,000
	—	109,138

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HKD	—	84,677
USD	—	24,461
	—	109,138

The weighted average effective interest rates per annum of the Group's borrowings are set out as follows:

	2008	2007
	%	*%*
HKD	—	5.85
USD	—	6.18

Notes to the Consolidated Financial Statements

21. BORROWINGS *(Continued)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates as at 31 March 2008 is as follows:

	2008	2007
	HK$'000	*HK$'000*
6 months or less	—	109,138

The carrying amounts of current portion of long-term and short-term bank borrowings approximate their fair values.

The carrying values and fair values of non-current borrowings are set out as follows:

	2008	2007
	HK$'000	*HK$'000*
Carrying amounts	—	9,914
Fair values	—	7,677

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date.

Notes to the Consolidated Financial Statements

22. OBLIGATION UNDER FINANCE LEASE

	Group and Company	
	2008	2007
	HK$'000	*HK$'000*
Gross finance lease liabilities — minimum lease payments:		
Within one year	**363**	—
In the second to fifth year inclusive	**1,150**	—
	1,513	—
Less: Future finance charges	**(196)**	—
Present value of obligation under finance lease	**1,317**	—

	2008	2007
	HK$'000	*HK$'000*
The present value of financial lease liabilities is as follows:		
Within one year	**316**	—
In the second to fifth year inclusive	**1,001**	—
Present value of obligation under finance lease	**1,317**	—

The weighted average effective interest rates per annum of the Group's obligation under finance lease at 31 March 2008 is 2.98%.

Interest rate is fixed at contract date. The lease was on a fixed repayment basis and no arrangement had been entered into for turnover rental payments. The Group's obligation under finance lease is secured by the lessor's charge over the leased asset. The carrying amount of the obligation under finance lease approximates its fair value and is denominated in Hong Kong dollars.

Notes to the Consolidated Financial Statements

23. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**79,325**	83,281
31 — 60 days	**2,733**	544
61 — 90 days	**1,489**	284
Over 90 days	**2,042**	796
	85,589	84,905
Denominated in:		
HKD	**23,995**	32,643
RMB	**61,594**	52,262
	85,589	84,905

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

24. AMOUNTS DUE TO DIRECTORS

The amounts due to directors were unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

25. EXPENSES BY NATURE

	2008	2007
	HK$'000	*HK$'000*
Purchase of and changes in inventories	**382,098**	252,986
Auditor's remuneration	**1,161**	669
Amortisation of leasehold land *(Note 6)*	**518**	869
Depreciation of property, plant and equipment *(Note 7)*		
— owned assets	**24,435**	19,823
— leased assets	**165**	—
Impairment of property, plant and equipment *(Note 7)*	**1,565**	—
Amortisation of intangible assets *(Note 8)*	**3,479**	1,562
Operating lease rental in respect of leasehold land and buildings	**235,272**	187,984
— including turnover rental expenses	**197,624**	158,324
Advertising and promotion expenses	**21,887**	6,320
Net write-back of provision for inventories	**(2,151)**	(10,089)
Employee benefit expenses *(Note 28)*	**134,357**	80,176
Other expenses	**63,580**	41,000
Total cost of sales, selling and distribution costs and administrative expenses	**866,366**	581,300

26. OTHER GAINS/(LOSSES) — NET

	2008	2007
	HK$'000	*HK$'000*
Gain/(loss) on disposal of leasehold land and property, plant and equipment	**2,046**	(268)
Tax refund	**1,136**	—
Fair value loss on financial assets at fair value through profit or loss *(Note 17)*	**(221)**	—
	2,961	(268)

Tax refund represents incentives received from the PRC tax authority for investment in certain areas in the PRC.

Notes to the Consolidated Financial Statements

27. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Royalty income	**4,629**	—
License fee income	**1,397**	775
Interest income on financial assets at fair value through profit or loss	**761**	—
Others	**754**	2,309
	7,541	3,084

28. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Salaries, wages and bonuses	**119,728**	71,391
Pension costs — defined contribution plans	**8,748**	3,761
Welfare and other expenses	**5,881**	5,024
	134,357	80,176

29. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2008 HK$'000	2007 HK$'000
Fees	**620**	—
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,212**	1,620
Discretionary bonuses	**620**	—
Share options and share award	**8,180**	—
Contributions to pension plans	**41**	17
	13,673	1,637

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments *(Continued)*

The emoluments of each director for the year ended 31 March 2008 are set out below:

		Fees	Basic salaries, housing allowance, other allowances and benefits-in-kind	Share options and share award	Discretionary bonuses	Contributions to pension plans	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:							
Mr. Huang Wen Yi	*(i)*	—	1,241	2,089	120	11	3,461
Ms. Chan Mei Sheung		—	1,062	2,908	200	12	4,182
Mr. Chu Yin Man	*(ii)*	—	1,143	1,545	200	12	2,900
Mr. Kiu Wai Ming	*(ii)*	—	766	1,638	100	6	2,510
Non-executive directors:							
Mr. Sze Tsai Ping, Michael	*(ii)*	220	—	—	—	—	220
Dr. Fan Yiu Kwan, JP	*(ii)*	200	—	—	—	—	200
Mr. Tsang Link Carl, Brian	*(ii)*	200	—	—	—	—	200
		620	4,212	8,180	620	41	13,673

Notes:

(i) Deceased on 10 February 2008

(ii) Appointed on 21 May 2007

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments *(Continued)*

The emoluments of each director for the year ended 31 March 2007 are set out below:

	Fees	Basic salaries, housing allowance, other allowances and benefits-in-kind	Discretionary bonuses	Contributions to pension plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Huang Wen Yi	—	1,140	—	12	1,152
Ms. Chan Mei Sheung	—	480	—	5	485
	—	1,620	—	17	1,637

None of the directors waived any emoluments during the year (2007: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include four directors (2007: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**422**	1,654
Discretionary bonuses	**30**	—
Share options and share award	**433**	—
Contributions to pension plans	**12**	36
	897	1,690

Notes to the Consolidated Financial Statements

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

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	2008	2007
Nil to HK$1,000,000	1	2
HK$1,000,001 – HK$1,500,000	—	1
	1	3

(c) No emoluments have been paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2007: Nil).

30. FINANCE INCOME AND COSTS

	2008 *HK$'000*	2007 *HK$'000*
Finance income		
— Interest income from deposits relating to share subscription under the new listing *(note)*	18,690	—
— Interest income on short-term bank deposits	15,411	309
— Net foreign exchange gains/(losses)	1,264	(180)
	35,365	129
Finance costs		
— Interest on bank borrowings and overdrafts	(3,119)	(3,131)
— Interest on overdue payables	(1)	(3)
	(3,120)	(3,134)
Finance income/(costs), net	32,245	(3,005)

Note: In accordance with the share subscription agreements relating to the listing, the Company is entitled to the interest income earned from bank deposits relating to the share subscription, including over subscription, during the subscription period.

Notes to the Consolidated Financial Statements

31. INCOME TAX EXPENSE

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

	2008	2007
	HK$'000	*HK$'000*
Current income tax:		
— Hong Kong profits tax	**2,251**	9,053
— PRC enterprise income tax	**17,026**	16,639
— Over-provision in prior year	**(648)**	—
	18,629	25,692
Deferred income tax *(Note 11)*	**(7,008)**	(818)
	11,621	24,874

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

Prior to 1 January 2008, pursuant to the rules and regulations applicable to wholly foreign owned enterprises in Shanghai Waigaoqiao Free Trade Zone, Walker Shop International Trading (Shanghai) Company Limited (奧卡索國際貿易(上海)有限公司) and Billion International Trading (Shanghai) Company Limited (逸盈國際貿易(上海)有限公司) were subject to PRC income tax at a rate of 15%, being the preferential tax rate in Shanghai Waigaoqiao Free Trade Zone. Smart Trend Trading (Shenzhen) Company Limited (傲丰貿易(深圳)有限公司) was eligible to enjoy a preferential tax rate of 15% pursuant to the PRC Enterprises Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises as it is an enterprise operating in the Shenzhen Special Economic Zone. Smarter Trading (Beijing) Company Limited (奧吉斯貿易(北京)有限公司) was subject to PRC income tax at a rate of 33%.

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

Notes to the Consolidated Financial Statements

31. INCOME TAX EXPENSE *(Continued)*

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

	2008 *HK$'000*	2007 *HK$'000*
Profit before income tax	**106,295**	107,877
Tax calculated at domestic tax rates applicable to profits in the respective countries	**19,300**	20,786
Income not subject to tax	**(8,506)**	(216)
Expenses not deductible for tax purposes	**1,432**	3,793
Tax losses not recognised	**68**	511
Over-provision in prior year	**(648)**	—
Effect of change in tax rates	**(25)**	—
Tax charge	**11,621**	24,874

The weighted average applicable tax rate was 18% (2007: 19%) for the year.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$495,090 (2007: HK$105,983) to carry forward against future taxable income. These tax losses have no expiry date and are subject to approval by the Hong Kong Inland Revenue Department.

32. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of a profit of HK$28,087,000 (2007: Nil).

Notes to the Consolidated Financial Statements

33. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 450,000,000 ordinary shares were deemed to be in issue since 1 April 2006.

	2008	2007
Profit for the year *(HK$'000)*	**94,674**	83,003
Weighted average number of ordinary shares in issue *('000)*	**589,693**	450,000
Earnings per share *(HK cent per share)*	**16.1**	18.4

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There was no dilutive share outstanding at both year ends.

34. DIVIDENDS

On 22 February 2007, Walker Shop Footwear Limited declared and paid interim dividend of HK$5,000,000 to its then shareholders.

On 29 March 2007, Walker Shop Footwear Limited transferred the right to receive the consideration of HK$20,930,000 from a related company, Hoso International Company Limited, by way of declaring a dividend in kind to its then shareholders.

On 7 May 2007, Walker Shop Footwear Limited, a wholly-owned subsidiary of the Company, declared and paid an interim dividend of HK$30,561,000 to its shareholders prior to the Reorganisation.

On 12 May 2007, Walker Shop Footwear Limited transferred a residential property to Fine Top Investments Limited, which was beneficially owned by Mr. Huang Wen Yi and Ms. Chan Mei Sheung, in the form of distribution of interim dividend of HK$20,600,000.

Notes to the Consolidated Financial Statements

34. DIVIDENDS *(Continued)*

At a meeting held on 11 December 2007, the directors declared an interim dividend of 1.5 HK cents per share, totalling HK$9,337,500, which was paid on 29 January 2008.

At a meeting held on 10 July 2008, the directors declared a final dividend of 1.5 HK cents per ordinary share, totalling HK$9,337,500, which is subject to approval at the Annual General Meeting on 28 August 2008. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2009.

35. CONSOLIDATED CASH FLOW STATEMENT

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

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	**106,295**	107,877
Adjustments for:		
— Amortisation of leasehold land	**518**	869
— Depreciation of property, plant and equipment	**24,600**	19,823
— Impairment of property, plant and equipment	**1,565**	—
— Amortisation of intangible assets	**3,479**	1,562
— (Gain)/loss on disposal of leasehold land and property, plant and equipment	**(2,046)**	268
— fair value loss on financial assets at fair value through profit or loss	**221**	—
— interest income on financial assets at fair value through profit or loss	**(761)**	—
— Interest income	**(34,101)**	(309)
— Interest expense	**3,120**	3,134
— Share award and option expenses	**10,196**	—
— Share of loss of joint ventures	**192**	—
Changes in working capital	**113,278**	133,224
— Inventories	**(47,840)**	(57,257)
— Trade receivables	**(18,822)**	(32,080)
— Deposits, prepayments and other receivables	**(17,515)**	(14,165)
— Financial assets at fair value through profit or loss	**(20,000)**	—
— Trade payables	**(5,852)**	35,338
— Accruals and other payables	**(12,184)**	(4,369)
— Amounts due to directors	**(13,004)**	(20,334)
— Amounts due from/(to) related companies	**(4,490)**	(24,931)
Cash (used in)/generated from operations	**(26,429)**	15,426

Notes to the Consolidated Financial Statements

35. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

	2008 ***HK$'000***	2007 *HK$'000*
Net book amount:		
— Leasehold land *(Note 6)*	**15,801**	696
— Property, plant and equipment *(Note 7)*	**7,928**	674
Gain/(loss) on disposal of leasehold land and property, plant and equipment *(Note 26)*	**2,046**	(268)
Distributed in the form of interim dividend *(Note 34)*	**(20,600)**	—
Proceeds from disposal of leasehold land and property, plant and equipment	**5,175**	1,102

(c) Major non-cash transactions

During the year the Group entered into a finance lease arrangement in respect of an asset with a total capital value at the inception of the lease of HK$1,580,000.

36. COMMITMENTS

(a) Capital commitments

	2008 ***HK$'000***	2007 *HK$'000*
Property, plant and equipment:		
— Contracted but not provided for	**214**	588
— Authorised but not contracted for	**3,020**	—
	3,234	588
Intangible assets:		
— Authorised but not contracted for	**2,950**	—

Notes to the Consolidated Financial Statements

36. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	2008	2007
	HK$'000	*HK$'000*
Land and buildings		
— No later than one year	**99,050**	70,950
— Later than one year and no later than five years	**83,755**	55,036
— Later than five years	**—**	459
	182,805	126,445
Furniture, fixtures and equipment		
— No later than one year	**204**	204
— Later than one year and no later than five years	**560**	764
	764	968
	183,569	127,413

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

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

Notes to the Consolidated Financial Statements

37. ACCOUNTING ADJUSTMENTS UNDER COMMON CONTROL COMBINATION

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheet as at 31 March 2007:

	The Company	Subsidiaries of the Company	Adjustments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(note)	
Investment in subsidiaries	—	—	—	—
Other assets	—	140,019	—	140,019
Net assets	—	140,019		140,019
Share capital and premium	—	32,002	(22,002)	10,000
Merger reserve	—	—	22,002	22,002
Retained earnings and other reserves	—	108,017	—	108,017
	—	140,019		140,019

Notes to the Consolidated Financial Statements

37. ACCOUNTING ADJUSTMENTS UNDER COMMON CONTROL COMBINATION *(Continued)*

The consolidated balance sheet as at 31 March 2008:

	The Company	Subsidiaries of the Company	Adjustments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(note)	
Investment in subsidiaries	10,000	46,649	(56,649)	—
Other assets	643,266	169,279	—	812,545
Net assets	653,266	215,928		812,545
Share capital and premium	624,320	78,651	(78,651)	624,320
Merger reserve	—	—	22,002	22,002
Retained earnings and other reserves	28,946	137,277	—	166,223
	653,266	215,928		812,545

Notes:

(a) The above adjustments represent adjustments to eliminate the share capital of the consolidated entities against the investment cost. The difference has been made to the merger reserve in the consolidated financial statements.

(b) No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

Notes to the Consolidated Financial Statements

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

		2008	2007
		HK$'000	*HK$'000*
(a)	Sales of goods to PRC Excluded Business	**—**	5,177
(b)	Purchases of goods from HK Excluded Business	**—**	6,085

Sales and purchases of goods were made at prices and terms not less than those sold by and contracted with other third party customers and suppliers of the Group which were due within a normal credit period.

		2008	2007
		HK$'000	*HK$'000*
(c)	Key management compensation		
	Basic salaries, housing allowances, other allowances and benefits-in-kind	**7,628**	4,174
	Share options and share award	**8,575**	—
	Contributions to pension plans	**181**	104
		16,384	4,278

Notes to the Consolidated Financial Statements

38. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	2008 **HK$'000**	2007 *HK$'000*
(d) Year end balances		
Amounts due from related companies		
— WS Guangzhou	—	4,030
— HOSO International Company Limited	—	29,250
	—	33,280
Amounts due to related companies		
— WS Guangzhou	—	2,390
— TC Beijing	—	35,396
	—	37,786
Amounts due to directors		
— Mr. Huang Wen Yi	—	8,673
— Ms. Chan Mei Sheung	—	4,375
	—	13,048
(e) Guarantees given to certain banks in respect of bank borrowings of the Group by directors:		
— Mr. Huang Wen Yi and Ms. Chan Mei Sheung	—	158,582
(f) Net book value of property, plant and equipment sold to a director:		
Ms. Chan Mei Sheung	—	1,035

Notes to the Consolidated Financial Statements

39. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2008:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Equity interest held 2008	Equity interest held 2007
Directly held:					
Genius Earn Investments Limited*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	90 Ordinary shares of US$1 each	**100%**	100%
Indirectly held:					
Smarter Trading (Beijing) Company Limited (奧吉斯貿易（北京）有限公司)*	PRC, wholly foreign-owned enterprise	Retailing of footwear in the PRC	3,000,000 Ordinary shares of HK$1 each	**100%**	100%
Artemis Footwear Limited*	Hong Kong, limited liability company	Dormant	1,000 Ordinary shares of HK$1 each	**100%**	100%
Senet International Limited	Hong Kong, limited liability company	Holding of trademarks and properties in Hong Kong	10 Ordinary shares of HK$1 each	**100%**	100%
Smart Trend Trading (Shenzhen) Company Limited (傲丰貿易（深圳）有限公司)*	PRC, wholly foreign-owned enterprise	Retailing of footwear in the PRC	41,000,000 Ordinary shares of HK$1 each	**100%**	100%
Trunari Enterprises Company Limited	Hong Kong, limited liability company	Holding of properties in Hong Kong	22,000,000 Ordinary shares of HK$1 each	**100%**	100%
Walker Corporation Limited*	Hong Kong, limited liability company	Dormant	1,000 Ordinary shares of HK$1 each	**100%**	100%

Notes to the Consolidated Financial Statements

39. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Equity interest held 2008	Equity interest held 2007
Walker Group China Company Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	100 Ordinary shares of HK$1 each	**100%**	100%
Walker Group International Company Limited*	Hong Kong, limited liability company	Dormant	100 Ordinary shares of HK$1 each	**100%**	100%
Walker International Footwear Limited*	Hong Kong, limited liability company	Wholesales of footwear	100 Ordinary shares of HK$1 each	**100%**	100%
Walker International Holding Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	100 Ordinary shares of HK$1 each	**100%**	100%
Walker Shop Footwear Limited	Hong Kong, limited liability company	Investment holding and retailing of footwear in Hong Kong	100,000,000 Ordinary shares of HK$0.001 each	**100%**	100%
Walker Shop International Trading (Shanghai) Company Limited (奧卡索國際貿易(上海)有限公司)*	PRC, wholly foreign-owned enterprise	Retailing of footwear in the PRC	200,000 Ordinary shares of US$1 each	**100%**	100%
Billion International Trading (Shanghai) Company Limited (逸盈國際貿易(上海)有限公司)*	PRC, wholly foreign-owned enterprise	Retailing of footwear in the PRC	140,000 Ordinary shares of US$1 each	**100%**	100%

Notes to the Consolidated Financial Statements

39. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Equity interest held 2008	2007
Surplus Jet Investments Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	**100%**	—
Excellent High Investments Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	**100%**	—
Ascent Pride Investments Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	**100%**	—
Asia Glory Investments Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	1 Ordinary share of HK$1	**100%**	—
Citiward Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	1 Ordinary share of HK$1	**100%**	—
Smart Sky International (Shenzhen) Limited (傲天國際貿易(深圳)有限公司)*	PRC, wholly foreign-owned enterprise	Dormant	1,000,000 Ordinary shares of HK$1 each	**100%**	—

* Subsidiaries not audited by PricewaterhouseCoopers

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

All companies established in the PRC have adopted 31 December as their accounting date for statutory reporting purpose. All other companies have adopted 31 March as their financial year end date.

Five Year Financial Summary

CONSOLIDATED INCOME STATEMENTS

	Year ended 31 March 2008 *HK$000*	Year ended 31 March 2007 *HK$000*	Year ended 31 March 2006 *HK$000*	Year ended 31 March 2005 *HK$000*	Year ended 31 March 2004 *HK$000*
Turnover	**930,106**	689,366	528,605	466,377	356,493
Cost of sales	**(379,947)**	(242,897)	(191,497)	(192,186)	(154,446)
Gross profit	**550,159**	446,469	337,108	274,191	202,047
Other income	**7,541**	3,084	1,710	1,301	393
Other gains/(losses)	**2,961**	(268)	44	(3)	61
Operating expenses	**(486,419)**	(338,403)	(268,290)	(223,300)	(175,417)
Operating profit	**74,242**	110,882	70,572	52,189	27,084
Finance income/(cost) — net	**32,245**	(3,005)	(1,681)	(988)	(1,412)
Share of loss of joint ventures	**(192)**	—	—	—	—
Profit before income tax	**106,295**	107,877	68,891	51,201	25,672
Income tax expense	**(11,621)**	(24,874)	(14,996)	(11,972)	(4,974)
Profit for the year	**94,674**	83,003	53,895	39,229	20,698
Dividends	**69,836**	25,930	20,000	—	—

Note: Prior to the reorganisation completed on 21 May 2007, combined financial statements have been prepared for year 2004, 2005, 2006 and 2007.

Five Year Financial Summary

CONSOLIDATED BALANCE SHEETS

	As at 31 March 2008 *HK$'000*	As at 31 March 2007 *HK$'000*	As at 31 March 2006 *HK$'000*	As at 31 March 2005 *HK$'000*	As at 31 March 2004 *HK$'000*
ASSETS					
Non-current assets					
Leasehold land	**18,877**	35,196	36,761	37,636	31,596
Property, plant & equipment	**42,411**	41,061	32,544	36,478	33,173
Intangible assets	**10,866**	14,039	638	642	569
Interests in joint ventures	**1,318**	—	—	—	—
Deferred income tax assets	**8,129**	1,061	211	43	—
Available-for-sale financial assets	**1,211**	1,168	1,170	—	—
Rental deposits	**20,378**	14,160	11,948	9,556	6,650
	103,190	106,685	83,272	84,355	71,988
Current assets					
Inventories	**217,281**	155,176	95,585	84,381	61,556
Trade receivables	**97,107**	68,781	35,240	29,027	20,777
Amounts due from related companies	**—**	33,280	46,525	21,084	9,143
Deposit, prepayments and other receivables	**41,076**	28,709	16,630	11,732	11,780
Financial assets at fair value through profit or loss	**19,779**	—	—	—	—
Tax recoverable	**3,395**	17	52	99	—
Restricted cash	**10,000**	10,000	—	—	—
Cash and cash equivalents	**452,231**	47,823	26,956	30,720	12,917
	840,869	343,786	220,988	177,043	116,173

Five Year Financial Summary

CONSOLIDATED BALANCE SHEETS *(Continued)*

	As at 31 March 2008 *HK$'000*	As at 31 March 2007 *HK$'000*	As at 31 March 2006 *HK$'000*	As at 31 March 2005 *HK$'000*	As at 31 March 2004 *HK$'000*
LIABILITIES					
Current liabilities					
Borrowings	**—**	(99,224)	(21,079)	(21,101)	(22,588)
Trade and bills payables	**(85,589)**	(84,905)	(48,707)	(34,689)	(31,078)
Accruals and other payables	**(30,363)**	(37,559)	(40,857)	(41,198)	(35,250)
License fees payable	**(3,752)**	(3,302)	—	—	—
Amount due to related companies	**—**	(37,786)	—	—	—
Amount due to directors	**—**	(13,048)	(32,760)	(41,848)	(20,804)
Obligations under finance leases	**(316)**	—	—	(11)	(292)
Tax payable	**(4,264)**	(15,026)	(15,577)	(10,203)	(4,028)
	(124,284)	(290,850)	(158,980)	(149,050)	(114,040)
Net current assets	**716,585**	52,936	62,008	27,993	2,133
Total assets less current liabilities	**819,775**	159,621	145,280	112,348	74,121
Non-current liabilities					
Borrowings	**—**	(9,914)	(11,582)	(11,577)	(12,561)
License fees payable	**(5,889)**	(9,393)	—	—	—
Obligations under finance leases	**(1,001)**	—	—	—	(11)
Deferred income tax liabilities	**(340)**	(295)	(265)	(553)	(601)
	(7,230)	(19,602)	(11,847)	(12,130)	(13,173)
Net assets	**812,545**	**140,019**	**133,433**	**100,218**	**60,948**

Five Year Financial Summary

CONSOLIDATED BALANCE SHEETS *(Continued)*

	As at 31 March 2008	As at 31 March 2007	As at 31 March 2006	As at 31 March 2005	As at 31 March 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Share capital	**62,250**	10,000	10,000	10,000	10,000
Reserves	**750,295**	130,019	123,433	90,218	50,948
Total equity	**812,545**	**140,019**	**133,433**	**100,218**	**60,948**