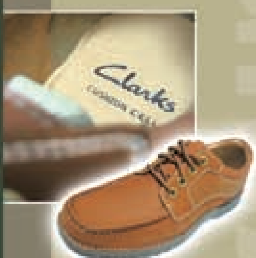
KINGMAKER

KINGMAKER FOOTWEAR HOLDINGS LIMITED

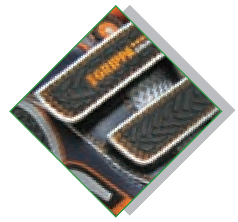
信 星 鞋 業 集 團 有 限 公 司

Stock Code: 1170



Annual Report

2008



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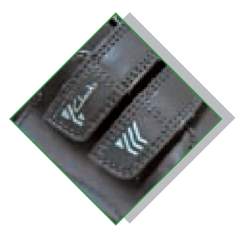


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

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

Independent non-executive Directors

Mr. Tam King-ching, Kenny
Mr. Chan Mo-po, Paul, MH, J.P.
Mr. Yung Tse-kwong, Steven

COMPANY SECRETARY

Mr. Chan Ho-man, Daniel

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

CORPORATE INFORMATION

SOLICITORS

Peter C. Wong, Chow & Chow

AUDITORS

Ernst & Young
Certified Public Accountants

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Calyon
Standard Chartered Bank
Hang Seng Bank
UFJ Bank

STOCK CODE

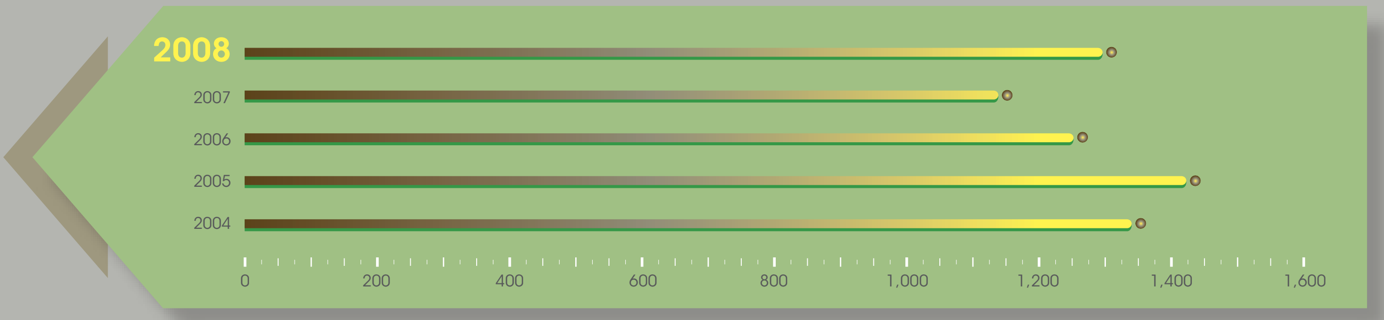
1170

WEBSITE

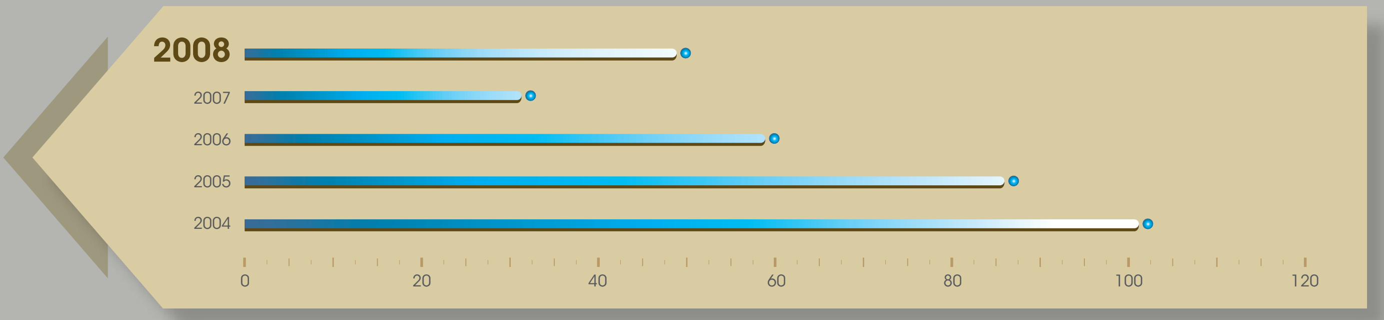
http://www.irasia.com/listco/hk/kingmaker/index.htm

FINANCIAL HIGHLIGHTS

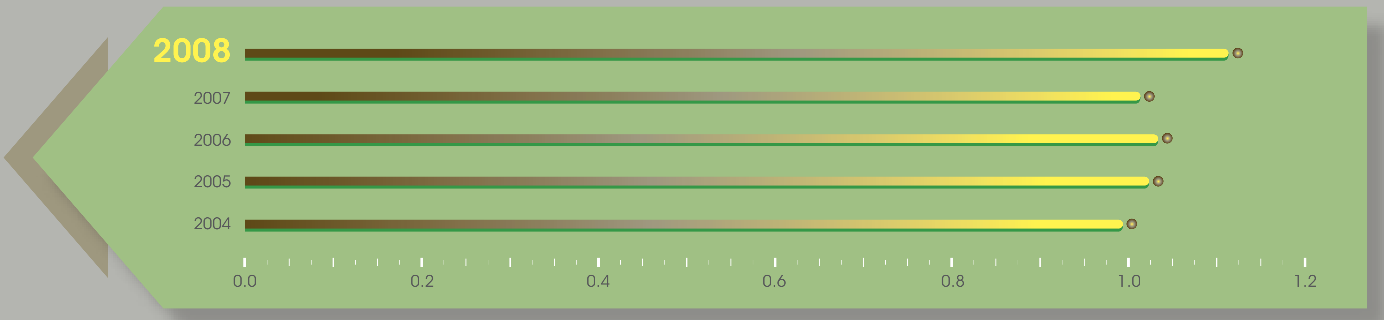
TURNOVER *(HK$ Mil)*



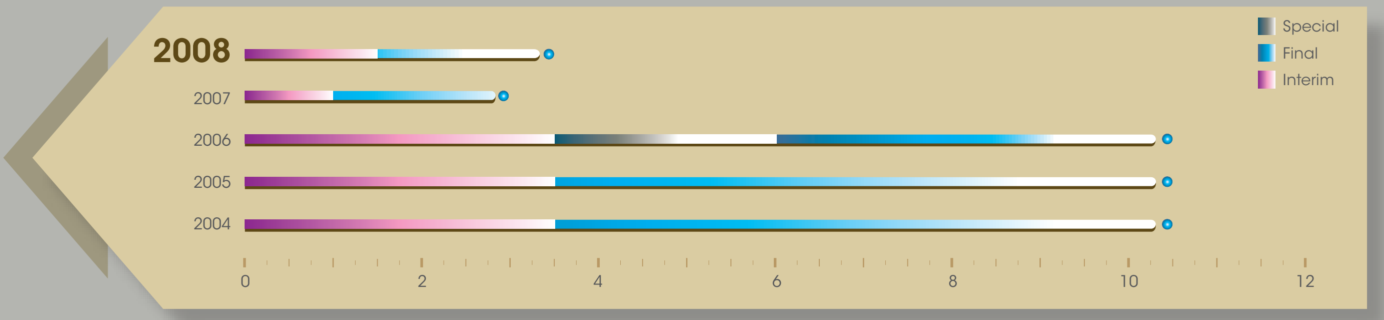
NET PROFIT *(HK$ Mil)*



NET ASSET VALUE PER SHARE *(HK$)*

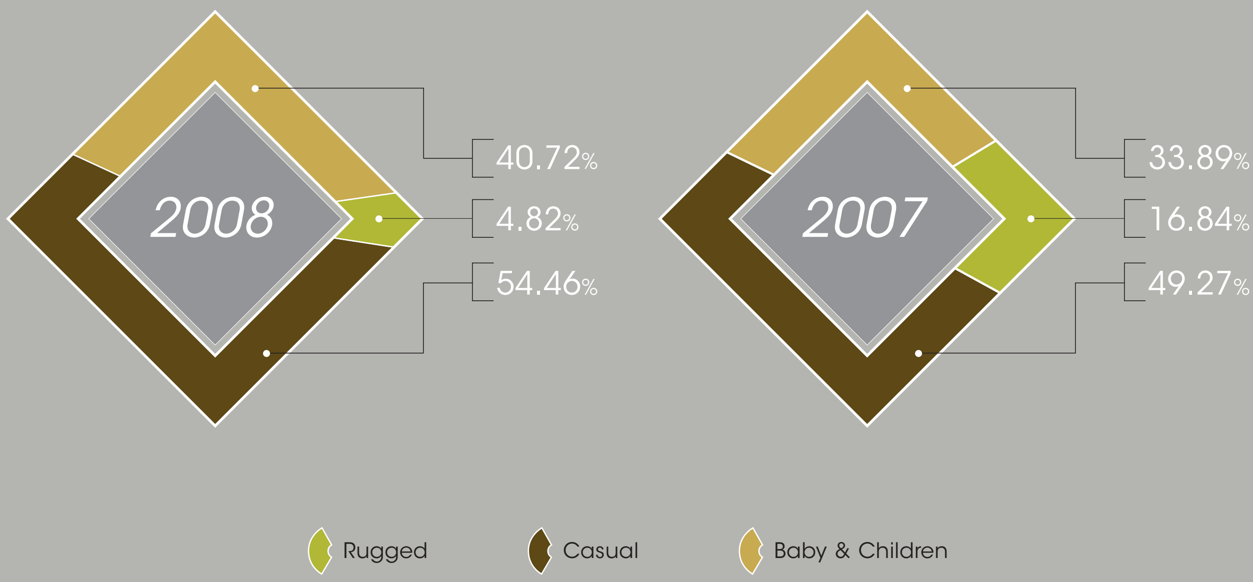


DIVIDEND PER SHARE *(HK Cents)*

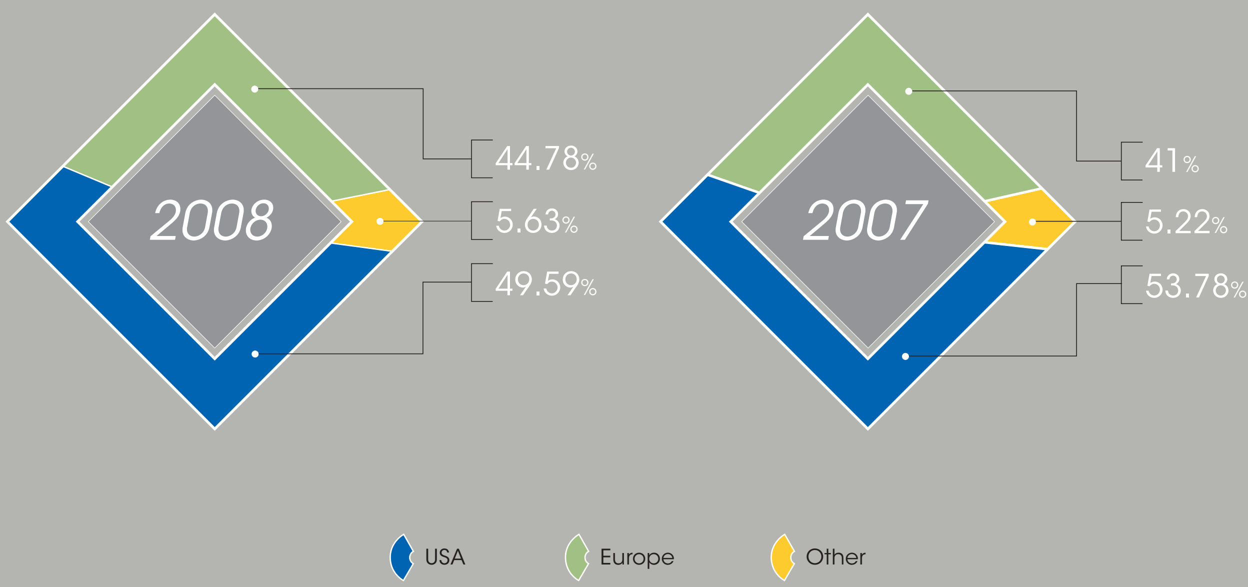


FINANCIAL HIGHLIGHTS

CATEGORY



GEOGRAPHICAL



CHAIRMAN'S STATEMENT

Spiraling crude oil prices are not news. As a matter of fact, prices have been going up since 2004. However, when oil prices repeatedly reached record highs, the attention turned to the potential impact on the other facets of the economy, including higher costs for all oil-based raw materials and by-products and all the manufacturing activities that depend on them.

This has led to inflationary pressures worldwide. Coupled with the sub-prime crisis in the US and Europe, consumer spending is forecast to be weakened even though there may not be any material changes in the disposable income levels. These macroeconomic factors are not to be taken lightly as they can adversely affect market demand and inflate the cost factor.

Historical statistics indicate that during times of recession, inflation and even depression, the US footwear market performed reasonably well. It seems that footwear is considered an essential commodity in the market. The Group remains cautiously optimistic as to the market resilience to any general economic downturn, however we must continue to be vigilant over any negative forces in the market, especially price elasticity and consumer affordability.

As the Group continues to diversify its manufacturing facilities to Vietnam and Cambodia, they complement, rather than replace, the Mainland factories. We are acutely aware of the increasing costs in manufacturing in the Mainland, arising not just from the higher labor wages, but also the strengthening currency RMB. The appreciation trend may slow down at times but a higher RMB is inevitable. This poses challenges to our profit margin. While we can offset the impact with higher average selling prices ("ASP") to customers, again the extent of price elasticity which underscores our ability to increase prices without losing our competitiveness remains a constant challenge.

To address the higher cost elements in the Pearl River Delta, the Group will continue to enforce the lean manufacturing system to

Chen Ming-hsiung, Mickey
Chairman

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

CHAIRMAN'S STATEMENT

Extend sales and distribution network in China to cover major cities and special economic zones

maximize efficiency. There are also plans to move our manufacturing bases further inland. It is expected that the construction of a new facility in Jiangxi will commence later in 2008. The board will report this when further details are in place.

One development that is in the Group's favor is that the tough operating environment has already phased out the weaker competitors with industry consolidation in further progress. This benefits established industry stalwarts such as the Group.

We are also pleased with the performance of our new factories in Vietnam and Cambodia, especially the flexibilities it offers to grow and serve our customers in Europe and the US. We plan to increase the production volumes of these two facilities. Once again, it has been proved that diversification is key when it comes to risk aversion and growth protection.

Diversification also applies to product development. We have said many times that the way forward is to expand the premium casual footwear category to cater to the specific requirements of branded customers, and in practice, we need to constantly strengthen our capabilities to provide our customers with more innovative styles and order sizes of better quality and faster delivery lead time. Cultivating customers and maintaining close rapport with existing customers remains the task of our sales team. Our challenge is to identify and secure more branded customers as part of the efforts to expand our customer and product portfolio.

Going forward, we are cautiously optimistic with the growth prospects. We believe the success formula is now in place and it is the job of everyone to continue their best efforts to generate the best possible benefits to the Group and the shareholders. There are always challenges along the way and we have proven our resilience and ability to turn threats into opportunities. We shall count on our excellent teams to continue to perform their very best.

Skechers

Zoo York

Clarks

CHAIRMAN'S STATEMENT

Future Plans and Prospects

The Group's future profitability lies firmly in its ability to grow the premium casual footwear category and raise its ASP. To achieve this, the Group acknowledges the need to strengthen its offerings to existing customers and secure new customers through higher manufacturing acumen and efficiency.

The output and contribution from the factory in Vietnam met with the Group's expectation with approximately 12.12% and approximately 16.14% growth in terms of output and value respectively. This is mainly attributable to increased orders from European customers to suppliers in Asia. The Group is also pleased that the factory in Cambodia has commenced production successfully to help serve existing and new customers in Europe. This represents a more flexible complement to the factory in Vietnam. It is expected that a total of three production lines in Cambodia will become operational by the end of 2008 and this will further empower the Group's market penetration into the EU market.

The Group will continue to upgrade the existing facilities for the sample centres in Zhongshan, Zhuhai and Taiwan to strengthen its products research and development capability as part of the customer retention and cultivation efforts.

The Group remains positive over the demand for its products, in particular premium casual footwear. However, it takes the dedicated efforts of everyone in the Group to implement the business strategies and to have the capabilities in place to capture and translate such opportunities into profits to the Group. Our 2007/08 achievement is admirable and we look forward to attaining better results for 2008/09 and beyond.

New Business Initiative

Another step towards diversification is going into the retail sector in the Mainland and Hong Kong. Inevitably this is a totally new world to the Group which has always been in the manufacturing business. The management will pursue this long term development with great prudence. As an initial step, the Group has acquired the Hong Kong retail chain shops 'MOCCA' subsequent to the balance sheet date and further acquisition projects are also under consideration.

Acknowledgements

Finally, on behalf of the Directors, I wish to express my sincere appreciation to the Directors and all employees of the Group for their loyal support and dedication, their professionalism, enterprise and hard work. I would also like to thank our shareholders, our suppliers, our bankers and our customers for their continued support.

Chen Ming-hsiung, Mickey
Chairman
Hong Kong, 28 July 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group continued to achieve satisfactory growth during the year under review despite growing concerns of a potential US economic melt-down and inflationary pressures driven by spiraling oil prices.

Continuing the good performances from the first half of the financial year, the Group's full-year revenue increased approximately 13.94% year by year to approximately HK$1,318 million (2007: approximately HK$1,157 million). This reflects the success of the Group's strategy to further expanding the premium casual footwear category which commands higher average selling prices ("ASP") and therefore bringing in a higher profit margin. This star performer product category contributed to approximately 54.46% of the total revenue.

Net profit for the year attributable to shareholders grew approximately 49.15% to approximately HK$50 million (2007: approximately HK$34 million) on the back of higher ASP achieved due to a further shift of the product mix towards the higher-margin premium casual footwear category.

The US remained the Group's largest market. The credit crunch and higher inflation have fuelled concerns over a potential recession and impact on the retail sector. The Group's US-branded customers are understandably more conservative with its orders. Despite the general apprehension, the Group managed to achieve approximately 5.22% growth in pair in exports to the US market for the year. This shows the competitive importance of the Group's cutting-edge research and development capabilities and catering specifically to customers' needs to secure and retain support from customers.

Earnings per share were approximately HK7.69 cents (2007: approximately HK5.16 cents). The Group has recommended the payment of a final dividend for the year ended 31 March 2008 to thank shareholders for their continuous support.

BUSINESS STRATEGIES

The strategy of focusing on the production of quality premium casual footwear products has been proven a growth driver and this remains the focus of the Group. In practice, this means that the Group will continue to offer tailor-made manufacturing solutions for high-end products to branded customers through its production bases in Southeast Asia, in addition to the provision of more established original design manufacturing ("ODM") and original equipment manufacturing ("OEM") services.

During the past several years, the Group has actively pursued expansion through two different, though equally important channels. One avenue has been to increase business through the Group's existing customer base. This is done by first analyzing the customers'

Clarks

MANAGEMENT DISCUSSION AND ANALYSIS

branded growth patterns and their relevance in today's changing fashion markets. Clarks, Stride Rite (now part of the CBI Group) and Skechers have all grown under this business expansion model. The Group's strong partnership with these active and exciting brands has made this type of growth especially meaningful. Additionally, the Group has also expanded by attracting numerous worldwide brand leaders and then determining if they fit the Group's "partnership model".

This foray into the premium arena is well supported by the Group's established skill sets in high-end footwear manufacturing, extensive experience of working with the world's leading vendors, and its strong, multi-location production capability.

OPERATIONAL PERFORMANCE

The Group's satisfactory performance during the year under review should not disguise the fact that there are concerns and challenges in the operating environment. Topping the list is the rocketing crude oil prices which have increased the cost of outsoles and transportation. While the Group has successfully shifted part of the higher cost to the customers as reflected from the rising ASP, the extent of the price elasticity and affordability remains to be tested. The impact of higher oil prices can also be more widespread as there are already talks of people cutting back on consumer products to offset higher fuel costs.

The shortage of experienced workers in the Pearl River Delta region is a constant threat. The imposition of more stringent minimum wages and a higher RMB have also added to the cost of manufacturing in the Mainland. The Group's introduction of "lean manufacturing system" to improve manufacturing cycles helps enhance the production efficiency and utilization while the higher ASP for premium products from branded customers also helps offset part of the higher cost. Nevertheless, the labor issue in the Mainland is an area that the management needs to remain vigilant.

Product Mix

It is obvious that achieving a higher ASP is the way forward for the Group to maintain its profitability. The Group accomplished this in the year under review with a higher share of the higher-margin premium casual category in revenue contribution. The casual footwear category represented approximately 54.46% (2007: approximately 49.27%) of the total revenue; whereas the baby and children shoes and rugged footwear categories accounted for approximately 40.72% (2007: approximately 33.89%) and approximately 4.82% (2007: approximately 16.84%) respectively of Group revenue. The Group will continue to pursue the development of new types of premium casual products for existing and new branded customers. In fact, negotiation with new prospects is already underway.

Multi-location Production Capability

The Group's core production capability comprises a network of factories with a total of 38 production lines, of which 13 are located in Vietnam and Cambodia, and 25 in the Mainland, including 9 in Zhongshan and 16 in Zhuhai. The Group's manufacturing facilities all offer strategic importance to its customers and help the Group continuing to be an industry leader in producing premium infant, children, ath-leisure, casual and rugged footwear. Although the recent world economic situation presents many difficulties, the Group estimates a continued pairage growth for the year.

With production bases in the Mainland, Vietnam and Cambodia, the Group now enjoys a much greater flexibility that is essential for the management to plan strategically and mitigate potential political and market risks, including taxes and quota restrictions. This multi-location manufacturing strength also enables the Group to tweak more sharply its market penetration initiatives into the US and Europe. The facilities in Vietnam and Cambodia are particularly instrumental in tapping the European market.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Customer Portfolio

Orders from customers in the US, Europe and other markets represented approximately 49.59% (2007: approximately 53.78%), approximately 44.78% (2007: approximately 41.00%) and approximately 5.63% (2007: approximately 5.22%) respectively of the Group's revenue. The management believes that this good balance of market spread between the US and Europe allows the Group to capture market growth opportunities and at the same time is another risk aversion perk for any unforeseeable market adversity.

During the reporting period, the Group's major customers included Skechers, Clarks, Stride Rite and Elefanten. In aggregate, they accounted for approximately 96.44% of the total output. We are also pleased to have new customers such as Ariate and Camper on board.

Cost Management

With revenue on one side of the equation, cost management is the equally important component on the opposite end. The Group will continue to keep administration and selling expenses down and adopt a conservative cash-flow management policy to maintain a healthy balance sheet.

As at 31 March 2008, the Group had no significant borrowings and maintained cash and bank deposits of approximately HK$281 million (2007: approximately HK$216 million).

FINANCIAL REVIEW

Financial and Liquidity Resources

The Group's operation is generally financed by its internal cash generation from operation and banking facilities supplied by various banks. As at 31 March 2008, the Group continued its conservative and healthy cash position and maintained a strong liquidity position which included cash and bank deposits of approximately HK$281 million (2007: approximately HK$216 million). Most of the cash and bank deposits were denominated in US dollars as the denominated currency of the Group's trading activities was US dollars.

As at 31 March 2008, the Group had aggregate trade banking facilities amounted to an aggregate sum of approximately HK$267 million (2007: HK$352 million) with various banks. Out of the trade banking facilities in Hong Kong granted to the Group, approximately HK$1 million (2007: HK$1 million) had been utilised as at 31 March 2008.

As at 31 March 2008, the current ratio was approximately 1.82 (2007: approximately 1.90) based on current assets of approximately HK$626 million (2007: approximately HK$526 million) and current liabilities of approximately HK$343 million (2007: approximately HK$277 million) and the quick ratio was approximately 1.43 (2007: approximately 1.33).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has put in place of maintaining a prudent gearing ratio. As at 31 March 2008 and 2007, the Group had no long term interest-bearing bank borrowings.

The Directors considered that the Group shall have sufficient financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

Foreign Exchange Risk Management

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC and Vietnam factories. The Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if consider necessary. Speculative currency transactions are prohibited. The management of currency risk is centralized in the Hong Kong office of the Group.

EMPLOYMENT, TRAINING AND REMUNERATION POLICIES

The Group, including its subsidiaries employed approximately 15,000 employees as at 31 March 2008. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits which include provident fund, medical insurance and training are provided. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

REPORT OF THE DIRECTORS

The directors (the "Directors") of the Company present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 98.

An interim dividend of HK1.5 cents per ordinary share was paid on 29 January 2008. The Directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year to shareholders on the register of members on 28 August 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet. Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company, such dividend will be payable on or around 8 October 2008, in cash in Hong Kong dollars.

SUMMARY FINANCIAL INFORMATION

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

Results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,317,857**	1,156,666	1,278,488	1,432,388	1,360,856
PROFIT BEFORE TAX	**65,121**	39,785	70,360	92,796	108,934
Tax	**(14,723)**	(5,994)	(10,225)	(4,896)	(5,845)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**50,398**	33,791	60,135	87,900	103,089

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION *(continued)*

Assets and liabilities

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROPERTY, PLANT AND EQUIPMENT	**369,094**	342,758	367,716	378,793	361,214
PREPAID LAND LEASE PAYMENTS	**76,379**	74,208	76,064	82,752	84,676
INVESTMENT PROPERTIES	**4,310**	3,060	2,973	–	–
DEPOSITS PAID	**2,367**	–	–	–	–
INVESTMENTS IN CLUB MEMBERSHIPS	**1,017**	1,030	1,045	1,060	–
AVAILABLE-FOR-SALE INVESTMENTS	**1,886**	1,693	1,369	970	652
CURRENT ASSETS	**626,241**	525,614	498,120	456,845	491,652
TOTAL ASSETS	**1,081,294**	948,363	947,287	920,420	938,194
CURRENT LIABILITIES	**343,154**	277,136	261,154	239,137	275,214
TOTAL LIABILITIES	**343,154**	277,136	261,154	239,137	275,214
	738,140	671,227	686,133	681,283	662,980

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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

During the year, the Company repurchased 1,500,000 of its ordinary shares (2007: nil) of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$1,464,000 excluding transaction cost. These shares were cancelled by the Company subsequent to the balance sheet date. The repurchase of the Company's shares during the year was effected by the Directors, pursuant to the repurchase mandate granted by the shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Details of the shares repurchased are as follows:

Month/year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregated consideration (excluding transaction cost) HK$'000
March 2008	1,500,000	1.00	0.94	1,464

The premium paid on the repurchase of the shares of HK$1,314,000 has been debited to the share premium account. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$73,997,000, of which HK$13,021,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$70,183,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's sales to the five largest customers accounted for 97.63% of the total sales for the year and sales to the largest customer included therein amounted to 51.94% of the Group's sales for the year. The Group's purchases from the five largest suppliers accounted for 31.22% of the Group's purchases and purchases made from the largest supplier included therein amounted to 12.44% of the Group's total purchases for the year.

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

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

Non-executive Director:

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

Independent non-executive Directors:

Mr. Tam King-ching, Kenny
Mr. Chan Mo-po, Paul *MH, J.P.*
Mr. Yung Tse-kwong, Steven

In accordance with article 87 of the Company's bye-laws, Mdm. Huang Hsiu-duan, Helen, Mr. Chan Ho-man, Daniel and Mr. Chan Mo-po, Paul will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position held	Number of years of service	Business experience
Chen Ming-hsiung, Mickey	55	Chairman and managing director	27	Mr. Chen is a co-founder of the Group. Mr. Chen has more than 30 years' experience in the footwear industry. He is responsible for formulating the overall business strategy and plans of the Group. He also oversees the functions of marketing and product design and development. He is the husband of Huang Hsiu-duan, Helen.
Huang Hsiu-duan, Helen	51	Director	27	Mdm. Huang is the wife of Mr. Chen Ming-hsiung, Mickey and is a co-founder of the Group. She is responsible for the Group's administration and has more than 31 years' experience in the footwear industry.
Lee Kung, Bobby	53	Director	27	Mr. Lee is a co-founder of the Group and is responsible for the Group's overall production in Vietnam. He is also responsible for formulating and controlling the Group's quality control policy and procedures. Mr. Lee has more than 28 years' experience in the footwear industry.
Chan Ho-man, Daniel	53	Director	12	Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. He is responsible for the Group's corporate finance and is also the Company Secretary of the Company. Mr. Chan has more than 29 years' accounting and finance experience in Hong Kong.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Kimmel, Phillip Brian	56	Director	14	Mr. Kimmel is responsible for the Group's marketing and customer relations. He holds a bachelor's degree from the University of Southern California. He also holds a master's degree in China regional studies from the University of Washington. Mr. Kimmel has more than 32 years' experience in the footwear industry in Taiwan, the USA, Canada and the PRC.
Chow Wing-kin, Anthony, SBS, J.P.	58	Director	14	Mr. Chow has been practicing as a solicitor in Hong Kong for the past 28 years and is a partner in the law firm, Peter C. Wong, Chow & Chow. His principal area of practice include corporate and commercial, property law, probate and civil litigation. He is a China-Appointed Attesting offices. Mr. Chow is the Chairman of Process Review Panel for Securities and Futures Commission. He is a Member of National Committee of the Chinese People's Political Consultative Conference, and also serves as a member of the Board of steward of Hong Kong Jockey Club. He also serves on the boards of several listed companies in Hong Kong, one listed company in Singapore and is the former President of the Law Society of Hong Kong.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Tam King-ching, Kenny	59	Director	14	Mr. Tam King Ching, Kenny, aged 59. Mr. Tam was appointed as an Independent Non-executive Director of the Company in May 1994. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Ethics Committee and Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors.
Chan Mo-po, Paul, *MH, J.P.*	53	Director	4	Mr. Chan has over 30 years' experience in accounting and finance field and is the chairman of PCP CPA Limited. Mr. Chan holds both a Bachelor's and a Master's degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Association of Chartered Certified Accountants ("ACCA"), the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Chinese Accountants and Auditors, and a member of the Macau Society of Certified Practising Accountants. He is a former president of the HKICPA and a former Chairman of the ACCA – Hong Kong. Mr. Chan Is also the Chairman of the Legal Aid Services Council. Mr. Chan is an independent non-executive director of several public listed companies which are listed on the main board of the Stock Exchange.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Yung Tse-kwong, Steven	58	Director	3	Mr. Yung is the Chairman of Clear Media Limited which is listed on the main board of Hong Kong Stock Exchange. During his 27 years of media, advertising, consumer marketing, manufacturing and retailing career, he also held senior management positions with, and brought extensive management experience from multinational companies including the Coca-Cola Company in the U.S. & Asia Pacific. Mr. Yung has served on the Boards of various community, corporate and charitable organizations.
Hong Kong Office:				
Lai Chi-hang, David	41	Financial controller	15	Mr. Lai is responsible for the Group's accounting and financial management. He has 19 years' experience in the fields of auditing, accounting and financial management.
Taiwan Office:				
Huang Pen-yuan, David	55	Senior marketing manager	17	Mr. Huang is responsible for the Group's marketing and Taiwan operations in respect of customer relations. He has more than 29 years' experience in the footwear industry.
Zhuhai factory:				
Suen Chien-hsiang, Ava	53	Senior marketing manager	2	Ms. Suen joined the Group in 2006 and is responsible for the Group's marketing and China operations in respect of customer relations. She has over 31 years experience in shoes business for R & D, lean process and ERP program.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Vietnam factory:				
Kuo Chien-kuei, James	57	Senior production manager	18	Mr. Kuo is responsible for the Group's production in Vietnam. He has more than 28 years' experience in footwear production management.
Chen Hsien-yu, Simon	49	Senior technical & marketing manager	14	Mr. Chen is responsible for the Group's technical control operation and customer relations in Vietnam. Mr. Chen has over 21 years' experience in the footwear industry.
Zhongshan factory:				
Liu San-teng, Gerry	46	Senior manager	16	Mr. Liu is responsible for the Group's administration and operation in China. He has been incurred in the development of Vietnam factory and has experience in international trade. He has more than 16 years' experience in the footwear industry.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of the Company's issued capital
Mr. Chen Ming-hsiung, Mickey	7,906,250	21,731,250	269,704,752 (Note 2)	299,342,252	45.80
Mdm. Huang Hsiu-duan, Helen (Note 1)	21,731,250	7,906,250	269,704,752 (Note 2)	299,342,252	45.80
Mr. Lee Kung, Bobby	–	–	269,704,752 (Note 2)	269,704,752	41.27
Mr. Chan Ho-man, Daniel	3,200,000	–	–	3,200,000	0.49
Mr. Kimmel, Phillip Brian	1,000,000	–	–	1,000,000	0.15

Notes:

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

2. These shares represent a 41.27% of the issued share capital of the Company and are beneficially owned by King Strike Limited. The issued share capital of King Strike Limited is beneficially owned by Mr. Chen Ming-hsiung, Mickey as to 75.80%, Mdm. Huang Hsiu-duan, Helen as to 22.07% and Mr. Lee Kung, Bobby as to 2.13%.

Long positions in share options of the Company:

Name of Director	Number of options directly beneficially owned
Executive Directors:	
Mr. Chen Ming-hsiung, Mickey	1,650,000
Mdm. Huang Hsiu-duan, Helen	300,000
Mr. Lee Kung, Bobby	1,600,000
Mr. Chan Ho-man, Daniel	1,700,000
Mr. Kimmel, Phillip Brian	1,700,000
Non-executive director:	
Mr. Chow Wing-kin, Anthony *SBS, J.P.*	400,000
Independent non-executive directors:	
Mr. Tam King-ching, Kenny	400,000
Mr. Chan Mo-po, Paul *MH, J.P.*	400,000
Mr. Yung Tse-kwong, Steven	400,000
	8,550,000

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

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

Save as disclosed above, as at 31 March 2008, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 26 to the financial statements.

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

At 31 March 2008, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
King Strike Limited (Note 1)	Beneficially owned	269,704,752	41.27%
Commonwealth Bank of Australia	Investment Manager	65,323,400	10.00%
Aberdeen Asset Management Plc and its associates	Investment Manager	45,794,000	7.01%
Yeo Seng Chong (Note 2)	Investor	39,488,000	6.04%
Lim Mee Hwa (Note 2)	Investor	39,488,000	6.04%
DJE Investment S.A.	Investment Manager	33,240,000	5.09%

Note: 1) The issued share capital of King Strike Limited is beneficially owned by Mr. Chen Ming-hsiung, Mickey, as to 75.80%, Mdm. Huang Hsiu-duan, Helen as to 22.07% and Mr. Lee Kung, Bobby as to 2.13%.

2) Yeo Seng Chong and Lim Mee Hwa are spouse, 33,478,000 shares are held by Yeoman Capital Management Pte. Ltd. a corporation controlled by Yeo Seng Chong and Lim Mee Hwa.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Save as disclosed above, as at 31 March 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 34 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2008 to 28 August 2008, both days inclusive, during which period no transfers of shares shall be effected. To qualify for the final dividend and for attending and voting at the annual general meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 21 August 2008.

AUDITORS

During the year, BDO McCabe Lo Limited ("BDO") resigned as auditors of the Group and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising, subject to shareholders' ratification, confirmation and approval at the forthcoming annual general meeting of the Company. In 2006, Ernst & Young resigned as auditors of the Company and BDO was appointed as auditors of the Company. Save as disclosed herein, there has been no other change of auditors in the past three years. Resolutions for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Ming-hsiung, Mickey
Chairman

Hong Kong
28 July 2008

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The board of the Directors ("the Board") is committed to ensure the self-regulatory practices exist to protect the interests of the shareholders. These include a Board of high caliber members, Board Committees and effective internal audit and good systems of internal controls. The Company regularly reviews the corporate governance procedures and developments of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period under review, except that:

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Company should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Directors will meet regularly to consider major matters affecting the operations of the Company. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Company and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings in the Model Code and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2008.

Board of Directors

The duty of the Board is to manage the Group in a responsible and effective manner and every director has to carry out his/her duty in good faith and achieves the standard of any prevailing applicable laws and regulations and act in the best interests of the Company and its shareholders. During the year under review, the members of the Board included:

Executive directors:

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

Non-executive director:

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

Independent non-executive directors:

Mr. Tam King-ching, Kenny
Mr. Chan Mo-po, Paul MH, J.P.
Mr. Yung Tse-kwong, Steven

CORPORATE GOVERNANCE REPORT

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

Name of directors	Number of attendances
Executive Directors	
Mr. Chen Ming-hsiung, Mickey	4
Mdm. Huang Hsiu-duan, Helen	4
Mr. Chan Ho-man, Daniel	4
Mr. Kimmel, Phillip Brian	4
Mr. Lee Kung, Bobby	4
Non-executive Director	
Mr. Chow Wing-kin, Anthony SBS, J.P.	4
Independent non-executive Directors	
Mr. Tam King-ching, Kenny	4
Mr. Chan Mo-po, Paul MH, J.P.	4
Mr. Yung Tse-kwong, Steven	4

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

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

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

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

CORPORATE GOVERNANCE REPORT

Non-executive Directors

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

Remuneration of Directors

Under the code provision B.1.1, the Company should establish a remuneration committee (the "Remuneration Committee") with specific written terms of reference which deal clearly with its authority and duties.

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

During the year, members of the Remuneration Committee included:

Mr. Chen Ming-hsiung, Mickey *(Chairman)*
Mdm. Huang Hsiu-duan, Helen
Mr. Tam King-ching, Kenny
Mr. Chan Mo-po, Paul MH, J.P.
Mr. Yung Tse-kwong, Steven

The Remuneration Committee held a meeting on 2 January 2008 to discuss remuneration related matters. All members of the Remuneration Committee attended the meeting. The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors with reference to the factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable. Details of the emolument policy of the Directors are set out on page 21 of this report.

Nomination Committee

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

CORPORATE GOVERNANCE REPORT

The Nomination Committee members namely, Mr. Chen Ming-hsiung, Mickey, Mr. Tam King-ching, Kenny and Mr. Chan Mo-po, Paul, Mr. Chow Wing-kin, Anthony and Mr. Yung Tse-kwong, Steven, were present on the meeting.

During the meeting, the Nomination Committee considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company's bye-laws and as resolved by the Nomination Committee, Mdm. Huang Hsiu-duan, Helen, Mr. Chan Ho-Man, Daniel and Mr. Chan Mo-po, Paul will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Audit Committee

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

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

Mr. Tam King-ching, Kenny
Mr. Chow Wing-kin, Anthony SBS, J.P.
Mr. Chan Mo-po, Paul MH, J.P.
Mr. Yung Tse-kwong, Steven

The Audit Committee held 3 meetings during the year and all the committee members were present in these meetings.

The Group's audited consolidated results for the year ended 31 March 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

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

Auditors' Remuneration

During the year under review, external auditors BDO McCabe Lo Limited resigned and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising on 28 March 2008.

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group. During the year under review, the fees payable to Ernst & Young, the Company's external auditors, for audit services and non-audit service totalling of HK$1,145,000 and HK$180,000 respectively.

Directors' and Auditors Responsibilities for Financial Statements

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

CORPORATE GOVERNANCE REPORT

Internal Control and Risk Management

The Board has conducted a review of the effectiveness of the Group's system of internal control to ensure the effective and adequate internal control system. The Board convened meetings regularly to discuss financial, operational and compliance controls risk management functions.

Investor Relations

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

Communication with Shareholders

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

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the directors in addressing any relevant queries by shareholders.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications. The notices are also published in newspapers. Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint a proxy to attend and vote in his stead.

Voting by Poll

Pursuant to the articles of association of the Company, the Chairman shall demand a poll in the Company's general meetings whenever voting by poll is required under the Listing Rules. The Company's articles of association has set out the procedures, requirements and circumstances where voting by poll is required, and in corporate communications to shareholders for matters where shareholders' voting are required, the procedures for and shareholders' right to demand a poll shall be specified. Such procedure and shareholders' right would be reiterated and explained by the Chairman at the commencement of the general meeting of shareholders.

CORPORATE GOVERNANCE REPORT

Code of Conduct

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

Conclusion

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

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永

To the shareholders of Kingmaker Footwear Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Kingmaker Footwear Holdings Limited set out on pages 33 to 98, 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 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 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.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT *(continued)*

OPINION

In our opinion, the 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.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

28 July 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**1,317,857**	1,156,666
Cost of sales		**(1,117,693)**	(1,009,962)
Gross profit		**200,164**	146,704
Other income and gains, net	5	**16,304**	16,029
Distribution and selling costs		**(25,656)**	(26,793)
Administrative expenses		**(125,625)**	(96,072)
Finance costs	6	**(66)**	(83)
PROFIT BEFORE TAX	7	**65,121**	39,785
Tax	10	**(14,723)**	(5,994)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**50,398**	33,791
DIVIDENDS	12		
Interim		**9,826**	6,550
Proposed final		**13,021**	13,101
		22,847	19,651
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK7.69 cents**	HK5.16 cents
Diluted		**HK7.69 cents**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**369,094**	342,758
Prepaid land lease payments	15	**76,379**	74,208
Investment properties	16	**4,310**	3,060
Deposits paid		**2,367**	–
Investments in club memberships		**1,017**	1,030
Available-for-sale investments	18	**1,886**	1,693
Total non-current assets		**455,053**	422,749
CURRENT ASSETS			
Inventories	19	**134,292**	156,570
Accounts and bills receivable	20	**166,912**	137,085
Prepayments, deposits and other receivables		**16,644**	15,553
Derivative financial instruments	23	**15,405**	–
Tax recoverable		**111**	178
Structured deposit	21	**11,700**	–
Cash and cash equivalents	21	**281,177**	216,228
Total current assets		**626,241**	525,614
CURRENT LIABILITIES			
Accounts and bills payable	22	**131,482**	114,174
Accrued liabilities and other payables		**91,022**	70,921
Tax payable		**105,901**	92,041
Derivative financial instruments	23	**13,628**	–
Interest-bearing bank borrowings	24	**1,121**	–
Total current liabilities		**343,154**	277,136
NET CURRENT ASSETS		**283,087**	248,478
Net assets		**738,140**	671,227
EQUITY			
Issued share capital	25	**65,355**	65,505
Reserves		**659,764**	592,621
Proposed final and special dividends	12	**13,021**	13,101
Total equity		**738,140**	671,227

Chen Ming-hsiung, Mickey
Director

Chan Ho-man, Daniel
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000
At 1 April 2006	65,505	71,497	53	-	10,176	399	492,650	45,853	686,133
Final and special 2006 dividends declared and paid	-	-	-	-	-	-	-	(45,853)	(45,853)
Exchange reserve arising from consolidation of overseas subsidiaries recognised directly in equity	-	-	-	-	(814)	-	-	-	(814)
Changes in fair value of available-for-sale investments	-	-	-	-	-	324	-	-	324
Total income and expenses for the year recognised directly in equity	-	-	-	-	(814)	324	-	-	(490)
Profit for the year	-	-	-	-	-	-	33,791	-	33,791
Total income and expenses for the year	-	-	-	-	(814)	324	33,791	-	33,301
Interim 2007 dividend (note 12)	-	-	-	-	-	-	(6,550)	-	(6,550)
Proposed final 2007 dividend (note 12)	-	-	-	-	-	-	(13,101)	13,101	-
Recognition of equity-settled share-based payments (note 26)	-	-	-	4,196	-	-	-	-	4,196
At 31 March 2007 and 1 April 2007	**65,505**	**71,497***	**53***	**4,196***	**9,362***	**723***	**506,790***	**13,101**	**671,227**
Final 2007 dividend declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,101)**	**(13,101)**
Exchange reserve arising from consolidation of overseas subsidiaries recognised directly in equity	**-**	**-**	**-**	**-**	**37,037**	**-**	**-**	**-**	**37,037**
Changes in fair value of available-for-sale investments	**-**	**-**	**-**	**-**	**-**	**193**	**-**	**-**	**193**
Total income and expenses recognised directly in equity	**-**	**-**	**-**	**-**	**37,037**	**193**	**-**	**-**	**37,230**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**50,398**	**-**	**50,398**
Total income and expenses for the year	**-**	**-**	**-**	**-**	**37,037**	**193**	**50,398**	**-**	**87,628**
Shares repurchased (notes 25 and 27)	**(150)**	**(1,314)**	**150**	**-**	**-**	**-**	**(150)**	**-**	**(1,464)**
Interim 2008 dividend (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**(9,826)**	**-**	**(9,826)**
Proposed final 2008 dividend (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**(13,021)**	**13,021**	**-**
Recognition of equity-settled share-based payments (note 26)	**-**	**-**	**-**	**3,676**	**-**	**-**	**-**	**-**	**3,676**
At 31 March 2008	**65,355**	**70,183***	**203***	**7,872***	**46,399***	**916***	**534,191***	**13,021**	**738,140**

* These reserve accounts comprise the consolidated reserves of HK$659,764,000 (2007: HK$592,621,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**65,121**	39,785
Adjustments for:			
Finance costs	6	**66**	83
Interest income	7	**(13,365)**	(11,044)
Depreciation	7	**41,663**	38,712
Amortisation of prepaid land lease payments	7	**1,890**	1,890
Impairment allowance for doubtful debts	7	**636**	–
Impairment of a deposit	7	**3,900**	–
Provision for inventories	7	**7,026**	10,973
Loss/(gain) on disposal of items of property, plant and equipment – net	7	**78**	(1)
Write off of items of property, plant and equipment	7	**3,245**	2,477
Amortisation of a club membership	7	**13**	15
Fair value gain on revaluation of investment properties	7	**(1,250)**	(87)
Share-based payments	26	**3,676**	4,196
Effect of foreign exchange rate changes		**(2,874)**	(945)
		109,825	86,054
Decrease/(increase) in inventories		**15,252**	(13,459)
Increase in accounts and bills receivable		**(30,463)**	(45,893)
Increase in prepayments, deposits and other receivables		**(4,862)**	(3,374)
Increase in derivative financial assets		**(15,405)**	–
Increase in accounts and bills payable		**17,308**	31,158
Increase in accrued liabilities and other payables		**20,101**	2,072
Increase in derivative financial liabilities		**13,628**	–
Cash generated from operations		**125,384**	56,558
Interest received		**13,365**	11,044
Interest paid		**(66)**	(83)
Hong Kong profits tax paid		**(252)**	(776)
Overseas taxes paid		**(544)**	(2,393)
Dividends paid		**(22,927)**	(52,403)
Net cash inflow from operating activities		**114,960**	11,947

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(36,602)**	(16,477)
Proceeds from disposal of items of property, plant and equipment		**635**	247
Deposit paid for acquisition of a prepaid land lease payment		**(2,367)**	–
Increase in a structured deposit		**(11,700)**	–
Increase in time deposits with original maturity of over three months when acquired		**(87,997)**	–
Net cash outflow from investing activities		**(138,031)**	(16,230)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	25	**(1,464)**	–
New bank loans		**2,411**	–
Repayment of bank loans		**(1,290)**	(20,140)
Net cash outflow from financing activities		**(343)**	(20,140)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,414)**	(24,423)
Cash and cash equivalents at beginning of year		**216,228**	240,520
Effect of foreign exchange rate changes, net		**366**	131
CASH AND CASH EQUIVALENTS AT END OF YEAR		**193,180**	216,228
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**65,454**	46,866
Time deposits with original maturity of less than three months	21	**127,726**	169,362
		193,180	216,228

BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**67,190**	67,190
CURRENT ASSETS			
Due from subsidiaries	17	**742,430**	722,430
Other receivables		**14**	43
Cash and cash equivalents	21	**16,667**	15,842
Total current assets		**759,111**	738,315
CURRENT LIABILITIES			
Accrued liabilities and other payables		**3,670**	2,522
Due to subsidiaries	17	**605,023**	577,105
Total current liabilities		**608,693**	579,627
NET CURRENT ASSETS		**150,418**	158,688
Net assets		**217,608**	225,878
EQUITY			
Issued share capital	25	**65,355**	65,505
Reserves	27(b)	**139,232**	147,272
Proposed final and special dividends	12	**13,021**	13,101
Total equity		**217,608**	225,878

Chen Ming-hsiung, Mickey
Director

Chan Ho-man, Daniel
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

1. CORPORATE INFORMATION

Kingmaker Footwear Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. During the year, the Group was involved in the manufacture and trading of footwear. There were no significant changes in the principal activities of the Group during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital 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 Group has applied the disclosure requirements under HKAS 1 Amendment and HKFRS 7 retrospectively. Relevant comparative information based on the requirements of HKAS 1 Amendment and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 33 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for their services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has no effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 HKFRS *2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The interpretation has had no material effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

[1] *Effective for accounting period beginning on 1 April 2009*
[2] *Effective for accounting period beginning on 1 April 2010*
[3] *Effective for accounting period beginning on 1 April 2008*

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	5%
Machinery, furniture, equipment, leasehold improvements and motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the costs incurred in connection with the construction of property, plant and equipment less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in club memberships

The useful lives of club memberships are assessed to be either finite or indefinite. Club memberships with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the club memberships may be impaired. The amortisation period and the amortisation method for club memberships with a finite useful life are reviewed at least at each balance sheet date.

Club memberships with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such club memberships are not amortised. The useful life of a club membership with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Dividends earned are reported as dividend income and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investments revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts and bills receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including accounts and bills payable, other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments e.g. forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholder's right to receive payment has been established.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 26 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Other employee benefits

Retirement benefits schemes

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

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

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

Estimation uncertainty

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

Provision for obsolete inventories

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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

Estimation uncertainty *(continued)*

Impairment allowance for doubtful debts

The Group makes impairment allowance for doubtful debts based on an assessment of the recoverability of accounts and bills receivable. Allowances are applied to accounts and bills receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying value of the receivables and doubtful debt expenses/write-back in the period in which such estimate has been changed.

4. SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**63,521**	194,782	**717,705**	569,889	**536,631**	391,995	**1,317,857**	1,156,666
Segment results	**3,744**	6,840	**41,801**	18,932	**24,264**	10,113	**69,809**	35,885
Unallocated income and gains, net							**16,304**	16,029
Unallocated expenses							**(20,926**	(12,046)
Finance costs							**(66)**	(83)
Profit before tax							**65,121**	39,785
Tax							**(14,723**	(5,994)
Profit for the year							**50,398**	33,791

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and Liabilities								
Segment assets	**54,024**	99,951	**355,706**	277,358	**219,940**	199,696	**629,670**	577,005
Unallocated assets							**451,624**	371,358
Total assets							**1,081,294**	948,363
Unallocated liabilities							**343,154**	277,136

Note: Due to relatively insignificance of sportswear and sports shoes segment to the Group which was included in the financial statements of the Group for the year ended 31 March 2007, the segment assets of this business segment has been reclassified in unallocated assets in the current year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Depreciation:								
Segment	**4,149**	10,314	**19,908**	11,880	**15,901**	14,608	**39,958**	36,802
Unallocated							**1,705**	1,910
							41,663	38,712
Amortisation of prepaid land lease payments:								
Segment	**144**	211	**693**	686	**579**	519	**1,416**	1,416
Unallocated							**474**	474
							1,890	1,890
Capital expenditure:								
Segment	**1,438**	1,541	**29,697**	11,894	**5,418**	2,913	**36,553**	16,348
Unallocated							**49**	129
							36,602	16,477

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

Group

	The United States of America		Europe		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**653,525**	622,055	**590,136**	474,233	**74,196**	60,378	**1,317,857**	1,156,666
Other segment information:								
Segment assets	**108,531**	76,210	**57,049**	52,748	**915,714**	819,405	**1,081,294**	948,363
Capital expenditure	**-**	-	**-**	-	**36,602**	16,477	**36,602**	16,477

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sale of goods	**1,317,857**	1,156,666
Other income and gains, net		
Bank interest income	**10,074**	8,486
Interest income for accounts receivable	**3,291**	2,558
Fair value gain on derivative financial instruments	**1,777**	–
Gain/(loss) on disposal of items of property, plant and equipment	**(78)**	1
Fair value gain on revaluation of investment properties	**1,250**	87
Gross rental income	**240**	277
Foreign exchange differences, net	**(3,102)**	(1,396)
Others	**2,852**	6,016
	16,304	16,029

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**66**	83

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

7. PROFIT BEFORE TAX

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

	Group 2008 HK$'000	Group 2007 HK$'000
Cost of inventories sold	**823,219**	756,784
Depreciation	**41,663**	38,712
Amortisation of prepaid land lease payments	**1,890**	1,890
Impairment allowance for doubtful debts	**636**	–
Provision for inventories	**7,026**	10,973
Impairment of a deposit	**3,900**	–
Minimum lease payments under operating leases for land and buildings	**1,591**	1,320
Write back of accrued commission expenses (included in distribution and selling costs)	**–**	(8,000)
Write off of items of property, plant and equipment	**3,245**	2,477
Auditors' remuneration:		
Current year	**1,145**	1,086
Over provision in the prior year	**–**	(247)
	1,145	839
Employee benefits expense (including directors' remuneration (note 8))		
Wages and salaries	**253,477**	219,300
Share-based payments	**3,676**	4,196
Pension scheme contributions	**10,151**	9,326
	267,304	232,822
Amortisation of a club membership	**13**	15
Fair value gain on derivative financial instruments	**(1,777)**	–
Fair value gain on revaluation of investment properties	**(1,250)**	(87)
Bank interest income	**(10,074)**	(8,486)
Interest income for accounts receivable	**(3,291)**	(2,558)
Foreign exchange differences, net	**3,102**	1,396
Loss/(gain) on disposal of items of property, plant and equipment – net	**78**	(1)
Net rental income	**(180)**	(214)

Cost of sales includes HK$216,290,000 (2007: HK$194,415,000) relating to direct staff costs and depreciation of manufacturing facilities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees		
– Independent non-executive directors	**540**	540
– Non-executive director	**180**	180
	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	**5,774**	5,725
Discretionary bonuses	**2,142**	859
Pension scheme contributions	**12**	12
Share-based payments	**797**	909
	8,725	7,505
	9,445	8,225

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

2008	Fees HK$'000	Share-based payments HK$'000	Total HK$'000
Mr. Tam King-ching, Kenny	180	49	229
Mr. Chan Mo-po, Paul	180	49	229
Mr. Yung Tse-kwong, Steven	180	49	229
	540	147	687

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

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
2008						
Executive directors:						
Mr. Chen Ming-hsiung, Mickey	-	2,520	884	-	135	3,539
Mdm. Huang Hsiu-duan, Helen	-	900	329	-	25	1,254
Mr. Lee Kung, Bobby	-	570	583	-	147	1,300
Mr. Chan Ho-man, Daniel	-	600	50	12	147	809
Mr. Kimmel, Phillip Brian	-	1,184	296	-	147	1,627
	-	5,774	2,142	12	601	8,529
Non-executive director:						
Mr. Chow Wing-kin, Anthony	180	-	-	-	49	229
	180	5,774	2,142	12	650	8,758

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director *(continued)*

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2007: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one non-director, highest paid employee in last year is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	1,134

The remaining one non-director, highest paid employee's remuneration fell within the band of HK$1,000,001 to HK$1,500,000.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**324**	449
Overprovision in prior years	**(118)**	–
Current – Elsewhere		
Charge for the year	**14,517**	4,402
Underprovision in prior years	**–**	1,143
Total tax charge for the year	**14,723**	5,994

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

10. TAX *(continued)*

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

Group	**2008**	2007
	HK$'000	HK$'000
Profit before tax	**65,121**	39,785
Tax at the applicable tax rate	**18,707**	3,670
Lower tax rate for specific provinces or local authorities	**(5,986)**	1,428
Adjustments in respect of current tax of prior years	**(118)**	1,143
Income not subject to tax	**(441)**	(164)
Expenses not deductible for tax	**2,561**	243
Others	**-**	(326)
Tax charge at the Group's effective rate	**14,723**	5,994

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 17.5% (2007: 17.5%), the Vietnam Corporate Tax rate of 10% to 28% (2007: 10%), the Taiwan Corporate Tax rate of 25% (2007: 25%), the preferential tax rates in Mainland China ranging from 18% to 25% (2007: 10% to 24%) and tax holidays granted to the subsidiary each of the Group in Mainland China and Vietnam, respectively.

In general, the Group's subsidiaries in Mainland China are subject to the People's Republic of China's corporate income tax at the rates of 33% before 31 December 2007 and 25% after the effective date of the Corporate Income Tax Law of the People's Republic of China on 1 January 2008, except for certain subsidiaries which are entitled to tax holidays and preferential tax rates.

The Group has estimated deferred tax assets of approximately HK$6,719,000 (2007: HK$6,992,000) calculated on tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 March 2008 includes a profit of HK$12,445,000 (2007: loss of HK$4,954,000) which has been dealt with in the financial statements of the Company (note 27(b)).

12. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Interim – HK1.5 cents (2007: HK1.0 cent) per ordinary share	**9,826**	6,550
Proposed final – HK2.0 cents (2007: HK2.0 cents) per ordinary share	**13,021**	13,101
	22,847	19,651

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$50,398,000 (2007: HK$33,791,000) and the weighted average of 655,000,926 (2007: 655,046,445) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$50,398,000 and 655,132,777 ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2008
Weighted average number of ordinary shares used in calculating basic earnings per share	**655,000,926**
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all dilutive options outstanding during the year	**131,851**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**655,132,777**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(continued)*

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2008	Freehold land and buildings HK$'000	Construction in progress HK$'000	Machinery, furniture, equipment, leasehold improvements and motor vehicles HK$'000	Total HK$'000
Cost:				
At beginning of year	347,671	-	256,786	604,457
Additions	23,066	-	13,536	36,602
Disposals	-	-	(1,451)	(1,451)
Written off	-	-	(27,842)	(27,842)
Exchange realignment	33,657	-	26,471	60,128
At 31 March 2008	404,394	-	267,500	671,894
Accumulated depreciation:				
At beginning of year	98,751	-	162,948	261,699
Provided during the year	17,310	-	24,353	41,663
Disposals	-	-	(738)	(738)
Written off	-	-	(24,597)	(24,597)
Exchange realignment	9,308	-	15,465	24,773
At 31 March 2008	125,369	-	177,431	302,800
Net book value:				
At 31 March 2008	279,025	-	90,069	369,094
At 31 March 2007	248,920	-	93,838	342,758

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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

Group

31 March 2007	Buildings HK$'000	Construction in progress HK$'000	Machinery, furniture, equipment, leasehold improvements and motor vehicles HK$'000	Total HK$'000
Cost:				
At beginning of year	334,724	1,533	259,298	595,555
Additions	8,993	2,421	5,063	16,477
Disposals	–	–	(2,459)	(2,459)
Written off	–	–	(5,116)	(5,116)
Reclassifications	3,954	(3,954)	–	–
At 31 March 2007	347,671	–	256,786	604,457
Accumulated depreciation:				
At beginning of year	81,715	–	146,124	227,839
Provided during the year	17,036	–	21,676	38,712
Disposals	–	–	(2,213)	(2,213)
Written off	–	–	(2,639)	(2,639)
At 31 March 2007	98,751	–	162,948	261,699
Net book value:				
At 31 March 2007	248,920	–	93,838	342,758
At 31 March 2006	253,009	1,533	113,174	367,716

The Group's land and buildings included above are analysed as follows:

	2008 HK$'000	2007 HK$'000
Buildings held in Hong Kong under medium term leases	**8,236**	9,261
Buildings held outside Hong Kong under medium term leases	**262,996**	239,659
Freehold land held outside Hong Kong	**7,793**	–
	279,025	248,920

NOTES TO THE FINANCIAL STATEMENTS

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15. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at beginning of year	**76,098**	77,988
Amortised during the year	**(1,890)**	(1,890)
Exchange realignment	**4,190**	–
Carrying amount at 31 March	**78,398**	76,098
Current portion included in prepayments, deposits and other receivables	**(2,019)**	(1,890)
Non-current portion	**76,379**	74,208

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

	2008	2007
	HK$'000	HK$'000
Held in Hong Kong under medium term leases	**16,893**	17,342
Held outside Hong Kong under medium term leases	**61,505**	58,756
	78,398	76,098

16. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
Fair value at beginning of year	**3,060**	2,973
Fair value gain on revaluation	**1,250**	87
Fair value at 31 March	**4,310**	3,060

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

The Group's investment properties were revalued on 31 March 2008 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at HK$4,310,000 on an open market, existing use basis.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

17. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**67,190**	67,190
Due from subsidiaries	**742,430**	722,430
Due to subsidiaries	**(605,023)**	(577,105)
	204,597	212,515

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
MJ Haig Industries Limited *	British Virgin Islands/Taiwan	Ordinary US$10,000	100	Sourcing of raw materials for footwear
Ready Luck Limited	British Virgin Islands	Ordinary US$5,000	100	Investment holding
Indirectly held				
Discovery Star Development Limited	Hong Kong	Ordinary HK$2	100	Property holding
Kingmaker (Vietnam) Footwear Co., Ltd.	Vietnam	US$15,000,000	100	Subcontracting of footwear
Lightening Star Corporation	British Virgin Islands	Ordinary US$1,000	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows *(continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Lightening Star (H.K.) Limited	Hong Kong	Ordinary HK$2	100	Footwear and sportswear trading
Lightening Star Limited	People's Republic of China/ Mainland China	RMB500,000	100	Footwear and sportswear Trading
Maystar Footwear Company Limited ("Maystar")	People's Republic of China/ Mainland China	US$42,252,000 (Note (a))	100	Footwear manufacturing
Miri Footwear International Inc.	British Virgin Islands/ Mainland China	Ordinary US$1	100	Sourcing of raw materials for footwear and footwear trading
Miri International Limited	Hong Kong	Ordinary HK$2	100	Provision of administrative services
Profit Success Investment Limited	Hong Kong	Ordinary HK$1,000	100	Investment holding
Kingmaker Footwear (Zhong Shan) Co., Ltd. ("Kingmaker Zhong Shan")	People's Republic of China/ Mainland China	US$29,723,000 (Note (b))	100	Footwear manufacturing

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows *(continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Sanford Resources Limited	British Virgin Islands/ Vietnam	Ordinary US$1	100	Trading of footwear products
Transcommerce International Inc.	British Virgin Islands/ Mainland China	Ordinary US$1	100	Sourcing and trading of raw materials for footwear
Victory Universal Corporation	British Virgin Islands/ Mainland China	Ordinary US$1	100	Trading of footwear products
Kingstar (Jiangxi) Footwear Limited ("Kingstar Jiangxi")	People's Republic of China/ Mainland China	US$500,000 (Note (c))	100	Footwear manufacturing
Future Bright Development Inc.	British Virgin Islands	Ordinary US$1	100	Trading of footwear products
Kingmaker (Cambodia) Footwear Co., Ltd.	Kingdom of Cambodia	Ordinary US$1,000,000	100	Footwear manufacturing

Notes:

(a) Maystar is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Maystar amounted to US$43,000,000 at 31 March 2008. The remaining unpaid capital contribution of approximately US$748,000 (equivalent to HK$5,834,000) is required to be paid up prior to 11 October 2008 (note 30(ii)).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows *(continued)*:

Notes: *(continued)*

(b) Kingmaker Zhong Shan is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Kingmaker Zhong Shan amounted to US$30,000,000 at 31 March 2008. The remaining unpaid capital contribution of approximately US$277,000 (equivalent to HK$2,161,000) is required to be paid up prior to 10 July 2010 (note 30(ii)).

(c) Kingstar Jiangxi is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Kingstar Jiangxi amounted to US$11,920,000 at 31 March 2008. The remaining unpaid capital contribution of approximately US$11,420,000 (equivalent to HK$89,076,000) is required to be paid up prior to 15 August 2009 (note 30(ii)).

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong listed investments, at fair value	**1,886**	1,693

During the year, the fair value gain of the Group's available-for-sale equity investments recognised directly in equity amounted to approximately HK$193,000 (2007: HK$324,000).

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

19. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**80,320**	98,068
Work in progress	**20,587**	24,245
Finished goods	**33,385**	34,257
	134,292	156,570

NOTES TO THE FINANCIAL STATEMENTS

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20. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2008	2007
	HK$'000	HK$'000
Accounts and bills receivable	**169,205**	138,742
Impairment	**(2,293)**	(1,657)
	166,912	137,085

The Group's accounts and bills receivable mainly related to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management. Accounts receivable are non-interest-bearing, except for a balance due from a customer of approximately HK$90,312,000 (2007: HK$66,780,000) which bears interest at a rate of 0.5% for a fixed period of 60 days.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within 90 days	**166,831**	131,721
Between 91 and 180 days	**71**	30
Between 181 and 365 days	**10**	4,692
Over 365 days	**–**	642
	166,912	137,085

The carrying amounts of the accounts and bills receivable approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

20. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

The movements in provision for impairment of accounts and bills receivable are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**1,657**	1,657
Impairment losses recognised (note 7)	**636**	–
At 31 March	**2,293**	1,657

Included in the above provision for impairment of accounts and bills receivable is a provision for individually impaired trade receivables of HK$2,293,000 (2007: HK$1,657,000) with a carrying amount of HK$2,293,000 (2007: HK$1,657,000). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of accounts and bills receivable that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**143,247**	130,115
Less than 90 days past due	**23,655**	1,625
Over 90 days past due	**10**	5,345
	166,912	137,085

Receivables that were neither past due nor impaired relate to a few recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

21. CASH AND CASH EQUIVALENTS AND STRUCTURED DEPOSIT

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**65,454**	46,866	**44**	40
Time deposits with original maturity of less than three months	**127,726**	169,362	**16,623**	15,802
Time deposits with original maturity of over three months when acquired	**87,997**	–	**–**	–
Cash and cash equivalents	**281,177**	216,228	**16,667**	15,842
Structured deposit	**11,700**	–	**–**	–

The structured deposit is a time deposit with a fixed maturity date. The interest rate on the structured deposit fluctuates based on changes in currency exchange rate. The Group uses the structured deposit primarily to enhance the return on investment. The structured deposit is stated at amortised cost.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$9,756,000 (2007: HK$4,264,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Time deposits with original maturity of over three months when acquired earn interest at the respective term deposit rates.

The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents and the structured deposit approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

22. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within 90 days	**128,669**	113,009
Between 91 and 180 days	**1,730**	1,065
Between 181 and 365 days	**127**	17
Over 365 days	**956**	83
	131,482	114,174

The accounts payable are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the accounts and bills payable approximate to their fair values.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
Group	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	**15,405**	**13,628**	–	–

The carrying amounts of forward currency contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy banks with no recent history of default.

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$1,777,000, net, were credited to the income statement during the year (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2008 HK$'000	Group 2007 HK$'000
Trust receipt loans, unsecured	3.80-3.85	April 2008	**1,121**	–

Notes:

(a) At 31 March 2008, the Group had available banking facilities amounting to HK$266,500,000 (2007: HK$352,100,000) of which approximately HK$1,285,000 (2007: HK$1,072,000) was utilised. The banking facilities were supported by corporate guarantees executed by the Company and certain of its subsidiaries.

(b) The bank loans are all denominated in United States dollars.

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

25. SHARE CAPITAL

Shares

	Number of ordinary shares of HK$0.10 each 2008	Number of ordinary shares of HK$0.10 each 2007	HK$'000 2008	HK$'000 2007
Authorised:				
Balance at beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
Balance at beginning of year	**655,046,445**	655,046,445	**65,505**	65,505
Repurchased	**(1,500,000)**	–	**(150)**	–
Balance at end of year	**653,546,445**	655,046,445	**65,355**	65,505

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

25. SHARE CAPITAL *(continued)*

During the year ended 31 March 2008, the Company repurchased 1,500,000 of its ordinary shares at a price of HK$0.94 to HK$1 per share for a total consideration of approximately HK$1,464,000. The repurchased ordinary shares are cancelled subsequent to the balance sheet date. Details of the repurchases are disclosed in the Report of the Directors under the heading of "Purchase, redemption or sale of the Company's listed securities". The premium of approximately HK$1,314,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK$150,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in note 27 to the financial statements.

Subsequent to the balance sheet date, the Company repurchased and cancelled 2,500,000 of its ordinary shares at a price of HK$0.9 to HK$1.01 per share for a total consideration of approximately HK$2,420,000.

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors (including independent non-executive directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, and any shareholder of the Group. The Scheme became effective on 28 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

26. SHARE OPTION SCHEME *(continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

26. SHARE OPTION SCHEME *(continued)*

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

Name or category of participants	Number of share options: At 1 April 2007	Granted during the year	Forfeited during the year	At 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options*** HK$
Directors								
Mr. Chen Ming-hsiung, Mickey	550,000	–	–	550,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	550,000	–	–	550,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	550,000	–	550,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mdm. Huang Hsiu-duan, Helen	100,000	–	–	100,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	100,000	–	–	100,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	100,000	–	100,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Lee Kung, Bobby	400,000	–	–	400,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	600,000	–	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	600,000	–	600,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Chan Ho-man, Daniel	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	600,000	–	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	600,000	–	600,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Kimmel, Phillip Brian	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	600,000	–	–	600,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	600,000	–	600,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Tam King-ching, Kenny	200,000	–	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	200,000	–	200,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Chow Wing-kin, Anthony	200,000	–	–	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	–	200,000	–	200,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

26. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year *(continued)*:

Name or category of participants	Number of share options: At 1 April 2007	Granted during the year	Forfeited during the year	At 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options*** HK$
Directors *(continued)*								
Mr. Chan Mo-po, Paul	200,000	-	-	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	-	200,000	-	200,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
Mr. Yung Tse-kwong, Steven	200,000	-	-	200,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	-	200,000	-	200,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
	5,300,000	3,250,000	-	8,550,000				
Other employees								
In aggregate	7,020,000	-	-	7,020,000	14 January 2004	1 January 2005 to 27 August 2012	3.225	3.2
	6,550,000	-	-	6,550,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	10,450,000	-	(570,000)	9,880,000	13 October 2006	13 October 2006 to 27 August 2012	1.01	1.01
	-	11,750,000	(100,000)	11,650,000	2 January 2008	2 January 2008 to 27 August 2012	0.85	0.85
	24,020,000	11,750,000	(670,000)	35,100,000				
	29,320,000	15,000,000	(670,000)	43,650,000				

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

26. SHARE OPTION SCHEME *(continued)*

At the balance sheet date, the Company had 15,620,000, 13,130,000 and 14,900,000 share options with an exercise price of HK$3.225, HK$1.01 and HK$0.85 per share, respectively, outstanding under the Scheme, which altogether represented approximately 6.7% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 43,650,000 additional ordinary shares of the Company and additional issued share capital of HK$4,365,000 and share premium of approximately HK$71,935,800 (before issue expenses).

The fair value of the share options granted during the year was HK$3,676,000 (2007: HK$4,196,000), all of which has been recognised in the income statement.

The fair value was estimated as at the date of grant using Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2008:

Date of share options granted:	2 January 2008
Volatility (%):	41.34
Risk-free interest rate (%):	3.07
Expected life of option (year):	4.65
Dividend yield (%):	3.45

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

27. RESERVES

(a) Group

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

27. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2006	71,497	53	66,982	–	29,149	167,681
Loss for the year	–	–	–	–	(4,954)	(4,954)
Interim 2007 dividend	–	–	–	–	(6,550)	(6,550)
Recognition of equity-settled share-based payments	–	–	–	4,196	–	4,196
Proposed final 2007 dividend	–	–	–	–	(13,101)	(13,101)
At 31 March 2007 and 1 April 2007	**71,497**	**53**	**66,982**	**4,196**	**4,544**	**147,272**
Profit for the year (note 11)	**-**	**-**	**-**	**-**	**12,445**	**12,445**
Shares repurchased (note 25)	**(1,314)**	**150**	**-**	**-**	**(150)**	**(1,314)**
Recognition of equity-settled share-based payments (note 26)	**-**	**-**	**-**	**3,676**	**-**	**3,676**
Interim 2008 dividend (note 12)	**-**	**-**	**-**	**-**	**(9,826)**	**(9,826)**
Proposed final 2008 dividend (note 12)	**-**	**-**	**-**	**-**	**(13,021)**	**(13,021)**
At 31 March 2008	**70,183**	**203**	**66,982**	**7,872**	**(6,008)**	**139,232**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

27. RESERVES *(continued)*

(b) Company *(continued)*

The proposed final and special dividends account within the equity section of the balance sheet represents an appropriation from retained profits and therefore forms part of the total of such reserves until the dividend is declared and paid. In addition, any excess of the appropriation over the retained profits reserve will be replenished by dividends declared to the Company by its subsidiaries when they are approved subsequent to the balance sheet date. The directors of the Company anticipate that the approval of such dividends from subsidiaries will be confirmed in due course.

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

28. CONTINGENT LIABILITIES

As at 31 March 2008, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK$1,285,000 (2007: HK$1,072,000) as at the balance sheet date.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Last year, the Group leased its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also required the tenants to pay security deposits. During the year, the tenants early terminated the leases with the Group.

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Within one year	**-**	296
In the second to fifth years, inclusive	**-**	198
	-	494

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31 March 2008

29. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**979**	1,154
In the second to fifth years, inclusive	**36**	750
	1,015	1,904

The Company did not have any operating lease arrangements at the balance sheet date (2007: Nil).

30. COMMITMENTS

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

(i) At the balance sheet date, the Group had commitments in respect of management fees payable falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**502**	310
In the second to fifth years, inclusive	**2,263**	1,900
After five years	**18,906**	19,179
	21,671	21,389

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

30. COMMITMENTS *(continued)*

(ii) At the balance sheet date, the Group had commitments in respect of investments in wholly-foreign-owned enterprises in Mainland China as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Maystar	**5,834**	23,843
Kingmaker Zhong Shan	**2,161**	39,347
Kingstar Jiangxi	**89,076**	–
	97,071	63,190

(iii) At the balance sheet date, the Group had capital commitments in respect of property, plant and equipment and prepaid land lease payments as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for		
Construction of factory buildings	**463**	12,858
Prepaid land lease payments	**2,956**	7,207
	3,419	20,065

(iv) Other commitments

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for		
Establishment of production plants in Mainland China	**297,024**	390,000
Others	**-**	2,691
	297,024	392,691

The Company did not have any significant commitments at the balance sheet date (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, during the year, the Group paid rental expenses of HK$1,005,000 (2007: HK$1,005,000) to Kingmaker Footwear Company Limited, a related company of which Mr. Chen Ming-hsiung, Mickey, Mdm. Huang Hsiu-duan, Helen and Mr. Lee Kung, Bobby, directors and shareholders of the Company, are also directors and shareholders. The rental expenses were determined with reference to the market conditions existing at the time when the rental agreement was entered into.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**8,636**	7,304
Post-employment benefits	**12**	12
Share-based payments	**796**	909
Total compensation paid to key management personnel	**9,444**	8,225

Further details of directors' emoluments are included in note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group
2008

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	1,886	1,886
Accounts and bills receivable	–	166,912	–	166,912
Financial assets included in prepayments, deposits and other receivables	–	9,448	–	9,448
Derivative financial instruments	15,405	–	–	15,405
Structured deposit	–	11,700	–	11,700
Cash and cash equivalents	–	281,177	–	281,177
	15,405	469,237	1,886	486,528

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows *(continued)*:

Group
2008

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payable	–	131,482	131,482
Financial liabilities included in accrued liabilities and other payables	–	37,671	37,671
Derivative financial instruments	13,628	–	13,628
Interest-bearing bank borrowings	–	1,121	1,121
	13,628	170,274	183,902

Group
2007

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	1,693	1,693
Accounts and bills receivable	137,085	–	137,085
Financial assets included in prepayments, deposits and other receivables	1,392	–	1,392
Cash and cash equivalents	216,228	–	216,228
	354,705	1,693	356,398

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows *(continued)*:

Group

2007

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Accounts and bills payable	114,174
Financial liabilities included in accrued liabilities and other payables	33,702
	147,876

Company

Financial assets

	2008 Loans and receivables HK$'000	2007 Loans and receivables HK$'000
Due from subsidiaries	**742,430**	722,430
Cash and cash equivalents	**16,667**	15,842
	759,097	738,272

Financial liabilities

	2008 Financial liabilities at amortised cost HK$'000	2007 Financial liabilities at amortised cost HK$'000
Due to subsidiaries	**605,023**	577,105
Financial liabilities included in accrued liabilities and other payables	**2,170**	1,023
	607,193	578,128

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk

The Group has no material interest-bearing borrowings, and believes its exposure to cash flow interest rate risk is minimal.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or United States dollars. Given that the Hong Kong dollar is pegged to the United States dollar, the Group does not have a foreign currency hedging policy on it. However, considering the appreciation of RMB, the Group has entered into forward currency contracts to manage the foreign currency risk arising from the Group's operations. Moreover, the majority of the Group's operating assets are located in the PRC and denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities, and forward currency contracts) and the Group's equity.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2008			
If Hong Kong dollar weakens against RMB	**5**	**2,829**	**2,505**
If Hong Kong dollar strengthens against RMB	**(5)**	**(2,829)**	**(2,505)**
2007			
If Hong Kong dollar weakens against RMB	5	1,612	(885)
If Hong Kong dollar strengthens against RMB	(5)	(1,612)	885

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment to the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, structured deposit, available-for-sale financial assets, other receivables and derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 28 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts and bills receivable are disclosed in note 20 to the financial statements.

None of the Group's other receivables, is either past due or impaired. The financial assets included in other receivables for which there was no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. accounts and bills receivable) and the projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through maintaining sufficient cash and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk. The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	**Less than 12 months** HK$'000
2008	
Accounts and bills payable	**131,482**
Accrued liabilities and other payables	**37,671**
Derivative financial instruments	**13,628**
Interest-bearing bank borrowings	**1,121**
	183,902

	Less than 12 months HK$'000
2007	
Accounts and bills payable	114,174
Accrued liabilities and other payables	33,702
	147,876

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

Fair value

The Company's financial instruments are short term in nature and therefore their carrying values as at 31 March 2008 approximate to their fair values.

34. POST BALANCE SHEET EVENT

On 16 April 2008, the Group entered into a sale and purchase agreement with independent third parties to acquire a 100% equity interest in Star (1) Limited, Star (2) Limited, Star (3) Limited and Viewexcel Limited (collectively known as "MOCCA"), which were engaged in footwear, bags and accessories trading, distribution and retailing businesses in Hong Kong. The purchase consideration of HK$3,672,000 for the acquisition was in the form of cash and was paid subsequent to year end. Since the financial information of MOCCA as at the date of completion of the acquisition was not yet completed up to the date of these financial statements, no further financial information is disclosed in these financial statements.

35. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been presented separately in respect of items disclosed for the first time for the current year's financial statements to comply with the new requirements.

In addition, the comparative amounts in note 4 to the financial statements – "Segment Information" have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2008.