Walker GROUP

ANNUAL REPORT 2010

Walker Group Holdings Limited

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP*
(Chairman of the Remuneration Committee)
CHAN Mei Sheung
SZE Tsai Ping, Michael
TSANG Link Carl, Brian

NOMINATION COMMITTEE

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

COMPANY SECRETARY

CHU Yin Man

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

Baker & McKenzie

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR IN HONG KONG

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

REGISTRAR IN THE CAYMAN ISLANDS

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

COMPLIANCE ADVISOR

Taifook Capital Limited

INTERNET ADDRESS

www.walkershop.com.hk

STOCK CODE

1386

Financial and Operational Highlights

	For the year ended 31 March				
	2010	2009	2008	2007	2006
FINANCIAL PERFORMANCE					
Turnover *(HK$'million)*	**1,138**	1,044	930	689	529
Gross profit *(HK$'million)*	**653**	567	550	446	337
Operating profit/(loss) *(HK$'million)*	**12**	(87)	74	111	71
Profit/(loss) attributable to equity holders of the Company *(HK$'million)*	**3**	(89)	95	83	54
Basic earnings/(losses) per share *(HK Cents)*	**0.47**	**(14.36)**	**16.1**	**18.4**	**N/A**
KEY FINANCIAL INDICATORS					
Average inventory turnover *(days)*	**222**	204	179	188	172
Average debtors' turnover *(days)*	**37**	36	33	28	22
Average creditors' turnover *(days)*	**78**	77	82	100	79
Capital expenditure *(HK$'million)*	**31**	120	35	44	12
KEY FINANCIAL INDICATORS					
Cash and cash equivalents *(HK$'million)*	**171**	178	452	48	27
Bank loan *(HK$'million)*	**—**	23	—	109	33
Equity attributable to equity holders of the Company *(HK$'million)*	**725**	690	813	140	133
Current ratio *(times)*	**4.5**	3.4	6.8	1.2	1.4
Gearing ratio	**—**	2.5%	—	24.2%	10.7%

Notes:

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

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

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

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

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

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board ("**Board**") of directors ("**Directors**"), I am pleased to present the annual results of Walker Group Holdings Limited ("**Company**") and its subsidiaries (together the "**Group**") for the year ended 31 March 2010.

For the year under review, the Group's turnover was mainly driven by the opening of new shops and increase of same-store-sales in the People's Republic of China ("**PRC**"), and a turnover of approximately HK$1,138 million (2009: approximately HK$1,044 million) was recorded, representing a rise of approximately 9.0% as compared to last year. Gross profit was approximately HK$653 million (2009: approximately HK$567 million), representing a rise of approximately 15.2% as compared to last year. Capitalising on more favourable business environment, our determined sales efforts helped the Group realise a turnaround that was evidenced by the net profit during the year under review.

The Group manages an extensive sales network in the PRC, Hong Kong and Taiwan through its headquarters in Hong Kong. Within the PRC, regional operational offices are situated in Beijing, Shanghai and Shenzhen. As at 31 March 2010, the Group had 713 self-managed sales points of which (a) 638 were in 27 provinces throughout the PRC serving customers in more than 134 cities including Guangzhou, Shenzhen, Wuhan, Hangzhou, Nanjing, Kunming, Chengdu, Xian, Shenyang and Harbin and four municipalities, namely, Beijing, Tianjin, Shanghai and Chongqing; (b) 49 were in Hong Kong; and (c) 26 were in Taiwan. There were also 77 concessions operated by franchisees in the PRC.

The Group does not own any manufacturing facilities. By engaging manufacturers in the PRC to produce a diverse range of footwear under its own brands, the Group has been able to focus its resources and efforts on sales point management, product design, quality control of footwear products, sales and marketing, and business development free from restriction by direct production concerns. This arrangement has also allowed the Group to secure product supply with the support of different capacities of manufacturers, to minimise costs through selecting manufacturers with the best competitive price offer and quality assurance and guarantee adequate and timely supply of footwear products to all points-of-sale.

Chairman's Statement *(Continued)*

PROSPECTS

Starting from around the second half of the year 2009, the global economy has been recovering from the unprecedented economic and financial turmoil emanating from the United States in the last quarter of 2008. With a strong economic foundation, the PRC has survived the storm as the least adversely affected country and has been going forward from strength to strength. Therefore, the world has been looking forward to the PRC to salvage and lead the way to economic recovery. Years of rapid economic development and wealth accumulation have helped the PRC to emerge as one of the great economic powers in the world. The stronger the economy in the PRC, the better the business opportunities and revenue that are available to the Group as the PRC is one of the Group's most important markets.

Looking forward, however, there is growing concern about the unstable economies within some countries in the European Union recently which could drag the pace of global economic recovery and the PRC and Hong Kong may not be excepted. With remedial measures initiated by the respective governments, it is hoped that the related problems could be contained.

The Group's revenues are derived principally from Hong Kong, Taiwan and in particular the PRC. The strong economy and huge consuming power of the PRC's vast market give us confidence in maintaining business for the Group. For further diversification, the Group plans to develop more overseas markets.

Potential of Retail Business in the PRC

Due to rapid economic development, the improved spending power and willingness to spend of the general populace, growing concern about branding and fashion and other favourable factors, there is huge potential to exploit the vast undeveloped markets in the PRC. During the year under review, the Group has expanded its business development efforts in the PRC through setting up more franchised sales points and self-managed sales outlets which have contributed to increased turnover and profits for the Group.

Expansion of our Sales Network in the PRC and Hong Kong

The Group will continue to expand the sales network within the PRC to further enhance the Group's presence in the rapidly growing footwear market.

For Hong Kong, the Group will continue to identify and run shops in prime economically viable locations to promote business and publicize various brands that the Group carries.

Chairman's Statement *(Continued)*

A breakdown of the Group's sales network as at 31 March 2010, with comparative numbers as at 31 March 2009, is shown below:

Sales Points	As at 31.3.2010		As at 31.3.2009		Increase/(Decrease)	
	Self-managed	Franchised	Self-managed	Franchised	Self-managed	Franchised
PRC	638	77	591	71	47	6
Hong Kong	49	—	49	—	—	—
Taiwan	26	—	27	—	(1)	—
	713	77	667	71	46	6

The Group intends to open approximately 150 new sales points in the PRC, Hong Kong and Taiwan in the coming year.

Business Development of ACUPUNCTURE

The Group has been operating 32 ACUPUNCTURE sales points in the PRC, Hong Kong and Taiwan as at 31 March 2010.

To help enhance the design of ACUPUNCTURE footwear to attract target customers, a creative director with extensive experience in Europe has joined the Group in January 2010.

The Group has also participated in the Bread and Butter Show in Berlin, Germany, in January 2010 to introduce and promote the ACUPUNCTURE brand with a view to expanding the brand into other markets. Several trial orders have been received from Switzerland, Belgium, Norway, the Philippines and Poland. The Board believes that ACUPUNCTURE could diversify the Group's product portfolio and bring in more revenue for the coming year.

Apply Outstanding Product Design and Development Capabilities to Strengthen Own Brands

The Group currently owns seven footwear brands, namely, ACUPUNCTURE, COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI and is dedicated to offering customers with premier footwear of exceptional design and functions. The Group intends to invest more resources in product design and development.

The product design and development team of the Group will continue to attend major fashion and footwear trade fairs and exhibitions to keep abreast of the latest fashion and footwear trends. The team will also continue to collaborate with the Group's supplying manufacturers on applying new materials and technologies to enhance the quality and functions of the Group's products.

Chairman's Statement *(Continued)*

Future Market Opportunities

To increase profitability, the Group will focus on development of its own brands. For ACUPUNCTURE products, we are particularly optimistic since its demand has been growing steadily among consumers in the PRC. We expect to reap an optimum return from the different brands owned by the Group.

Upgrading Information Systems to Enhance Operational Efficiency

To enhance operational efficiency, the Group has upgraded its information systems for the warehouses, shops and concessions in the PRC and Hong Kong thereby enhancing controls on inventory, points of sales and distribution efficiency. The upgraded system enhances different operations including management of inventory, marketing, finance, points of sales and stock management in the PRC and Hong Kong. As a result, the upgrade increases distribution efficiency and minimises work wastage as the Group runs its business in a more cost effective way.

Sales, Marketing and Promotion

Marketing and promotional activities are crucial to boost brand awareness and sales of the Group's products. The Group believes that stable advertising expenditure will help strengthen the image and support the growth of its various product brands in the long run. The Group plans to continue to mount advertising campaigns for its major own brands. In addition to placing advertisements in newspapers, magazines, television channels and outdoor venues, the Group intends to ride on celebrity endorsement to maximise exposure of its various brands.

LOOKING AHEAD

The Group will continue to strengthen its brand business aiming to achieve sustained profit growth. The Group believes the economy in the PRC still has much room for development and will continue to advance on the road to prosperity. The disposable income of consumers as well as their spending is expected to rise in parallel, which also augurs well for the footwear market. Both the Group's presence and recognition of its brands have been growing in the PRC over the last year. Supported by our expanding shop network in the PRC market, we are confident of the long-term growth of our business. The Group intends to open approximately 150 sales points in the PRC in the coming year.

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

CHAN Mei Sheung
Chairman

9 July 2010

Management Discussion and Analysis

BUSINESS REVIEW

The Group operates two main streams of business:

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

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

As at 31 March 2010, the Group operated 713 self-managed sales points (49 in Hong Kong, 638 in the PRC and 26 in Taiwan) and 77 franchised shops in the PRC.

The average daily sales of footwear products of the Group for the year ended 31 March 2010 were approximately 9,100 pairs (2009: approximately 8,900 pairs) at an average selling price of approximately HK$335 (2009: approximately HK$310). Same-store-sales increased by approximately 4.7% (2009: declined by approximately 6.6%) and approximately 3.1% (2009: declined by approximately 0.7%) in the PRC and Hong Kong respectively for the year.

During the year, the Group's revenue derived from the PRC, Hong Kong and Taiwan accounted for approximately 71.9%, 26.3% and 1.8% of its turnover respectively.

PRC

During the year, the Group restructured and centralised storage and distribution centres in the PRC which streamlined logistics from manufacturing to storage and inventory to front line shops.

To capture the rising demand in the market, the Group has been active in promoting its brands through frequent participation in promotional activities within department stores or shopping malls. During the year, the Group increased 47 self-managed sales points in the PRC, bringing the total number of self-managed sales points in the PRC to 638 as at 31 March 2010 (31 March 2009: 591). The Group also increased 6 franchised shops in the PRC, bringing a total of 77 franchised shops in the PRC as at 31 March 2010 (31 March 2009: 71). The total revenue derived from activities in the PRC for the year amounted to approximately HK$818 million (2009: approximately HK$732 million), a jump of approximately 11.7% as compared to the previous year.

Hong Kong

The Group opened a flagship store in Causeway Bay during the year, modelling on its successful Beijing Walker One one-stop shop stocked with the Group's various brands. As at 31 March 2010, the total number of sales points in Hong Kong was 49, which was the same as that as at 31 March 2009. The total revenue generated in Hong Kong was approximately HK$299 million (2009: approximately HK$300 million), representing a decrease of approximately 0.5%.

Management Discussion and Analysis *(Continued)*

FINANCIAL REVIEW

Revenue

Revenue rose by approximately HK$94 million, or approximately 9.0%, from approximately HK$1,044 million for the year ended 31 March 2009 to approximately HK$1,138 million for the year ended 31 March 2010. This rise was mainly attributable to the increase in the number of sales points in the PRC which resulted in the increase of revenue of approximately HK$86 million, and the increase in Taiwan revenue during the year of approximately HK$10 million. For Hong Kong, revenue decreased slightly by approximately HK$2 million.

Same-store-sales rose by approximately 4.7% (2009: decreased by approximately 6.6%) and approximately 3.1% (2009: decreased by approximately 0.7%) in the PRC and Hong Kong respectively for the year.

Cost of Sales

Cost of sales rose by approximately HK$8 million, from approximately HK$476 million for the year ended 31 March 2009 to approximately HK$484 million for the year ended 31 March 2010, representing an increment of approximately 1.7%. As a percentage of total revenue, cost of sales decreased from approximately 45.6% for the year ended 31 March 2009 to approximately 42.6% for the year ended 31 March 2010, which was mainly attributable to a relatively lower provision for obsolete inventories and decrease in royalty payments for the year under review.

Gross Profit

With the relatively slight increase in cost of sales as compared to the increase in revenue, the Group's gross profit increased by approximately 15.2% or approximately HK$86 million from approximately HK$567 million for the year ended 31 March 2009 to approximately HK$653 million for the year ended 31 March 2010. Gross profit margin also increased from approximately 54.4% for the year ended 31 March 2009 to approximately 57.4% for the year ended 31 March 2010.

Operating Expenses

Operating expenses moved up slightly by approximately 1.5% or HK$9 million, to approximately HK$664 million for the year ended 31 March 2010 from approximately HK$655 million for the year ended 31 March 2009. Relatively stable operating expenses reflected the Group's effective cost control measures and enhanced efficiency in resources and expenses management.

Fair Value Gain on Financial Assets

During the year under review, two unlisted equity linked notes matured were converted into listed securities and classified as financial assets at fair value through profit or loss. In addition, during the year under review, the Group had a fair value gain on financial assets in the income statement amounting to approximately HK$4 million on financial assets acquired at a cost of approximately HK$50 million and a fair value gain in reserves of approximately HK$23 million on listed securities investments acquired at a cost of approximately HK$55 million. As at 31 March 2010, the fair value of financial investments of the Group amounted to approximately HK$90 million. The fair value of financial investments of the Group subsequent to 31 March 2010 is subject to adjustments depending on the market situation.

Management Discussion and Analysis *(Continued)*

Operating Results

Resulting from the increased revenue, gross profit margin, relatively stable operating expenses, and fair value gain on financial assets at fair value through profit or loss as discussed above as well as other income including compensation of shop removal of approximately HK$10 million, the Group recorded an operating profit of approximately HK$12 million for the year under review as compared to the operating loss of approximately HK$87 million for the previous year. The operating margin (expressed as a percentage of operating profit/loss to revenue) of the Group was approximately 1% for the year ended 31 March 2010, compared to approximately -8.4% for the previous year.

OUTLOOK

Through concerted efforts of various governments, adverse economic impacts brought by the unprecedented global financial crises have by and large been contained. It is hoped that the recent financial difficulties in some countries in the European Union would be under control. As the economy in the PRC is going strong whilst Hong Kong and to a certain extent Taiwan are benefiting from the economic developments and policies promulgated in the PRC, we are confident that in maneuvering the best business acumen of management and hard work of all staff, the Group could attain sustained growth in the coming year to the best interests of the Group and its shareholders in the anticipated improving business environment.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2010, the Group had working capital of approximately HK$520 million (31 March 2009: approximately HK$491 million) and a current ratio at approximately 4.5 times (31 March 2009: approximately 3.4 times).

As at 31 March 2010, the Group had cash and cash equivalents of approximately HK$171 million deposited in banks in Hong Kong dollars, United States dollars and Renminbi (31 March 2009: approximately HK$178 million). As at 31 March 2010, the Group had no outstanding bank borrowings (31 March 2009: approximately HK$23 million). During the year, the Group repaid bank loans of approximately HK$23 million. The bank loans were in Renminbi and on a floating rate basis. As at 31 March 2010, the gearing ratio (calculated by total loans divided by total assets) of the Group was nil (31 March 2009: approximately 2.5%).

As at 31 March 2010, the Group had aggregate banking facilities of approximately HK$160 million for overdrafts, bank loans and trade financing and bank guarantee for rental deposit (31 March 2009: approximately HK$228 million). Of these facilities approximately HK$3 million was utilized for trade financing and bank guarantees for rental deposit(s) as at 31 March 2010 (31 March 2009: approximately HK$49 million). As at 31 March 2010 and 31 March 2009, the Group had no charge on its assets.

The Group continued to keep sufficient inventory to meet the needs of its expanding retail network. During the year under review, inventory turnover days rose to approximately 222 days (year ended 31 March 2009: approximately 204 days) and inventories amounted to approximately HK$275 million as at 31 March 2010 (31 March 2009: approximately HK$316 million).

Management Discussion and Analysis *(Continued)*

FOREIGN EXCHANGE MANAGEMENT

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

CONTINGENT LIABILITIES

As at 31 March 2010 and 31 March 2009, the Group was not exposed to any significant contingent liabilities.

HUMAN RESOURCES

As at 31 March 2010, the Group had a total of 3,740 employees (31 March 2009: 3,728) and the total staff cost of the Group for the year ended 31 March 2010 was approximately HK$189,356,000 (2009: approximately HK$185,949,000). Training courses on sales techniques and product knowledge are regularly organised for employees of the Group. Staff remuneration is determined with reference to the qualifications, experience, performance and contribution of an employee to the Group. Competitive remuneration packages including basic salaries, allowances, share options, insurance and bonuses based on individual merits are offered to employees. As an incentive, sales personnel are entitled to receive commissions based on several goal-oriented schemes

FINAL DIVIDEND

The Board has recommended not to declare a final dividend for the year ended 31 March 2010 (2009: Nil).

GROUP STRUCTURE

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms CHAN Mei Sheung, aged 43, is an executive Director and the Chairman of the Company. She has been appointed as member of Remuneration Committee on 18 December 2008. She is a director of Smart Presto Holdings Limited, the holding company of the Company, and is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. She is responsible for the overall management and strategic development of the Group. Ms Chan has around 18 years of experience in the footwear sales industry. She joined the Group in 1992 as a director of Trunari Enterprises Company Limited.

Mr. KIU Wai Ming, aged 61, is an executive Director and the Chief Executive Officer of the Company. He is also a director of major subsidiaries of the Group including Trunari Enterprises Company Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. He is responsible for the overall management of the Group. Mr. Kiu has extensive experience in management and the banking industry. Between 1990 and 1999, he was a director of Dah Sing Financial Holdings Limited and a director of Dah Sing Bank Limited. From 1999 to 2002, Mr. Kiu was a director and Deputy Chief Executive at Industrial & Commercial Bank of China (Asia) Limited. Mr. Kiu is currently an independent non-executive director of Man Sang International Limited, a company listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of CCB International (Holdings) Limited, an investment bank wholly-owned by China Construction Bank. He holds a Bachelor of Science degree from Louisiana State University. He joined the Group in March 2007.

Mr. CHU Yin Man, aged 51, is an executive Director, the Chief Financial Officer and the Company Secretary of the Company. He is also a director of major subsidiaries of the Group including Trunari Enterprises Limited, Senet International Limited, Walker Shop Footwear Limited and Walker Group International Company Limited. He is responsible for the finance, information technology and legal and compliance function of the Group. Mr. Chu obtained a Bachelor's Degree in Accountancy from the City University of Hong Kong in 1991 and then obtained a Diploma of Electronic Business and Business Management from Zhongshan University in 2001. In 1995, Mr. Chu was graduated from the University of Strathclyde with a Master Degree in Business Administration. Mr. Chu is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Besides, he is also an associate of the Hong Kong Institute of Chartered Secretaries, an associate of the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Institute of Directors. Mr. Chu has over 28 years of experience in accounting and finance. He joined the Group in 2006.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SZE Tsai Ping, **Michael**, aged 65, is an independent non-executive Director of the Company. Mr. Sze has over 30 years of extensive experience in the financial and securities field. He graduated with a Master of Laws (LLM) degree from the University of Hong Kong. He is currently a member of the Securities and Futures Appeals Tribunal. He was a former council member, member of the Main Board Listing Committee of the Hong Kong Stock Exchange and member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited. Mr. Sze was an independent non-executive director of C Y Foundation Group Limited from 9 May 2007 to 2 November 2009. Mr. Sze is a non-executive director of Burwill Holdings Limited and an independent non-executive director of GOME Electrical Appliances Holding Limited, Greentown China Holdings Limited and Harbour Centre Development Limited, all of which are listed on the Hong Kong Stock Exchange. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a fellow of the Hong Kong Institute of Directors. Mr. Sze was appointed as an independent non-executive Director of the Company in May 2007.

Dr. FAN Yiu Kwan, ***JP***, aged 65, is an independent non-executive Director of the Company. He is Executive Director of Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Dr. Fan received his BA (Hon) degree from the University of Hong Kong, MA degree from the University of Toronto, Canada and PhD from the University of Wisconsin-Madison, USA. He currently serves as a member of the Panel on Pan-Pearl River Delta, Central Policy Unit, Government of the HKSAR, and as a Member of Council of the Hong Kong Institute of Directors. He was appointed as an independent non-executive Director of the Company in May 2007.

Mr. TSANG Link Carl, Brian, aged 46, is an independent non-executive Director of the Company. Mr. Tsang is a practicing solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li. He graduated from King's College, London with a Bachelor of Laws (LLB) degree in 1985. He is also admitted to practice law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. He is currently an independent non-executive director of CITIC Resources Holdings Limited and a non-executive director of Midland IC&I Limited, both of which are public companies listed on the Main Board of the Hong Kong Stock Exchange. In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal. In 2006, he has also been a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a member of the Appeal Panel on Housing. Mr. Tsang was appointed as an independent non-executive Director of the Company in May 2007.

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

SENIOR MANAGEMENT

Mr. CHENG Dong Xue (alias Cheng Zi), aged 43, is the general manager of the China region of the Group and is responsible for planning, executing and monitoring of operational strategies in the PRC. Mr. Cheng has a qualification of assistant engineer in the PRC and has over 6 years experience in business management. He joined the Group in 2003.

Mr. HUNG Tin Chun, aged 62, is the general manager of the Guangzhou office and he is responsible for product development management, merchandising and quality control in the Group. Mr. Hung has around 31 years experience in footwear industry and is strong on the product technology and manufacturing. He is the brother-in-law of Ms CHAN Mei Sheung. He joined the Group in 2007.

Mr. Mark Bryan SHAW, aged 38, is the Group's creative director for Acupuncture footwear. After graduation in art and design discipline in the United Kingdom in 1993, he has since been taking design-related employment overseas including the United States, Hong Kong and recently France before joining the Group in February 2010.

Mr. LI Tak Wai, Gilbert, aged 46, is the financial controller of the China region of the Group and is responsible for financial accounting in the PRC. Mr. Li obtained a Master Degree of Business Administration from Manchester Business School and a Bachelor Degree of Business Administration from Hong Kong Baptist University. He is also an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has more than 11 years experience in retail business accounting. He joined the Group in 2008.

Ms CHENG Wan Wai, Clara, aged 40, is the senior brand manager for Footwear Product Development in the Group. She holds a Bachelor of Applied Arts degree in Fashion Merchandising of Ryerson Polytechnic University, Toronto, and a Fashion Master of Business Administration degree of the Hong Kong Polytechnic University. Ms Cheng has over 20 years experience in retail image design, brand development and fashion products design. She joined the Group in 2008.

Mr. LEUNG Sing Kuen, Frederick, aged 43, is the senior brand manager for Acupuncture of the Group. Mr. Leung has over 23 years experience in retail managing, merchandizing and purchasing as well as brand development. He joined the Group in 2008.

Mr. WONG Tak Kwan, Specky, aged 42, is the Head of Information Technology and is responsible for strategic technology planning, ERP implementation, and IT infrastructure of the Group. Mr. Wong holds a Master of Science degree in Computer Engineering from the University of Oklahoma. Mr. Wong has over 10 years of experience in IT management role for retail sector, specializing in data analysis and retail performance management. He joined the Group in 2010.

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

Ms CHONG Lai Chu, aged 42, is the senior finance manager and is responsible for the Group's accounting and finance matters. She holds a Post-Secondary Diploma in Accounting from the Hong Kong Shue Yan College and Degree of Master of Business Administration from the University of Manchester. Ms Chong is a certified public accountant registered under the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms Chong has over 16 years of experience in auditing and accounting. She served as accounts manager of a group of companies engaged in footwear manufacturing prior to joining the Group in 2006.

Mr. LEUNG Kit Wai, aged 52, is the legal and compliance manager and is responsible for legal and compliance matters of the Group. Mr. Leung was admitted as a Solicitor in Hong Kong in September 1991 and in England & Wales in February 1992. He joined the Group in 2008.

Ms LUK Chiu Lan, aged 45, is the human resources manager. Ms Luk holds a degree of Bachelor of Commerce from the University of Guelph with about 14 years of experiences in human resources and administration. Before joining the Group in 2007, Ms Luk had worked as human resources and/or administration manager for a number of companies engaging in the retail, information technology, air forwarder and hotel industries. She is an experienced professional in human resources and is responsible for the Group's human resources policy and administration affairs.

Ms GAO Shu Hua, aged 42, is the human resources manager in the PRC region. Ms Gao obtained a Degree in Public Relations from Beijing Radio and Television University (北京郵電大學). Ms Gao has over 11 years of experience in human resources and administration. She joined the Group in 2004.

Mr. WANG Yin Hua, aged 46, is the leasing manager of the PRC and is responsible for business development in the PRC. Mr. Wang obtained a Degree by studying a Business Management course jointly organised by the University of Linguistics and Logic (中國邏輯與語言函授大學) and the Commercial and Economic Department of People's University (中國人民大學). Mr. Wang has more than 19 years of experience in the retail business and 4 years experience in the department store industry. He joined the Group in 2005.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") for the year ended 31 March 2010.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

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

Corporate Governance Report *(Continued)*

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

During the year ended 31 March 2010, 4 full board meetings were held for reviewing business strategies and financial and operating performance and the attendance of each Director is set out on page 20.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with Article 87 and Article 88 of the Company's Articles of Association, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each forthcoming annual general meeting of the Company. Each of the independent non-executive Directors has been appointed for a term of two years commenced on 7 June 2010, subject to the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

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

Corporate Governance Report *(Continued)*

RESPONSIBILITIES OF DIRECTORS

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

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

During the year under review, the Remuneration Committee was constituted of four members, including Dr. FAN Yiu Kwan, *JP*, who presided as the chair, Ms CHAN Mei Sheung, Mr. SZE Tsai Ping, Michael and Mr. TSANG Link Carl, Brian.

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

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

At the meetings held during the year, the remuneration packages of all Directors with reference to their experience, performance and other comparables listed companies in Hong Kong were reviewed and considered. Performance based bonus to executive Directors and senior management staff as well as granting share options to the staff of the Group were also considered and reviewed. Details of the emoluments paid/payable to individual Directors are set out in Note 27 to the consolidated financial statements.

Corporate Governance Report *(Continued)*

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

NOMINATION COMMITTEE

The Nomination Committee consisted of three members, including Mr. SZE Tsai Ping, Michael, who presided as the chair, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian, all of whom are independent non-executive Directors.

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

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

At the meetings held during the year, the size and composition of the Board were considered. In addition, the re-appointment of retiring Directors which were to be approved by the shareholders at the annual general meeting was recommended.

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

AUDIT COMMITTEE

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

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

The Audit Committee was provided with sufficient resources to discharge its duties and had access to independent professional advice if required according to the Company's policy. The Group's annual results for the year ended 31 March 2010 have been reviewed by the Audit Committee.

Corporate Governance Report *(Continued)*

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

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

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

ATTENDANCE OF BOARD AND BOARD COMMITTEES' MEETINGS

The attendances of individual members of the Board and the Board Committees in the Board and the Board Committees' meetings held for the year ended 31 March 2010 are detailed as follows:

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

Corporate Governance Report *(Continued)*

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditor about their reporting responsibilities is set out on page 35 of this annual report.

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

INTERNAL CONTROL

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

MANAGEMENT FUNCTIONS

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

AUDITOR'S REMUNERATION

During the year under review, the fees paid/payable to the Company's external auditor, PricewaterhouseCoopers, for the provision of audit services and non-audit services amounted to approximately HK$1,530,000 (audit) and approximately HK$1,075,000 (non-audit) respectively, which comprised interim review fee of approximately HK$270,000, tax compliance service fee of approximately HK$274,000, tax planning advisory fee of approximately HK$431,000 and enterprise resource program post-implementation review fee of approximately HK$100,000.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

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

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

Report of Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2010.

Corporate Reorganization and Public Listing

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

Principal Activities

The Company is an investment holding company. The activities of the subsidiaries are set out in Note 38 to the consolidated financial statements.

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 40.

Dividend

The Board resolved not to declare final dividend for the year ended 31 March 2010.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 116 to 119 of this annual report.

Share Capital

Details of the movements in the Company's share capital during the year under review are set out in Note 18 to the consolidated financial statements.

Reserves

Details of the movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity on page 42 of this annual report.

Movements in the Company's reserves during the year are set out in Note 19 to the consolidated financial statements.

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

Report of Directors *(Continued)*

As at 31 March 2010, the Company's share premium was approximately HK$562,070,000 (2009: approximately HK$562,070,000), the share-based compensation reserve of the Company was approximately HK$22,345,000 (2009: approximately HK$16,234,000). The (accumulated losses)/retained earnings of the Company were approximately (HK$2,788,000) (2009: approximately HK$3,792,000).

Property, Plant and Equipment

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

Directors

The members of the Board during the year ended 31 March 2010 and up to the date of this report were:

Executive Directors

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

Independent non-executive Directors

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

In accordance with Article 87 and Article 88 of the Company's Articles of Association, one-third of the Directors for the time being will retire and, being eligible, offer themselves for re-election at each forthcoming annual general meeting. Each of the independent non-executive Directors has been appointed for a term of two years commenced on 7 June 2010, subject to the provisions of the Company's Articles of Association.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent. Biographical details of the Directors as at the date of this report are set out on pages 12 to 13 of this annual report.

Directors' Service Contracts

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

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

Report of Directors *(Continued)*

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

As at 31 March 2010, the interests of each Director and chief executive in the shares, share options, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position

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

	Capacity and number of Shares held			Number of share options held			
Name of Director	Personal interest	Family interest	Corporate interest	Personal interest *(Note 2)*	Family interest	Total	Approximate percentage of shareholding *(Note 4)*
CHAN Mei Sheung	—	449,950,000 *(Note 1)*	—	9,550,000	—	459,500,000	73.82%
KIU Wai Ming	3,500,000	—	—	8,000,000	—	11,500,000	1.85%
CHU Yin Man	300,000 *(Note 3)*	—	—	5,200,000	—	5,500,000	0.88%

Notes:

1. Mr. HUANG Wen Yi ("**Mr. Huang**"), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang's estate is taken to be interested in the 449,950,000 Shares held by Smart Presto Holdings Limited, owned as to 90% by estate of Mr. Huang and 10% by Ms CHAN Mei Sheung ("**Ms Chan**"). Ms Chan was the wife of the late Mr. Huang and was taken to be interested in the 449,950,000 Shares held by Smart Presto Holdings Limited and the option relating to 4,380,000 Shares granted to Mr. Huang which was lapsed on 10 February 2009. Ms Chan is in the process of applying to the Probate Registry in Hong Kong for Grant of Letters of Administration in respect of the estate of the late Mr. Huang.

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

3. The 300,000 Shares were acquired by Mr. CHU Yin Man ("**Mr. Chu**") pursuant to the Share Purchase Agreement entered into by Mr. Huang, Smart Presto Holdings Limited and Mr. Chu on 2 May 2007.

4. Calculated as a percentage of the entire issued share capital of the Company as at 31 March 2010.

Save as disclosed above, as at 31 March 2010, none of the Directors or the chief executives of the Company nor their associates had any interests or short positions in any shares, share options, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors *(Continued)*

Substantial Shareholders' Interests in Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed above in respect of certain directors, as at 31 March 2010, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Position

Substantial Shareholder	Number of Shares Held	Capacity	Approximate percentage of shareholding
Smart Presto Holdings Limited *(Note)*	449,950,000	Beneficial owner	72.28%
HUI Wan Hon	68,650,000	Interests held jointly with NG Chee Yin Susie Linda	11.03%

Note: Smart Presto Holdings Limited, which is owned as to 90% by estate of Mr. Huang and 10% by Ms Chan, is the registered owner of 449,950,000 Shares.

As at the date of this report, save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) who as at 31 March 2010 had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

Connected Transaction

The Company had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 March 2010.

Directors' Interest in Contracts of Significance

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

Report of Directors *(Continued)*

Directors' Interest in Competing Business

Non-Competition Undertaking

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

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

The Company has also received a confirmation from Ms Chan, which stated that Ms Chan, as the controlling shareholder of the Company, has complied with the Non-Competition Undertaking for the year ended 31 March 2010.

Pre-IPO Share Option Scheme

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

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

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

Report of Directors *(Continued)*

None of the Pre-IPO Share Options was lapsed or exercised during the year ended 31 March 2010. A summary of the movements of the Pre-IPO Share Options for the year ended 31 March 2010 is as follows:

	Number of Pre-IPO Share Options						
Name or category of participant	Balance as at 1 April 2009	Granted during the year ended 31 March 2010	Exercised during the year ended 31 March 2010	Cancelled during the year ended 31 March 2010	Lapsed during the year ended 31 March 2010	Balance as at 31 March 2010	Approximate percentage of issued share capital of the Company as at 31 March 2010
							%
Directors							
CHAN Mei Sheung	3,550,000	–	–	–	–	3,550,000	0.57
KIU Wai Ming	2,000,000	–	–	–	–	2,000,000	0.32
CHU Yin Man	1,200,000	–	–	–	–	1,200,000	0.19
Employees							
Continuous contract employees	2,630,000	–	–	–	–	2,630,000	0.42

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

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

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

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

Report of Directors *(Continued)*

As at 31 March 2010, Pre-IPO Share Options in respect of 9,380,000 Shares were outstanding. The exercise in full of such Pre-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a total premium of approximately HK$28,046,000.

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

Share Option Scheme

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

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

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

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

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

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

Report of Directors *(Continued)*

The number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. As at the date of this report, save for the Shares that may fall to be issued pursuant to the exercise of the options granted but yet to be exercised, a total of 35,400,000 Shares, representing approximately 5.7% of the issued share capital of the Company as at the date of this report, are available for issue under the Share Option Scheme.

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

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

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

None of the Post-IPO Share Options was cancelled or exercised during the year ended 31 March 2010. A summary of the movements of the Post-IPO Share Options for the year ended 31 March 2010 is as follows:

	Number of Post-IPO Share Options						
Name or category of participant	Balance as at 1 April 2009	Granted during the year ended 31 March 2010	Exercised during the year ended 31 March 2010	Cancelled during the year ended 31 March 2010	Lapsed during the year ended 31 March 2010	Balance as at 31 March 2010	Approximate percentage of issued share capital of the Company as at 31 March 2010
							%
Director							
Chan Mei Sheung	–	6,000,000	–	–	–	6,000,000	0.96
Employees							
Continuous contract employees	–	18,900,000	–	–	300,000	18,600,000	2.99

Report of Directors *(Continued)*

The value of the Post-IPO Share Options granted to the respective parties is as follows:

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

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

As at 31 March 2010, Post-IPO Share Options in respect of 24,600,000 Shares were outstanding. The exercise in full of such Post-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a total premium of approximately HK$12,300,000.

The Share Option Scheme shall expire on 21 May 2017.

Share Purchase Scheme

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

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

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

Report of Directors *(Continued)*

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

None of the Share Options was lapsed, cancelled or exercised during the year ended 31 March 2010. A summary of the movements of the Share Options for the year ended 31 March 2010 is as follows:

	Number of Share Options						
Name or category of participant	Balance as at 1 April 2009	Granted during the year ended 31 March 2010	Exercised during the year ended 31 March 2010	Cancelled during the year ended 31 March 2010	Lapsed during the year ended 31 March 2010	Balance as at 31 March 2010	Approximate percentage of the issued share capital as at 31 March 2010
							%
Directors							
KIU Wai Ming	–	6,000,000	–	–	–	6,000,000	0.96
CHU Yin Man	–	4,000,000	–	–	–	4,000,000	0.64

As at 31 March 2010, Share Options in respect of 10,000,000 Shares under the Share Purchase Scheme were outstanding.

The Share Purchase Scheme shall expire on 5 August 2019.

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

Directors' Right to Acquire Shares

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

Management Contract

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

Report of Directors *(Continued)*

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 March 2010, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

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

Major Customers and Suppliers

During the year, all suppliers of the Group are independent third parties. The Group's largest supplier accounted for approximately 13.7% of the Group's total purchases and the Group's five largest suppliers accounted for approximately 47.4% of the Group's total purchases.

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

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

Directors' and the Five Highest Paid Individuals' Emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 27 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties, responsibilities, experience and performance, the Company's performance, the prevailing market conditions and after considering the market emoluments for directors of other listed companies.

The contributions to pension scheme of Directors for the year are disclosed in Note 27 to the consolidated financial statements.

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 March 2010.

Corporate Governance

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

Report of Directors *(Continued)*

Audit Committee

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

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

The proceeds from the issuance of new shares by the Company in its initial public offering in June 2007, net of listing expenses, were approximately HK$614 million. As at 31 March 2010, the proceeds had been utilized in the following manners:

	Planned amount per prospectus *HK$'million*	Planned amount per announcement dated 14 October 2008 *HK$'million*	Amount utilized up to 31 March 2010 *HK$'million*	Balance as at 31 March 2010 *HK$'million*
Setting up franchised and self-managed sales points	407	332	277	55
Setting up specialty sales points	96	52	41	11
Strengthening product design and development capibility	15	15	8	7
Upgrading management information system	15	15	15	—
Marketing and promotional activities	30	30	30	—
Working capital	51	101	101	—
Acquisition of Acupuncture and settling the completion liabilities	—	69	69	—
	614	614	541	73

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

Report of Directors *(Continued)*

Sufficiency of Public Float

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

As at the latest practicable date prior to the issue of this annual report, to the best of the Directors' knowledge and based on the information that is publicly available to the Company, the shareholding interest in the Company held by Mr. Hui jointly with NG Chee Yin Susie Linda was approximately 11.03% (that is, 68,650,000 Shares) and the aggregate shareholding interest of the controlling shareholder of the Company and Mr. Hui and NG Chee Yin Susie Linda and the Directors was approximately 83.92% of the entire issued share capital of the Company and the public float of the Company was approximately 16.08%, which was below the minimum percentage required by the Listing Rules.

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

Further details were set out in the announcement of the Company dated 26 January 2010.

Auditor

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

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

On behalf of the Board
CHAN Mei Sheung
Chairman

Hong Kong
9 July 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Walker Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 115, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 July 2010

Consolidated Balance Sheet

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Leasehold land	6	**17,902**	18,390
Property, plant and equipment	7	**39,450**	44,875
Investment properties	8	**391**	404
Intangible assets	9	**73,341**	71,350
Deferred income tax assets	11	**12,417**	18,826
Available-for-sale financial assets	12	**48,233**	25,065
Rental deposits	15	**14,542**	20,260
		206,276	199,170
Current assets			
Inventories	13	**274,844**	316,275
Trade receivables	14	**119,267**	109,576
Deposits, prepayments and other receivables	15	**62,079**	52,549
Financial assets at fair value through profit or loss	16	**41,870**	37,658
Tax recoverable		**544**	86
Cash and cash equivalents	17	**170,628**	177,975
		669,232	694,119
Total assets		**875,508**	893,289
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	**62,250**	62,250
Share premium	18	**562,070**	562,070
Reserves	19	**100,941**	65,742
		725,261	690,062
Minority interests		**825**	(658)
Total equity		**726,086**	689,404

Consolidated Balance Sheet

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	21	**369**	685
Deferred income tax liabilities	11	**222**	260
		591	945
Current liabilities			
Borrowings	20	**—**	22,525
Trade payables	22	**89,966**	116,559
Accruals and other payables	22	**55,584**	56,587
Obligation under finance lease	21	**316**	316
Taxation payable		**2,965**	6,953
		148,831	202,940
Total liabilities		**149,422**	203,885
Total equity and liabilities		**875,508**	893,289
Net current assets		**520,401**	491,179
Total assets less current liabilities		**726,677**	690,349

On behalf of the Board

Director
CHAN Mei Sheung

Director
CHU Yin Man

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

Balance Sheet

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**796**	1,062
Interests in subsidiaries	10	**603,803**	643,282
		604,599	644,344
Current assets			
Deposits, prepayments and other receivables	15	**221**	253
Amount due from a subsidiary	10	**40,539**	1,000
Cash and cash equivalents	17	**653**	1,257
		41,413	2,510
		646,012	646,854
EQUITY			
Capital and reserves			
Share capital	18	**62,250**	62,250
Share premium	18	**562,070**	562,070
Reserves	19	**19,557**	20,026
Total equity		**643,877**	644,346
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	21	**369**	685
Current liabilities			
Accruals and other payables	22	**1,450**	1,507
Obligation under finance lease	21	**316**	316
		1,766	1,823
Total liabilities		**2,135**	2,508
Total equity and liabilities		**646,012**	646,854
Net current assets		**39,647**	687
Total assets less current liabilities		**644,246**	645,031

On behalf of the Board

Director
CHAN Mei Sheung

Director
CHU Yin Man

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

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	**1,137,502**	1,043,513
Cost of sales	23	**(484,198)**	(476,239)
Gross profit		**653,304**	567,274
Selling and distribution costs	23	**(567,008)**	(549,798)
Administrative expenses	23	**(97,306)**	(104,831)
Other gains/(losses) — net	24	**5,046**	(9,289)
Other income	25	**17,507**	9,358
Operating profit/(loss)		**11,543**	(87,286)
Finance income	28	**428**	4,486
Finance costs	28	**(95)**	(478)
Finance income — net		**333**	4,008
Share of loss of a jointly controlled entity		**—**	(1,422)
Profit/(loss) before income tax		**11,876**	(84,700)
Income tax expense	29	**(10,063)**	(5,355)
Profit/(loss) for the year	30	**1,813**	(90,055)
Attributable to:			
Equity holders of the Company		**2,918**	(89,384)
Minority interests		**(1,105)**	(671)
		1,813	(90,055)
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company (expressed in HK cents per share)			
— basic	31	**0.47**	(14.36)
— diluted	31	**0.47**	(14.36)
Dividends	32	**—**	—

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**1,813**	(90,055)
Other comprehensive income		
Fair value gains/(losses) on available-for-sale financial assets *(Note 12)*	**23,168**	(29,914)
Exchange differences	**2,965**	127
Other comprehensive income for the year, net of tax	**26,133**	(29,787)
Total comprehensive income for the year	**27,946**	(119,842)
Attributable to:		
Equity holders of the Company	**29,088**	(119,184)
Minority interests	**(1,142)**	(658)
	27,946	(119,842)

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity holders of the Company					
	Share capital and premium *(Note 18)*	Reserves	Retained earnings	Sub-total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31 March 2008	624,320	59,329	128,896	812,545	—	812,545
Fair value losses of available-for-sale financial assets	—	(29,914)	—	(29,914)	—	(29,914)
Currency translation differences	—	114	—	114	13	127
Loss for the year	—	—	(89,384)	(89,384)	(671)	(90,055)
Total comprehensive income	—	(29,800)	(89,384)	(119,184)	(658)	(119,842)
Transfer	—	5,427	(5,427)	—	—	—
Share option scheme — value of employee services *(Note 18)*	—	4,754	—	4,754	—	4,754
Share award *(Note 18)*	—	1,284	—	1,284	—	1,284
Dividends *(Note 32)*	—	—	(9,337)	(9,337)	—	(9,337)
Balance at 31 March 2009	624,320	40,994	24,748	690,062	(658)	689,404
Fair value gains of available-for-sale financial assets	—	23,168	—	23,168	—	23,168
Currency translation differences	—	3,002	—	3,002	(37)	2,965
Profit for the year	—	—	2,918	2,918	(1,105)	1,813
Total comprehensive income	—	26,170	2,918	29,088	(1,142)	27,946
Transfer	—	2,846	(2,846)	—	—	—
Share option scheme — value of employee services *(Note 18)*	—	4,558	—	4,558	—	4,558
Share award *(Note 18)*	—	1,553	—	1,553	—	1,553
Capital injection from minority interests	—	—	—	—	2,625	2,625
Balance at 31 March 2010	624,320	76,121	24,820	725,261	825	726,086

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

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	**2010 HK$'000**	2009 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*33(a)*	**47,062**	(81,195)
Interest paid		**(95)**	(478)
Interest income on financial assets at fair value through profit or loss		**160**	1,757
Dividend income on financial assets at fair value through profit or loss		**249**	—
Income tax refund		**1,047**	3,548
Income tax paid		**(9,254)**	(13,704)
Net cash generated from/(used in) operating activities		**39,169**	(90,072)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(23,546)**	(45,363)
Purchases of intangible assets		**(6,972)**	(74,870)
Purchases of available-for-sale financial assets		**—**	(59,938)
Purchases of financial assets at fair value through profit or loss		**—**	(30,361)
Proceeds from disposals of available-for-sale financial assets		**—**	6,342
Net cash inflow from additional investment in jointly controlled entities		**—**	283
Dividend income received on available-for-sale financial assets		**4,222**	3,003
Interest received		**428**	4,346
Net cash used in investing activities		**(25,868)**	(196,558)
Cash flows from financing activities			
Proceeds from borrowings		**—**	45,293
Repayment of borrowings		**(22,525)**	(22,646)
Capital injection from minority interests		**2,625**	—
Capital elements of finance lease payments		**(316)**	(316)
Dividends paid		**—**	(9,337)
Net cash (used in)/generated from financing activities		**(20,216)**	12,994
Net decrease in cash and cash equivalents		**(6,915)**	(273,636)
Cash and cash equivalents at the beginning of the year		**177,975**	452,231
Exchange differences		**(432)**	(620)
Cash and cash equivalents at the end of the year	*17*	**170,628**	177,975

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

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9 July 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

(a) The following new standards and amendments to standards are relevant and mandatory for the financial year ending 31 March 2010:

HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) The following new standards and amendments to standards are relevant and mandatory for the financial year ending 31 March 2010: *(Continued)*

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. This annual financial information has been prepared under the revised disclosure requirements.

HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group has made additional relevant disclosures in its financial statements for the year ended 31 March 2010.

The adoption of the above amendments to standards and interpretation did not have any significant financial impact to the Group.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(b) At the date of authorisation of these financial statements, the following new and revised HKFRSs and Interpretations have been issued but not yet effective and have not been early adopted by the Group.

- HKAS 1 (amendment) — Presentation of financial statements
- HKAS 7 (amendment) — Statement of cash flows
- HKAS 17 (amendment) — Leases
- HKAS 24 (revised) — Related party disclosures
- HKAS 27 (revised) — Consolidated and separate financial statements
- HKAS 32 (amendment) — Classification of rights issue
- HKAS 36 (amendment) — Impairment of assets
- HKAS 38 (amendment) — Intangible assets
- HKAS 39 (amendment) — Financial instruments: recognition and measurement
- HKFRS 2 (amendment) — Share-based payments
- HKFRS 3 (revised) — Business combinations
- HKFRS 5 (amendment) — Non-current assets held for sale and discontinued operations
- HKFRS 8 (amendment) — Operating segments
- HKFRS 9 — Financial instruments
- HK(IFRIC) — Int 9 (amendment) — Reassessment of embedded derivatives
- HK(IFRIC) — Int 14 — Prepayments of a minimum funding requirement
- HK(IFRIC) — Int 16 — Hedges of a net investment in a foreign operation
- HK(IFRIC) — Int 17 — Distributions of non-cash assets to owners
- HK(IFRIC) — Int 19 — Extinguishing financial liabilities with equity instruments

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements

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

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

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

2.2 Consolidation *(Continued)*

(b) Minority interests

The Group applies a policy of treating transactions in connection with equity interest in a subsidiary with minority interests as transactions with parties external to the Group. Disposals of equity interests already owned by the Group to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases of equity interests already owned by the Group from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Interests in jointly controlled entities

Jointly controlled entities are those entities over which the Group has contractual arrangements to jointly share control with one or more parties. The Group's interest in jointly controlled entities is accounted for using the equity method of accounting in the consolidated financial statements.

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

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

2.3 Segment reporting

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

Notes to the Consolidated Financial Statements

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

Notes to the Consolidated Financial Statements

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

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

2.5 Leasehold land

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

Notes to the Consolidated Financial Statements

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

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group or for sale in the ordinary course of business, is classified as investment property.

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

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

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

Investment property's carrying amount is written down immediately to its recoverable amount if the investment property's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

Notes to the Consolidated Financial Statements

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

2.7 Property, plant and equipment

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

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

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

Buildings	50 years
Leasehold improvements	over the lease term

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

Notes to the Consolidated Financial Statements

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

2.8 Intangible assets

(a) Acquired trademarks

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

(b) Computer software

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

(c) Patents and licences

Expenditure on acquiring licences for sale of products is initially recognised and measured at fair value, which represent the capitalisation of unavoidable licence fee payments in accordance with the licence agreements. Cost of licences is amortised using the straight-line method over the license period, ranging from 1 to 6 years.

2.9 Impairment of investments in subsidiaries and non-financial assets

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

Notes to the Consolidated Financial Statements

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

2.10 Financial assets

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

Notes to the Consolidated Financial Statements

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

2.10 Financial assets *(Continued)*

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.11 Inventories

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

2.12 Trade and other receivables

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade payables

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

Notes to the Consolidated Financial Statements

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

2.16 License fee payable

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

2.17 Borrowings

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

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

2.18 Current and deferred income tax

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.19 Employee benefits

(a) Employee leave entitlement

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

(b) Bonus entitlements

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

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

(c) Pension obligations

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

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

Notes to the Consolidated Financial Statements

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

2.19 Employee benefits *(Continued)*

(d) Share-based compensation

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

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

2.20 Provisions

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

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

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

Notes to the Consolidated Financial Statements

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

2.21 Revenue recognition

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

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

(a) Sales of goods — retail

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

(b) Sales of goods — wholesale

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

(c) Interest income

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

Notes to the Consolidated Financial Statements

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

2.21 Revenue recognition *(Continued)*

(d) Dividend income

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

(e) License fees income

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

(f) Royalty income

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

(g) Rental income

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

2.22 Government grants

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

2.23 Operating lease

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

Notes to the Consolidated Financial Statements

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

2.24 Finance lease

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

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

2.25 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Foreign currency risk

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent changes in market interest rates as the Group has no significant interest-bearing asset. The Group's interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

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

At 31 March 2009, based on the simulations performed, if there is a 50 basis-point increase/decrease in interest rate, the loss after taxation would have been HK$113,000 higher/lower respectively, with all other variables held constant.

(c) Credit risk

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Price risk

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

At 31 March 2010, if the prices of the underlying investments in financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the Group's profit after taxation would have been HK$3,228,000 higher/lower (2009: loss after taxation would be HK$1,936,000 lower/HK$2,145,000 higher).

At 31 March 2010, if the prices of the available-for-sale financial assets had been 10% higher/lower with all other variables held constant, the Group's equity would have been HK$4,823,000 (2009: HK$2,507,000) higher/lower, respectively.

(e) Liquidity risk

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

	Within 1 year *HK$'000*	Between 1 to 5 years *HK$'000*	Total *HK$'000*
As at 31 March 2010:			
Trade payables	**89,966**	**—**	**89,966**
Other payables, accruals and other liabilities	**55,947**	**424**	**56,371**
Borrowings	**—**	**—**	**—**
	145,913	**424**	**146,337**
As at 31 March 2009:			
Trade payables	116,559	—	116,559
Other payables, accruals and other liabilities	56,950	787	57,737
Borrowings	22,560	—	22,560
	196,069	787	196,856

3.2 Capital risk management

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

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

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

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

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

Fair value measurement hierarchy

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

- Quoted prices in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Fair value measurement hierarchy *(Continued)*

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

	As at 31 March 2010			As at 31 March 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Financial assets at fair value through profit or loss	32,276	—	9,594	—	—	37,658
Available-for-sale financial assets	48,233	—	—	25,065	—	—
Total assets	80,509	—	9,594	25,065	—	37,658

During the year, two unlisted equity linked notes included within level 3 matured were converted into listed securities included within level 1.

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

	Unlisted equity linked notes *HK$'000*
At 1 April 2009	37,658
Fair value gains of financial assets at fair value through profit or loss recognised in the consolidated income statement	4,193
Converted into listed securities included within level 1	(32,257)
At 31 March 2010	9,594
Fair value loss of financial assets for the year included in the consolidated income statement for financial assets held at the end of the year	(214)

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful life of trademark

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

(b) Useful lives of property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements

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

(d) Income taxes

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

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

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

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

Other segment items are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Capital expenditure	11,824	18,104	590	30,518
Depreciation of property, plant and equipment	7,298	18,449	1,080	26,827
Depreciation of investment properties	13	—	—	13
Amortisation of leasehold land	488	—	—	488
Amortisation of intangible assets	4,938	33	—	4,971
Impairment of property, plant and equipment	250	928	—	1,178
Net (write-back of)/provision for inventories	(2,855)	5,848	—	2,993

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 March 2009 are as follows:

	For the year ended 31 March 2009			
	Hong Kong	Mainland China	Taiwan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from sales of footwear, fashion wears and accessories	300,337	732,383	10,793	1,043,513
Segment profit/(loss)	(13,588)	31,434	(370)	17,476
Unallocated income and expenses				(104,762)
Finance income				4,486
Finance costs				(478)
Share of loss of a jointly controlled entity				(1,422)
Income tax expense				(5,355)
Loss for the year				(90,055)

Other segment items are as follows:

	Hong Kong	Mainland China	Taiwan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	85,300	33,897	1,036	120,233
Depreciation of property, plant and equipment	9,942	30,577	511	41,030
Depreciation of investment properties	13	—	—	13
Amortisation of leasehold land	487	—	—	487
Amortisation of intangible assets	4,724	29	—	4,753
Impairment of property, plant and equipment	455	1,430	—	1,885
Net provision for inventories	6,856	554	—	7,410

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

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

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Segment assets	**308,538**	**446,566**	**17,340**	**772,444**
Unallocated assets				**90,103**
Deferred income tax assets				**12,417**
Tax recoverable				**544**
Total assets				**875,508**
Segment liabilities	**30,835**	**110,750**	**3,965**	**145,550**
Unallocated liabilities				**685**
Deferred income tax liabilities				**222**
Tax payables				**2,965**
Total liabilities				**149,422**

The segment assets and liabilities at 31 March 2009 are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Segment assets	323,511	471,833	15,702	811,046
Unallocated assets				63,331
Deferred income tax assets				18,826
Tax recoverable				86
Total assets				893,289
Segment liabilities	35,813	148,565	11,293	195,671
Unallocated liabilities				1,001
Deferred income tax liabilities				260
Tax payables				6,953
Total liabilities				203,885

Notes to the Consolidated Financial Statements

6. LEASEHOLD LAND — GROUP

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

	2010 *HK$'000*	2009 *HK$'000*
Opening net book amount	**18,390**	18,877
Amortisation	**(488)**	(487)
Closing net book amount	**17,902**	18,390

7. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
At 1 April 2008						
Cost	17,555	65,695	4,765	17,767	5,720	111,502
Accumulated depreciation and impairment	(4,220)	(47,925)	(3,014)	(11,549)	(2,383)	(69,091)
Net book amount	13,335	17,770	1,751	6,218	3,337	42,411
Year ended 31 March 2009						
Opening net book amount	13,335	17,770	1,751	6,218	3,337	42,411
Transfer to investment property	(417)	—	—	—	—	(417)
Exchange differences	—	54	(5)	15	2	66
Additions	—	37,342	986	2,180	4,855	45,363
Acquisition of a subsidiary *(Note 34)*	—	515	418	78	34	1,045
Disposals	—	(490)	—	(153)	(35)	(678)
Depreciation	(339)	(37,145)	(612)	(1,557)	(1,377)	(41,030)
Impairment	—	(1,885)	—	—	—	(1,885)
Closing net book amount	12,579	16,161	2,538	6,781	6,816	44,875

Notes to the Consolidated Financial Statements

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

(a) Group *(Continued)*

	Buildings HK$'000	Leasehold improve-ments HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 31 March 2009						
Cost	16,903	95,173	6,163	19,388	10,479	148,106
Accumulated depreciation and impairment	(4,324)	(79,012)	(3,625)	(12,607)	(3,663)	(103,231)
Net book amount	12,579	16,161	2,538	6,781	6,816	44,875
Year ended 31 March 2010						
Opening net book amount	12,579	16,161	2,538	6,781	6,816	44,875
Exchange differences	—	182	32	26	24	264
Additions	—	20,079	269	2,175	1,023	23,546
Disposals	—	(754)	—	(390)	(86)	(1,230)
Depreciation	(338)	(22,415)	(676)	(1,818)	(1,580)	(26,827)
Impairment	—	(1,178)	—	—	—	(1,178)
Closing net book amount	12,241	12,075	2,163	6,774	6,197	39,450
At 31 March 2010						
Cost	16,903	106,431	6,470	18,904	11,280	159,988
Accumulated depreciation	(4,662)	(94,356)	(4,307)	(12,130)	(5,083)	(120,538)
Net book amount	12,241	12,075	2,163	6,774	6,197	39,450

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

Notes to the Consolidated Financial Statements

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

(b) Company

	Motor vehicles	
	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year		
Cost	**1,580**	1,580
Accumulated depreciation	**(518)**	(165)
Net book amount	**1,062**	1,415
During the year		
Opening net book amount	**1,062**	1,415
Depreciation	**(266)**	(353)
Closing net book amount	**796**	1,062
At the end of the year		
Cost	**1,580**	1,580
Accumulated depreciation	**(784)**	(518)
Net book amount	**796**	1,062

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

	2010	2009
	HK$'000	*HK$'000*
Selling and distribution costs	**22,496**	36,910
Administrative expenses	**4,331**	4,120
	26,827	41,030

Notes to the Consolidated Financial Statements

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

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

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

	2010 **HK$'000**	2009 HK$'000
Cost — capitalised finance lease	**1,580**	1,580
Accumulated depreciation	**(784)**	(518)
	796	1,062

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

8. INVESTMENT PROPERTIES — GROUP

	2010 **HK$'000**	2009 HK$'000
At the beginning of the year		
Cost	**417**	—
Accumulated depreciation	**(13)**	—
Net book amount	**404**	—
During the year		
Opening net book amount	**404**	—
Reclassification from property, plant and equipment	**—**	417
Depreciation	**(13)**	(13)
Closing net book amount	**391**	404
At the end of the year		
Cost	**417**	417
Accumulated depreciation	**(26)**	(13)
Net book amount	**391**	404

Notes to the Consolidated Financial Statements

8. INVESTMENT PROPERTIES — GROUP *(Continued)*

The fair value of investment properties was HK$740,000 as at 31 March 2010. The valuations were performed by DTZ Debenham Tie Leung Ltd, an independent professional valuer. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties include buildings and are held in Hong Kong with leases up to 2047.

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

Notes to the Consolidated Financial Statements

9. INTANGIBLE ASSETS — GROUP

	Trademark HK$'000	Licence fees HK$'000	Computer software HK$'000	Total HK$'000
At 1 April 2008				
Cost	—	14,746	2,255	17,001
Accumulated amortisation	—	(4,432)	(1,703)	(6,135)
Net book amount	—	10,314	552	10,866
Year ended 31 March 2009				
Opening net book amount	—	10,314	552	10,866
Exchange differences	—	—	1	1
Additions	69,566	1,992	3,312	74,870
Derecognition	—	(9,622)	—	(9,622)
Disposals	—	—	(12)	(12)
Amortisation	(1,739)	(2,432)	(582)	(4,753)
Closing net book amount	67,827	252	3,271	71,350
At 31 March 2009				
Cost	69,566	513	5,528	75,607
Accumulated amortisation	(1,739)	(261)	(2,257)	(4,257)
Net book amount	67,827	252	3,271	71,350
Year ended 31 March 2010				
Opening net book amount	67,827	252	3,271	71,350
Exchange differences	—	—	1	1
Additions	—	156	6,816	6,972
Disposals	—	—	(11)	(11)
Amortisation	(3,478)	(245)	(1,248)	(4,971)
Closing net book amount	64,349	163	8,829	73,341
At 31 March 2010				
Cost	69,566	474	12,302	82,342
Accumulated amortisation	(5,217)	(311)	(3,473)	(9,001)
Net book amount	64,349	163	8,829	73,341

Notes to the Consolidated Financial Statements

9. INTANGIBLE ASSETS — GROUP *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Cost of sales	**245**	2,432
Selling and distribution costs	**44**	33
Administrative expenses	**4,682**	2,288
	4,971	4,753

Trademark represents trademark of "ACUPUNCTURE" acquired in October 2008. Before the acquisition, the Group had a licence agreement with the licence owner and was granted the right to use this trademark. The minimum licence fee payment previously capitalised as an intangible asset was derecognised upon the acquisition of the trademark.

10. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Non-current		
Unlisted equity investments, at cost	**10,000**	10,000
Amounts due from subsidiaries *(a)*	**593,083**	633,282
	603,803	643,282
Current		
Amount due from a subsidiary *(b)*	**40,539**	1,000

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

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

(c) Particulars of the subsidiaries of the Group are set out in Note 38.

Notes to the Consolidated Financial Statements

11. DEFERRED INCOME TAX — GROUP

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

	2010	2009
	HK$'000	*HK$'000*
Deferred income tax assets	**12,417**	18,826
Deferred income tax liabilities	**(222)**	(260)
	12,195	18,566

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

	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**18,566**	7,789
Exchange differences	**7**	1
(Charged)/credited to the consolidated income statement *(Note 29)*	**(6,378)**	10,776
At the end of the year	**12,195**	18,566

Notes to the Consolidated Financial Statements

11. DEFERRED INCOME TAX — GROUP *(Continued)*

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

Deferred income tax assets:

	Provisions *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
As at 1 April 2008	6,006	—	2,123	8,129
Exchange differences	1	—	—	1
Credited/(charged) to the consolidated income statement	2,822	8,329	(455)	10,696
As at 31 March 2009	8,829	8,329	1,668	18,826
Exchange differences	—	—	7	7
(Charged)/credited to the consolidated income statement	(6,549)	(1,123)	1,256	(6,416)
As at 31 March 2010	2,280	7,206	2,931	12,417

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$133,027,000 (2009: HK$109,103,000) to carry forward against future taxable income. These tax losses have no expiry date and are subject to approval by the Hong Kong Inland Revenue Department.

Deferred income tax liabilities:

	Tax depreciation allowance *HK$'000*
As at 1 April 2008	340
Credited to the consolidated income statement	(80)
As at 31 March 2009	260
Credited to the consolidated income statement	(38)
As at 31 March 2010	222

Notes to the Consolidated Financial Statements

11. DEFERRED INCOME TAX — GROUP *(Continued)*

According to the National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law"), the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits of foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. Deferred income tax liabilities of HK$2,913,000 (2009: HK$1,988,000) for the withholding tax have not been recognised in respect of the unremitted earnings of certain PRC subsidiaries since the Group plans to reinvest such profits to expand sales network in the PRC and has no plan to distribute such profits in the foreseeable future.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2010 ***HK$'000***	2009 *HK$'000*
At the beginning of the year	**25,065**	1,211
Additions	—	59,938
Disposals	—	(6,170)
Net losses transferred from equity upon disposal	—	(128)
Fair value gains/(losses) recognised in equity	**23,168**	(29,786)
At the end of the year	**48,233**	25,065

Available-for-sale financial assets represent preference shares issued by financial institutions. These shares are listed on the London Stock Exchange and the New York Stock Exchange amounting to HK$24,140,000 (2009: HK$12,597,000) and HK$24,093,000 (2009: HK$12,468,000) respectively. The available-for-sale financial assets are denominated in United States dollar.

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

13. INVENTORIES — GROUP

Inventories represent merchandising stock.

The cost of inventories recognised as expenses and included in cost of sales during the year amounted to HK$480,960,000 (2009: HK$466,397,000).

The Group has written back provisions of HK$8,379,000 (2009: HK$4,515,000) relating to those inventories that were subsequently sold during the year. All these write-backs have been recognised in cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements

14. TRADE RECEIVABLES — GROUP

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

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

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

	2010	2009
	HK$'000	*HK$'000*
0 — 30 days	**105,029**	96,927
31 — 60 days	**6,851**	4,071
61 — 90 days	**2,436**	2,724
Over 90 days	**4,951**	5,854
	119,267	109,576

As of 31 March 2010, trade receivables of HK$24,559,000 (2009: HK$24,526,000) were past due. These relate to a number of independent customers for whom there is no recent history of default. No impairment provision has been made for both years. The ageing analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
1 — 30 days	**12,266**	13,429
31 — 60 days	**4,978**	3,064
61 — 90 days	**2,470**	3,041
Over 90 days	**4,845**	4,992
	24,559	24,526

Notes to the Consolidated Financial Statements

14. TRADE RECEIVABLES — GROUP *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
— Hong Kong dollar	**2,878**	5,691
— Renminbi	**113,346**	102,033
— New Taiwan dollar	**2,788**	1,852
— Others	**255**	—
	119,267	109,576

The carrying amount of trade receivables approximates its fair value.

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

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**40,740**	47,437	**—**	—
Prepayments	**7,264**	6,023	**221**	253
Other receivables	**13,017**	19,349	**—**	—
Notes receivable	**15,600**	—	**—**	—
	76,621	72,809	**221**	253
Less: long-term rental deposits	**(14,542)**	(20,260)	**—**	—
	62,079	52,549	**221**	253
Denominated in:				
Hong Kong dollar	**31,317**	39,604	**221**	253
Renminbi	**28,175**	33,169	**—**	—
New Taiwan dollar	**1,170**	36	**—**	—
United States dollar	**15,600**	—	**—**	—
Others	**359**	—	**—**	—
	76,621	72,809	**221**	253

Notes to the Consolidated Financial Statements

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

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**37,658**	19,779
Additions	**—**	50,140
Disposals	**—**	(19,779)
Fair value gains/(losses) *(Note 24)*	**4,212**	(12,482)
At the end of the year	**41,870**	37,658

	2010	2009
	HK$'000	*HK$'000*
Denominated in:		
Hong Kong dollar	**32,276**	27,850
United States dollar	**9,594**	9,808
	41,870	37,658

Financial assets at fair value through profit or loss included investment in unlisted equity-linked notes issued by a financial institution and listed shares in Hong Kong of HK$9,594,000 and HK$32,276,000 respectively (2009: HK$37,658,000 and nil respectively) which are designated as fair value through profit or loss on initial recognition.

17. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**130,089**	127,651	**653**	1,257
Short-term bank deposits	**40,539**	50,324	**—**	—
Cash and cash equivalents	**170,628**	177,975	**653**	1,257

Notes to the Consolidated Financial Statements

17. CASH AND CASH EQUIVALENTS *(Continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**55,230**	60,346	**653**	1,232
Renminbi	**94,177**	85,916	**—**	—
United States dollar	**19,659**	30,431	**—**	25
Others	**1,562**	1,282	**—**	—
	170,628	177,975	**653**	1,257

The weighted average effective interest rate on short-term bank deposits, with maturity of 30 days, was 0.15% (2009: 0.57%) per annum for the year.

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

18. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares	Share premium	Total
		HK$'000	*HK$'000*	*HK$'000*
Authorised				
At 31 March 2009 and 2010	9,000,000,000	900,000	—	900,000
Issued and fully paid				
At 31 March 2009 and 2010	622,500,000	62,250	562,070	624,320

Notes to the Consolidated Financial Statements

18. SHARE CAPITAL AND PREMIUM *(Continued)*

Share options:

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

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

For the Pre-IPO Share Options, subscription price was determined by the board of directors of the Company. The Pre-IPO Share Options are exercisable starting one to three years from the listing date of the Company. The Company has no legal or constructive obligation to repurchase or settle the Pre-IPO Share Options in cash.

For the Post-IPO Share Options, subscription price determined by the board of directors of the Company shall be at least the highest of: (a) the closing price of the shares of the Company as stated in the HKSE's daily quotations sheets on the grant date, which must be a business day; (b) the average closing price of the shares of the Company as sated in the HKSE's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares. The Post-IPO Share Options are exercisable starting one to five years from the grant date. The Company has no legal or constructive obligation to repurchase or settle the Post-IPO Share Options in cash.

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

	Average exercise price *HK dollars per share*	**Options** *'000*
At 1 April 2008	3.09	10,814
Forfeited	3.09	(1,434)
At 31 March 2009	3.09	9,380
Granted	0.60	24,900
Forfeited	0.60	(300)
At 31 March 2010	1.29	33,980

Notes to the Consolidated Financial Statements

18. SHARE CAPITAL AND PREMIUM *(Continued)*

Share options *(Continued)***:**

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

Vesting date	Expiry date	Exercise price HK dollar per share	Number of share options ('000) outstanding at 31 March 2010	2009
7 June 2008	6 June 2011	3.09	**2,814**	2,814
7 June 2009	6 June 2012	3.09	**2,814**	2,814
7 June 2010	6 June 2013	3.09	**3,752**	3,752
5 August 2010	4 August 2017	0.6	**4,920**	—
5 August 2011	4 August 2017	0.6	**4,920**	—
5 August 2012	4 August 2017	0.6	**4,920**	—
5 August 2013	4 August 2017	0.6	**4,920**	—
5 August 2014	4 August 2017	0.6	**4,920**	—
			33,980	9,380

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

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

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

Total share option expense of HK$4,558,000 (2009: HK$4,754,000) was recognised in the consolidated income statement for the year.

Notes to the Consolidated Financial Statements

18. SHARE CAPITAL AND PREMIUM *(Continued)*

Share award:

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

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

A Share Purchase Scheme was adopted by Smart Presto in August 2009. During the year, Smart Presto established a scheme to provide for the grant of options to purchase shares beneficially owned by Smart Presto to certain employees, officers, consultants, including any executive or non-executive directors, of any member of the Group, who have contributed or will contribute to the achievement of the economic objectives of the Group.

During the year, options to purchase a total of 10,000,000 Shares, representing approximately 1.6% of the Company's total issued share capital immediately after the date of grant, at the exercise price of HK$0.6 per share were granted under the Share Purchase Scheme.

The Company is required to recognise the value of the above-mentioned shares as a non-cash employee benefit expense on a straight-line basis over the relevant vesting period. Total share expense of HK$1,553,000 (2009: HK$1,284,000) was recognised in the income statement for the year ended 31 March 2010. A corresponding amount was credited as share-based compensation reserve under equity in the financial statements of the Company.

Notes to the Consolidated Financial Statements

19. RESERVES

(a) Group

	Merger reserve *(Note i)* HK$'000	Statutory reserves *(Note ii)* HK$'000	Foreign currency translation reserve HK$'000	Available-for-sale investment reserves HK$'000	Share-based compen-sation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2008	22,002	10,770	16,320	41	10,196	128,896	188,225
Fair value losses of available-for-sale financial assets *(Note 12)*	—	—	—	(29,914)	—	—	(29,914)
Currency translation differences	—	—	114	—	—	—	114
Loss for the year	—	—	—	—	—	(89,384)	(89,384)
Transfer	—	5,427	—	—	—	(5,427)	—
Share option scheme — value of employee services *(Note 18)*	—	—	—	—	4,754	—	4,754
Share award *(Note 18)*	—	—	—	—	1,284	—	1,284
Dividends *(Note 32)*	—	—	—	—	—	(9,337)	(9,337)
Balance at 31 March 2009	22,002	16,197	16,434	(29,873)	16,234	24,748	65,742
Fair value gains of available-for-sale financial assets *(Note 12)*	—	—	—	23,168	—	—	23,168
Currency translation differences	—	—	3,002	—	—	—	3,002
Profit for the year	—	—	—	—	—	2,918	2,918
Transfer	—	2,846	—	—	—	(2,846)	—
Share option scheme — value of employee services *(Note 18)*	—	—	—	—	4,558	—	4,558
Share award *(Note 18)*	—	—	—	—	1,553	—	1,553
Balance at 31 March 2010	22,002	19,043	19,436	(6,705)	22,345	24,820	100,941

Notes to the Consolidated Financial Statements

19. RESERVES *(Continued)*

(a) Group *(Continued)*

Notes:

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

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

(b) Company

	Retained earnings/ (accumulated losses) *HK$'000*	Share-based compensation reserve *HK$'000*	Total *HK$'000*
At 1 April 2008	18,750	10,196	28,946
Loss for the year	(5,621)	—	(5,621)
Dividends *(Note 32)*	(9,337)	—	(9,337)
Share option scheme — value of employee services *(Note 18)*	—	4,754	4,754
Share award *(Note 18)*	—	1,284	1,284
At 31 March 2009	3,792	16,234	20,026
Loss for the year	(6,580)	—	(6,580)
Share option scheme — value of employee services *(Note 18)*	—	4,558	4,558
Share award *(Note 18)*	—	1,553	1,553
At 31 March 2010	(2,788)	22,345	19,557

Notes to the Consolidated Financial Statements

20. BORROWINGS — GROUP

	2010 **HK$'000**	2009 HK$'000
Current		
Short-term bank loans — secured	—	22,525

As at 31 March 2009, the bank borrowings were secured by the Group's standby letter of credit amounting to HK$24,000,000. The carrying amounts of the Group's borrowings were denominated in RMB. The weighted average effective interest rates per annum of the Group's borrowings were 6.22% per annum.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates as at the balance sheet date is as follows:

	2010 **HK$'000**	2009 HK$'000
6 months or less	—	22,525

The carrying amounts of short-term bank borrowings approximated their fair values.

Notes to the Consolidated Financial Statements

21. OBLIGATION UNDER FINANCE LEASE — GROUP

	2010	2009
	HK$'000	*HK$'000*
Gross finance lease liabilities — minimum lease payments:		
Within one year	**363**	363
In the second to fifth year inclusive	**424**	787
	787	1,150
Less: future finance charges	**(102)**	(149)
Present value of obligation under finance lease	**685**	1,001

	2010	2009
	HK$'000	*HK$'000*
The present value of finance lease liabilities is as follows:		
Within one year	**316**	316
In the second to fifth year inclusive	**369**	685
Present value of obligation under finance lease	**685**	1,001

The weighted average effective interest rates of the Group's obligations under finance lease at 31 March 2010 were 2.98% (2009: 2.98%) per annum.

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

Notes to the Consolidated Financial Statements

22. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**89,966**	116,559	**—**	—
Accruals and other payables	**55,584**	56,587	**1,450**	1,507
	145,550	173,146	**1,450**	1,507

The ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 — 30 days	**73,447**	112,574
31 — 60 days	**10,061**	2,918
61 — 90 days	**3,473**	180
Over 90 days	**2,985**	887
	89,966	116,559

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

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**35,324**	35,830	**1,450**	1,507
Renminbi	**106,301**	126,023	**—**	—
New Taiwan dollar	**3,925**	11,293	**—**	—
	145,550	173,146	**1,450**	1,507

Notes to the Consolidated Financial Statements

23. EXPENSES BY NATURE

	2010 *HK$'000*	2009 *HK$'000*
Purchase of and changes in inventories	**480,960**	466,397
Auditor's remuneration	**1,970**	2,201
Amortisation of leasehold land *(Note 6)*	**488**	487
Depreciation of property, plant and equipment *(Note 7)*		
— owned assets	**26,561**	40,677
— leased assets	**266**	353
Impairment of property, plant and equipment *(Note 7)*	**1,178**	1,885
Amortisation of intangible assets *(Note 9)*	**4,971**	4,753
Operating lease rental in respect of leasehold land and buildings		
— minimum lease payments	**40,188**	40,288
— including turnover rental expenses	**290,513**	266,722
Advertising and promotion expenses	**21,244**	25,018
Net provisions for inventories	**2,993**	7,410
Employee benefit expenses *(Note 26)*	**189,356**	185,949
Other expenses	**87,824**	88,728
Total cost of sales, selling and distribution costs and administrative expenses	**1,148,512**	1,130,868

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

	2010 *HK$'000*	2009 *HK$'000*
Cost of sales	**484,198**	476,239
Selling and distribution costs	**567,008**	549,798
Administrative expenses	**97,306**	104,831
	1,148,512	1,130,868

Notes to the Consolidated Financial Statements

24. OTHER GAINS/(LOSSES) — NET

	2010 HK$'000	2009 HK$'000
Financial assets at fair value through profit or loss — fair value gains/(losses) *(Note 16)*	**4,212**	(12,482)
Gain on disposal of available-for-sale financial assets	**—**	172
Gain on disposal of financial assets at fair value through profit or loss	**—**	221
Loss on disposal of property, plant and equipment	**(1,230)**	(678)
Loss on disposal of intangible assets	**(11)**	(12)
Net foreign exchange gains	**2,075**	3,490
	5,046	(9,289)

25. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Dividend income on available-for-sale financial assets	**4,222**	3,984
Interest income on financial assets at fair value through profit or loss	**160**	1,757
Dividend income on financial assets at fair value through profit or loss	**249**	—
License fees income	**329**	609
Royalty income	**249**	1,054
Compensation for shop removal	**9,594**	—
Government subsidies	**962**	818
Others	**1,742**	1,136
	17,507	9,358

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

Notes to the Consolidated Financial Statements

26. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010	2009
	HK$'000	*HK$'000*
Salaries, wages and bonuses	**165,234**	163,407
Pension costs — defined contribution plans	**16,763**	14,916
Welfare and other expenses	**7,359**	7,626
	189,356	185,949

27. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2010	2009
	HK$'000	*HK$'000*
Fees	**620**	620
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,223**	4,958
Share options and share award	**3,371**	3,788
Contributions to pension plans	**36**	36
	8,250	9,402

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments *(Continued)*

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

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

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments *(Continued)*

The emoluments of each director for the year ended 31 March 2009 are set out below:

	Fees	Basic salaries, housing allowance, other allowances and benefits-in-kind	Share options and share award	Discretionary bonuses	Contributions to pension plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Ms Chan Mei Sheung	—	2,033	1,799	—	12	3,844
Mr. Kiu Wai Ming	—	1,560	1,014	—	12	2,586
Mr. Chu Yin Man	—	1,365	975	—	12	2,352
Non-executive directors:						
Mr. Sze Tsai Ping, Michael	220	—	—	—	—	220
Dr. Fan Yiu Kwan, *JP*	200	—	—	—	—	200
Mr. Tsang Link Carl, Brian	200	—	—	—	—	200
	620	4,958	3,788	—	36	9,402

None of the directors waived any emoluments during the year (2009: Nil).

Notes to the Consolidated Financial Statements

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include three directors (2009: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	2010 **HK$'000**	2009 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,663**	1,381
Discretionary bonuses	**116**	—
Share options and share award	**187**	—
Contributions to pension plans	**24**	19
	1,990	1,400

The emoluments fell within the following bands:

	2010	2009
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$2,000,000	**1**	—
	2	2

(c) No emoluments have been paid to or are receivable by the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: Nil).

Notes to the Consolidated Financial Statements

28. FINANCE INCOME AND COSTS

	2010 HK$'000	2009 HK$'000
Finance income		
— Interest income from deposits	**428**	4,346
— Net foreign exchange gains	**—**	140
	428	4,486
Finance costs		
— Interest on bank borrowings	**(48)**	(431)
— Interest on obligation under finance lease	**(47)**	(47)
	(95)	(478)
Finance income, net	**333**	4,008

29. INCOME TAX EXPENSE

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

	2010 HK$'000	2009 HK$'000
Current income tax		
— Hong Kong profits tax	**—**	108
— PRC enterprise income tax	**5,189**	15,585
— (Over)/under-provision in respect of prior year	**(1,504)**	438
	3,685	16,131
Deferred income tax *(Note 11)*	**6,378**	(10,776)
	10,063	5,355

Notes to the Consolidated Financial Statements

29. INCOME TAX EXPENSE *(Continued)*

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has not been provided for as the Group has no assessable profit for the year (2009: provided at the rate of 16.5% on the estimated assessable profit for the year).

The New Tax Law on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25%, with certain grandfathering provisions and preferential provisions.

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

	2010 ***HK$'000***	2009 *HK$'000*
Profit/(loss) before income tax	**11,876**	(84,700)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,393**	(16,160)
Income not subject to tax	**(3,267)**	(1,381)
Expenses not deductible for tax purposes	**4,114**	2,705
Deductible temporary differences not recognised	**(1,563)**	—
Tax losses not recognised	**9,890**	19,876
(Over)/under-provision in respect of prior year	**(1,504)**	438
Effect of change in tax rates	**—**	(123)
Tax charge	**10,063**	5,355

The weighted average applicable tax rate was 20% (2009: 19%) for the year.

There is no tax charge relating to components of other comprehensive income for the year (2009: Nil).

30. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of a loss of HK$6,580,000 (2009: loss of HK$5,621,000).

Notes to the Consolidated Financial Statements

31. EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

	2010	2009
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**2,918**	(89,384)
Weighted average number of ordinary shares in issue *('000)*	**622,500**	622,500
Basic earnings/(losses) per share attributable to equity holders of the Company *(HK cents)*	**0.47**	(14.36)

(b) Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share for the year is based on 622,500,000 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 3,706,000 shares deemed to be issued at no consideration. There was no dilutive share outstanding at 31 March 2009.

	2010	2009
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**2,918**	(89,384)
Weighted average number of ordinary shares in issue *('000)*	**622,500**	622,500
Adjustments for share options *('000)*	**3,706**	—
Weighted average number of ordinary shares for diluted earnings/(losses) per share *('000)*	**626,206**	622,500
Diluted earnings/(losses) per share attributable to equity holders of the Company *(HK cents)*	**0.47**	(14.36)

32. DIVIDENDS

At a meeting held on 10 July 2008, the directors declared a final dividend of 1.5 HK cents per ordinary share, totalling HK$9,337,500 which was paid on 11 September 2008.

The Board has resolved not to declare dividend for the year ended 31 March 2009 and 31 March 2010.

Notes to the Consolidated Financial Statements

33. CONSOLIDATED CASH FLOW STATEMENT

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

	2010 HK$'000	2009 HK$'000
Profit/(loss) before income tax	11,876	(84,700)
Adjustments for:		
— Amortisation of leasehold land	488	487
— Depreciation of property, plant and equipment	26,827	41,030
— Depreciation of investment properties	13	13
— Impairment of property, plant and equipment	1,178	1,885
— Amortisation of intangible assets	4,971	4,753
— Loss on disposal of property, plant and equipment	1,230	678
— Loss on disposal of intangible assets	11	12
— Gain on disposal of available-for-sale financial assets	—	(172)
— Fair value (gains)/losses on financial assets at fair value through profit or loss	(4,212)	12,482
— Interest income on financial assets at fair value through profit or loss	(160)	(1,757)
— Dividend income on financial assets at fair value through profit or loss	(249)	—
— Dividend income on available-for-sale financial assets	(4,222)	(3,984)
— Interest income	(428)	(4,346)
— Interest expense	95	478
— Share award and option expenses	6,111	6,038
— Share of loss of a jointly controlled entity	—	1,422
Changes in working capital	43,529	(25,681)
— Inventories	44,878	(90,817)
— Trade receivables	(8,199)	(11,707)
— Deposits, prepayments and other receivables	(3,366)	(9,343)
— Restricted cash	—	10,000
— Trade payables	(27,931)	29,631
— Accruals and other payables	(1,849)	16,722
Cash generated from/(used in) operations	47,062	(81,195)

Notes to the Consolidated Financial Statements

33. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

	2010	2009
	HK$'000	*HK$'000*
Net book amount *(Note 7)*	**1,230**	678
Loss on disposal of property, plant and equipment *(Note 24)*	**(1,230)**	(678)
Proceeds from disposal of property, plant and equipment	**—**	—

(c) Proceeds from disposal of intangible assets

Proceeds from disposal of intangible assets are calculated as follows:

	2010	2009
	HK$'000	*HK$'000*
Net book amount *(Note 9)*:		
— Disposal	**11**	12
— Derecognition	**—**	9,662
Derecognition of licence fee payable	**—**	(9,662)
Loss on disposal of intangible assets *(Note 24)*	**(11)**	(12)
Proceeds from disposal of intangible assets	**—**	—

Notes to the Consolidated Financial Statements

33. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

	2010 **HK$'000**	2009 HK$'000
Carrying amount *(Note 12)*	—	6,170
Gain on disposal of available-for-sale financial assets *(Note 24)*	—	172
Proceeds from disposal of available-for-sale financial assets	—	6,342

34. BUSINESS COMBINATIONS

(a) Acquisition of a business of footwear retailing in Taiwan

On 1 October 2008, the Group acquired a business of footwear retailing in Taiwan from Vivid Footwear Incorporation, at a cash consideration of approximately HK$7,735,000 (approximately New Taiwan dollars 32,393,000).

The acquired business contributed revenue and net loss of HK$9,120,000 and HK$1,916,000 respectively to the Group for the period from 1 October 2008 to 31 March 2009. If the acquisition had occurred on 1 April 2008, revenue and net loss contributed to the Group for the year ended 31 March 2009 would have been approximately HK$17,903,000 and HK$4,058,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	7,735
Less: fair value of net assets acquired	(7,735)
Goodwill	—

Notes to the Consolidated Financial Statements

34. BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of a business of footwear retailing in Taiwan *(Continued)*

The carrying amounts of net assets acquired approximate their fair values as follows:

	Carrying amount *HK$'000*	Fair value *HK$'000*
Net assets acquired		
Property, plant and equipment	1,035	1,035
Inventories	6,700	6,700
Carrying amount/fair value of net assets acquired	7,735	7,735

Analysis of net inflow/outflow of cash and cash equivalents in respect of the acquisition:

	HK$'000
Purchase consideration	7,735
Purchase consideration payable	(7,735)
Net cash inflow/outflow of cash and cash equivalents	—

(b) Additional investments in jointly controlled entity

On 31 December 2008, the Group acquired the remaining 50% of the issued share capital of Main Legend Investment Limited, a jointly controlled entity, from Epica Limited, a joint venture partner of Main Legend Investment Limited, at a cash consideration of approximately HK$107,000.

The acquired business contributed revenue and net profit of HK$227,000 and HK$80,000 respectively to the Group for the period from 1 January 2009 to 31 March 2009. If the acquisition had occurred on 1 April 2008, revenue and net loss contributed to the Group for the year ended 31 March 2009 would have been approximately HK$4,172,000 and HK$2,771,000 respectively.

Notes to the Consolidated Financial Statements

34. BUSINESS COMBINATIONS *(Continued)*

(b) Additional investments in jointly controlled entity *(Continued)*

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	107
Less: fair value of net assets acquired	(107)
Goodwill	—

The carrying amounts of net assets acquired approximate their fair values as follows:

	Carrying amount *HK$'000*	**Fair value** *HK$'000*
Net assets acquired		
Property, plant and equipment	69	10
Inventories	1,289	1,289
Trade receivables	62	62
Other receivables	972	897
Cash and cash equivalents	390	390
Accounts payable	(989)	(989)
Other payables	(1,445)	(1,445)
Carrying amount/fair value of net assets acquired	348	214
Shareholding (50%)		107
Fair value of net assets acquired		107

Notes to the Consolidated Financial Statements

34. BUSINESS COMBINATIONS *(Continued)*

(b) Additional investments in jointly controlled entity *(Continued)*

Analysis of net inflow of cash and cash equivalents in respect of the acquisition:

	HK$'000
Purchase consideration	107
Cash and cash equivalents acquired	(390)
Net cash inflow of cash and cash equivalents	(283)

35. COMMITMENTS

(a) Capital commitments — Group

	2010 **HK$'000**	2009 *HK$'000*
Property, plant and equipment:		
— Contracted but not provided for	—	171
— Authorised but not contracted for	—	—
	—	171
Intangible assets:		
— Contracted but not provided for	—	3,456
— Authorised but not contracted for	—	—
	—	3,456

Notes to the Consolidated Financial Statements

35. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	2010 **HK$'000**	2009 HK$'000
Land and buildings		
— No later than one year	**85,702**	103,452
— Later than one year and no later than five years	**41,814**	58,230
	127,516	161,682
Furniture, fixtures and equipment		
— No later than one year	**203**	194
— Later than one year and no later than five years	**425**	620
	628	814
	128,144	162,496

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

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

Notes to the Consolidated Financial Statements

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	2010 ***HK$'000***	2009 *HK$'000*
(a) Key management compensation		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**11,146**	10,109
Share options and share award	**4,510**	4,175
Contributions to pension plans	**135**	105
	15,791	14,389

Note:

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

37. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform with the changes in presentation in the current year.

Notes to the Consolidated Financial Statements

38. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2010:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Equity interest held 2010	Equity interest held 2009
Directly held:					
Genius Earn Investments Limited#	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	90 Ordinary shares of US$1 each	**100%**	100%
Indirectly held:					
Artemis Footwear Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	7,500,000 ordinary shares of HK$1 each	**65%**	65%
Ascent Pride Investments Limited#	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Asia Glory Investments Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	**100%**	100%
逸盈國際貿易(上海)有限公司 Billion International Trading (Shanghai) Company Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	US$140,000	**100%**	100%
Citiward Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	**100%**	100%

Notes to the Consolidated Financial Statements

38. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Equity interest held 2010	Equity interest held 2009
伊比嘉國際貿易(深圳)有限公司 EPICA International Trading (Shenzhen) Company Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retail of footwear in the PRC	HK$2,400,000	**100%**	100%
Excellent High Investments Limited#	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Main Legend Investment Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
Senet International Limited	Hong Kong, limited liability company	Holding of trademarks and properties in Hong Kong	10 ordinary shares of HK$1 each	**100%**	100%
傲天國際貿易(深圳)有限公司 Smart Sky International (Shenzhen) Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	HK$1,000,000	**100%**	100%
傲豐貿易(深圳)有限公司 Smart Trend Trading (Shenzhen) Company Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	HK$41,000,000	**100%**	100%
奧吉斯貿易(北京)有限公司 Smarter Trading (Beijing) Company Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	HK$40,000,000	**100%**	100%

Notes to the Consolidated Financial Statements

38. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Equity interest held 2010	Equity interest held 2009
Surplus Jet Investments Limited#	The British Virgin Islands, limited liability company	Holding of investment and trademarks	1 ordinary share of US$1	**100%**	100%
Triple Juicy Ltd#	The United Kingdom, limited liability company	Holding of trademarks	1,000 ordinary shares of £1 each	**100%**	100%
Trunari Enterprises Company Limited	Hong Kong, limited liability company	Holding of trademark and properties in Hong Kong	22,000,000 ordinary shares of HK$1 each	**100%**	100%
Vervestone Ltd#	The United Kingdom, limited liability company	Investment holding in the United Kingdom	2,000 ordinary shares of £1 each	**100%**	100%
Walker Corporation Limited#	Hong Kong, limited liability company	Holding of leases in Hong Kong	1,000 ordinary shares of HK$1 each	**100%**	100%
Walker Group China Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
Walker Group International Company Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%

Notes to the Consolidated Financial Statements

38. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Equity interest held 2010	Equity interest held 2009
Walker International Footwear Limited	Hong Kong, limited liability company	Wholesales of footwear	100 ordinary shares of HK$1 each	**100%**	100%
Walker International Holding Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
Walker Shop Footwear Limited	Hong Kong, limited liability company	Investment holding and retailing of footwear in Hong Kong	100,000,000 ordinary shares of HK$0.001 each	**100%**	100%
奥卡索國際貿易（上海）有限公司 Walker Shop International Trading (Shanghai) Company Limited#+	PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	US$200,000	**100%**	100%

\# *Subsidiaries not audited by PricewaterhouseCoopers*

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

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

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,137,502**	1,043,513	930,106	689,366	528,605
Cost of sales	**(484,198)**	(476,239)	(379,947)	(242,897)	(191,497)
Gross profit	**653,304**	567,274	550,159	446,469	337,108
Operating expenses	**(664,314)**	(654,629)	(486,419)	(338,403)	(268,290)
Other gains/(losses) — net	**5,046**	(9,289)	2,961	(268)	44
Other income	**17,507**	9,358	7,541	3,084	1,710
Operating profit/(loss)	**11,543**	(87,286)	74,242	110,882	70,572
Finance income/(costs) — net	**333**	4,008	32,245	(3,005)	(1,681)
Share of loss of a jointly controlled entity	**—**	(1,422)	(192)	—	—
Profit/(loss) before income tax	**11,876**	(84,700)	106,295	107,877	68,891
Income tax expense	**(10,063)**	(5,355)	(11,621)	(24,874)	(14,996)
Profit/(loss) for the year	**1,813**	(90,055)	94,674	83,003	53,895
Attributable to:					
Equity holders of the Company	**2,918**	(89,384)	94,674	83,003	53,895
Minority interests	**(1,105)**	(671)	—	—	—
	1,813	(90,055)	94,674	83,003	53,895
Dividends	**—**	—	69,836	25,930	20,000

Notes: Prior to the reorganisation completed on 21 May 2007, combined financial statements have been prepared for financial years 2006 and 2007.

Five-Year Financial Summary

CONSOLIDATED BALANCE SHEETS

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Leasehold land	**17,902**	18,390	18,877	35,196	36,761
Property, plant & equipment	**39,450**	44,875	42,411	41,061	32,544
Investment properties	**391**	404	—	—	—
Intangible assets	**73,341**	71,350	10,866	14,039	638
Interests in a jointly controlled entity	**—**	—	1,318	—	—
Deferred income tax assets	**12,417**	18,826	8,129	1,061	211
Available-for-sale financial assets	**48,233**	25,065	1,211	1,168	1,170
Rental deposits	**14,542**	20,260	20,378	14,160	11,948
	206,276	199,170	103,190	106,685	83,272
Current assets					
Inventories	**274,844**	316,275	217,281	155,176	95,585
Trade and bills receivables	**119,267**	109,576	97,107	68,781	35,240
Amounts due from related companies	**—**	—	—	33,280	46,525
Deposits, prepayments and other receivables	**62,079**	52,549	41,076	28,709	16,630
Financial assets at fair value through profit or loss	**41,870**	37,658	19,779	—	—
Tax recoverable	**544**	86	3,395	17	52
Restricted cash	**—**	—	10,000	10,000	—
Cash and cash equivalents	**170,628**	177,975	452,231	47,823	26,956
	669,232	694,119	840,869	343,786	220,988

Five-Year Financial Summary

CONSOLIDATED BALANCE SHEETS *(Continued)*

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Borrowings	**—**	(22,525)	—	(99,224)	(21,079)
Trade and bills payables	**(89,966)**	(116,559)	(85,589)	(84,905)	(48,707)
Accruals and other payables	**(55,584)**	(56,587)	(30,363)	(37,559)	(40,857)
License fees payable	**—**	—	(3,752)	(3,302)	—
Amount due to related companies	**—**	—	—	(37,786)	—
Amount due to directors	**—**	—	—	(13,048)	(32,760)
Obligation under finance lease	**(316)**	(316)	(316)	—	—
Tax payable	**(2,965)**	(6,953)	(4,264)	(15,026)	(15,577)
	(148,831)	(202,940)	(124,284)	(290,850)	(158,980)
Net current assets	**520,401**	491,179	716,585	52,936	62,008
Total assets less current liabilities	**726,677**	690,349	819,775	159,621	145,280
Non-current liabilities					
Borrowings	**—**	—	—	(9,914)	(11,582)
License fees payable	**—**	—	(5,889)	(9,393)	—
Obligation under finance lease	**(369)**	(685)	(1,001)	—	—
Deferred income tax liabilities	**(222)**	(260)	(340)	(295)	(265)
	(591)	(945)	(7,230)	(19,602)	(11,847)
Net assets	**726,086**	689,404	812,545	140,019	133,433

Five-Year Financial Summary

CONSOLIDATED BALANCE SHEETS *(Continued)*

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Capital and reserves					
Share capital	**62,250**	62,250	62,250	10,000	10,000
Reserves	**663,011**	627,812	750,295	130,019	123,433
	725,261	690,062	812,545	140,019	133,433
Minority interests	**825**	(658)	—	—	—
Total equity	**726,086**	689,404	812,545	140,019	133,433

Investment Properties

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