
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Walker Group Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

**CHINA CONSUME ELDERLY
CARE HOLDINGS LIMITED**
中國消費養老控股有限公司
(incorporated in the Republic of Seychelles with limited liability)


**WALKER GROUP
HOLDINGS LIMITED**
盈進集團控股有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1386)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY


KINGSTON SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to the Offeror


KINGSTON CORPORATE FINANCE

Independent Financial Adviser to the Independent Board Committee


上銀國際有限公司
BOSC International Company Limited

A letter from Kingston Securities containing, among other things, details of the terms and conditions of the Offer are set out on pages 7 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 24 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 25 to 26 of this Composite Document. A letter from BOSC International containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 27 to 47 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Acceptances of the Offer should be received by the Registrar as soon as possible and in any event by no later than 4:00 p.m. on Wednesday, 24 February 2016 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

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EXPECTED TIMETABLE

The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

2016

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement of the Offer (*Note 1*) Wednesday, 3 February

Latest time and date for acceptance
of the Offer (*Note 2*) 4:00 p.m. on Wednesday, 24 February

Closing Date of the Offer (*Note 2*) Wednesday, 24 February

Announcement of the results of the Offer
(or its extension or revision, if any)
on the website of the Stock Exchange
(*Note 2*) no later than 7:00 p.m.
on Wednesday, 24 February

Latest date of posting of remittances in respect
of valid acceptances received under the Offer (*Note 3*) Friday, 4 March

Notes:

- (1) The Offer, which is unconditional in all respects, is made on 3 February 2016, the date of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
- (2) The Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed at 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer have been revised or extended or has expired. In the event that the Offeror decides that the Offer will remain open, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be the same day, i.e. 4:00 p.m. on the Closing Date.

EXPECTED TIMETABLE

- (3) Remittances in respect of acceptance of the Offer (after deducting the seller's ad valorem stamp duty) will be made as soon as possible but in any event within seven Business Days of the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by or for the Offeror to render each such acceptance of any of the Offer complete and valid. Remittances in respect of acceptance of the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning defined in the Takeovers Code;
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code;
“Board”	the board of Directors;
“Business Day(s)”	a day on which the Stock Exchange is open for transaction of business;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Closing Date”	24 February 2016, being the closing date of the Offer which is the 21st day following the date on which this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code);
“Company”	Walker Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 1386);
“Completion”	the completion of the SP Agreement;
“Completion Date”	14 January 2016, being the date on which Completion took place;
“Composite Document”	this composite offer and response document dated 3 February 2016 jointly issued by the Offeror and the Company to all Independent Shareholders in accordance with the Takeovers Code in connection with the Offer;
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“Distribution”	distributions in specie made by the liquidators of Smart Presto Holdings Limited, a former controlling Shareholder of the Company, to its shareholders
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
“Estate”	the estate of the late Mr. HUANG Wen Yi, whose surviving spouse is Ms. Chan
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Facility”	a standby loan facility up to HK\$313,200,000.00 granted by Kingston Securities to the Offeror to finance its financial obligations under the Offer;
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document;
“Group”	collectively, the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (being Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, <i>JP</i> and Mr. LEE Kwan Hung), who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer;

DEFINITIONS

“Independent Financial Adviser” or “BOSC International”	BOSC International Company Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer;
“Independent Shareholders”	the Shareholders, other than the Offeror, parties acting in concert with it and those who are involved in or interested in the Offer, but including (for the avoidance of doubt) the holders of the Shares attributable to the Minor and the Directors other than Ms. Chan;
“Interim Report”	the interim report of the Company for the six months ended 30 September 2015;
“Joint Announcement”	the announcement dated 13 January 2016 jointly issued by the Company and the Offeror, in relation to, among other things, the SP Agreement and the Offer;
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror;
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO which shall make the Offer on behalf of the Offeror;
“Last Trading Day”	7 January 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares on 8 January 2016 pending the release of the Joint Announcement;
“Latest Practicable Date”	29 January 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Main Board”	the main board maintained and operated by the Stock Exchange;
“Minor”	Mr. HUNG Ting Yang (洪定洋), the son of the late Mr. HUANG Wen Yi (洪文藝) whose surviving spouse is Ms. Chan;
“Mr. Zhu” or “Offeror Guarantor”	Mr. ZHU Xiaojun (朱曉軍), the sole shareholder and sole director of the Offeror;
“Ms. Chan” or “Vendors Guarantor”	Ms. CHAN Mei Sheung (陳美雙), a Vendor and an executive Director and the former controlling shareholder of the Company as at the Last Trading Day, who ceased to hold any Shares as at the Latest Practicable Date;
“Ms. Chan Option”	the outstanding Option previously held by Ms. Chan to subscribe for up to 6,000,000 Shares, which was exercised in full on 13 January 2016;
“Ms. Chan Option Shares”	the 6,000,000 Shares issued to Ms. Chan on 13 January 2016 upon her exercise of the Ms. Chan Option on the same date, which were sold to the Offeror on 19 January 2016 pursuant to the terms of the SP Agreement;
“Ms. Huang NK”	Ms. HUANG Nga Ki (洪雅琦), a Vendor and a former substantial shareholder of the Company and a daughter of Ms. Chan, who ceased to hold any Shares as at the Latest Practicable Date;
“Ms. Huang NT”	Ms. HUANG Nga Ting (洪雅葶), a Vendor and a former substantial shareholder of the Company and a daughter of Ms. Chan, who ceased to hold any Shares as at the Latest Practicable Date;
“Offer”	the unconditional mandatory cash offer to be made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code as a result of the Completion;
“Offer Period”	the period from the date of the Joint Announcement until the Closing Date;

DEFINITIONS

“Offeror”	China Consume Elderly Care Holdings Limited 中國消費養老控股有限公司, a company incorporated in the Republic of Seychelles with limited liability which is solely owned by Mr. Zhu;
“Offer Share(s)”	the issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it;
“Option(s)”	option(s) granted by the Company pursuant to the share option scheme of the Company conditionally adopted on 21 May 2007, which entitle(s) holder(s) thereof to subscribe for Shares in accordance with the terms and conditions thereof, none of which were outstanding as at the Latest Practicable Date;
“Overseas Shareholders(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong;
“PRC”	the People’s Republic of China;
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong;
“Relevant Period”	the period from 14 July 2015, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date;
“Sale Shares”	381,657,500 Shares beneficially owned by the Vendors as at the date of the SP Agreement, representing approximately 59.51% of the total issued share capital of the Company as at the Latest Practicable Date, which were sold by the Vendors to the Offeror pursuant to the SP Agreement;
“SP Agreement”	the agreement dated 7 January 2016 entered into by the Vendors, the Vendors Guarantor, the Offeror and the Offeror Guarantor for the sale and purchase of the Sale Shares and the Ms. Chan Option Shares;

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) for the time being of the Share(s);
“Share Offer Price”	HK\$1.233 per Offer Share payable by the Offeror in respect of the Offer;
“Share Transfer”	the acquisition of the Sale Shares and Ms. Chan Option Shares by the Offeror pursuant to the SP Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it in the Takeovers Code;
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Vendors”	collectively, Ms. Chan, Ms. Huang NK and Ms. Huang NT;
“%”	per cent.

The English names of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are for identification purpose only.

* *For identification purpose only*

LETTER FROM KINGSTON SECURITIES



KINGSTON SECURITIES


Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

3 February 2016

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY



KINGSTON SECURITIES

**FOR AND ON BEHALF OF THE OFFEROR FOR
ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED
AND/OR AGREED TO
BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

The Company and the Offeror jointly announced on 13 January 2016, among other things, that on 7 January 2016, the Vendors, the Vendors Guarantor, the Offeror and the Offeror Guarantor entered into the SP Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors or, as the case may be, Ms. Chan, conditionally agreed to sell (i) the Sale Shares, representing approximately 59.51% of the total issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$470,583,697.50 (representing HK\$ 1.233 per Sale Share); and (ii) Ms. Chan Option Shares at the Share Offer Price per Ms. Chan Option Share. Completion took place on 14 January 2016. The total consideration of HK\$470,583,697.50 at which the Sale Shares were acquired from the Vendors was fully settled in cash upon Completion.

Pursuant to the SP Agreement, Ms. Chan agreed to exercise the Ms. Chan Option in full to subscribe for 6,000,000 Ms. Chan Option Shares before Completion, and Ms. Chan irrevocably undertook to sell and the Offeror agreed to acquire the 6,000,000 Ms. Chan Option Shares at the Share Offer Price per Ms. Chan Option Share (equivalent to a total of HK\$7,398,000.00). The completion of the sale and purchase of the Ms. Chan Option Shares took place on 19 January 2016. As a result, following Completion and the sale and

LETTER FROM KINGSTON SECURITIES

purchase of Ms. Chan Option Shares and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 387,657,500 Shares (being the total of 381,657,500 Sale Shares and 6,000,000 Ms. Chan Option Shares), representing approximately 60.44% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for 253,702,500 Shares, representing all the issued Shares which are not already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it. Kingston Securities, on behalf of the Offeror, is making the Offer.

As disclosed in the Company's announcement dated 14 January 2016, all the then existing outstanding Options (including Ms. Chan Option) were fully exercised by the holders thereof on 13 January 2016 (after the publication of the Joint Announcement), and 9,000,000 new Shares were allotted and issued on the same date (among which 6,000,000 Shares were allotted and issued to Ms. Chan pursuant to the exercise of Ms. Chan Option). Following such exercises by the holders of all outstanding Options and as at the Latest Practicable Date, the Company had no other outstanding Option, and therefore the mandatory cash offer for the cancellation of all outstanding Options will not be made by the Offeror.

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of (a) the terms of the Offer and procedures of acceptance and (b) the Offeror are also set out in Appendices I and IV to this Composite Document, and the accompanying Form of Acceptance respectively. Your attention is also drawn to (i) the "LETTER FROM THE BOARD" on pages 19 to 24 of this Composite Document; (ii) the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" on pages 25 to 26 of this Composite Document and; (iii) the "LETTER FROM BOSC INTERNATIONAL" on pages 27 to 47 of this Composite Document, in respect of the Offer.

UNCONDITIONAL MANDATORY CASH OFFER

Principal terms of the Offer

Kingston Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Shares other than those already owned by the Offeror and parties acting in concert with it in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.233 in cash

LETTER FROM KINGSTON SECURITIES

The Share Offer Price of HK\$1.233 per Offer Share is referenced to the purchase price per Sale Share and per Ms. Chan Option Share paid by the Offeror pursuant to the SP Agreement and was arrived at after arm's length negotiations between the Offeror and the Vendors and having taken into account the net asset value of the Group, recent market prices of the Shares and a premium for a controlling interest in the Company. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Comparison of value

The Share Offer Price of HK\$1.233 per Share represents:

- (i) a premium of approximately 27.11% to the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 28.71% to the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$0.958 per Share;
- (iii) a premium of approximately 26.07% to the average closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK\$0.978 per Share;
- (iv) a premium of approximately 32.15% to the average closing price of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of HK\$0.933 per Share;
- (v) a premium of approximately 167.46% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.461 per Share as at 30 September 2015 calculated based on the financial information as set out in the Interim Report and the number of Shares in issued as at the Latest Practicable Date; and
- (vi) a discount of approximately 13.78% to the closing price of HK\$1.43 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM KINGSTON SECURITIES

Highest and lowest closing prices of Shares

During the six-month period preceding 13 January 2016, being the date of the commencement of the Offer Period, and up to the Latest Practicable Date:

- (i) The highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.43 per Share on 29 January 2016; and
- (ii) The lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.55 per Share on 7 September 2015 respectively.

Total value of the Offer

As at the Latest Practicable Date, the Company had 641,360,000 Shares in issue (of which the Offeror and parties acting in concert with it were interested in 387,657,500 Shares). As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives or warrants or other securities which are convertible or exchangeable into the Shares and had not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company. Assuming there is no change in the issued share capital of the Company prior to the close of the Offer, 253,702,500 Shares will be subject to the Offer.

Based on the Share Offer Price of HK\$1.233 per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to HK\$312,815,182.50.

Financial resources available to the Offeror

The Offeror will finance the cash consideration payable for the Offer (i.e. HK\$312,815,182.50) from the Facility. Pursuant to the terms and conditions of the Facility, the Sale Shares, the Ms. Chan Option Shares and the Offer Shares to be acquired by the Offeror under the Offer shall be deposited with Kingston Securities as collateral for the Facility. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, the Facility will not depend on any significant extent on the business of the Group. As at the Latest Practicable Date, save for the aforementioned Sale Shares and the Ms. Chan Option Shares, which in aggregate, of 387,657,500 Shares being charged to Kingston Securities, Kingston Securities did not have any interest in any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

LETTER FROM KINGSTON SECURITIES

Kingston Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer as described above.

Effect of accepting the Offer

By validly accepting the Offer, the Independent Shareholders (including the holders of Shares attributable to the Minor and the Directors other than Ms. Chan) would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of posting of this Composite Document.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the market value of the Offer Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

LETTER FROM KINGSTON SECURITIES

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Kingston Corporate Finance and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Other arrangements

For the six months immediately prior to 13 January 2016 (being the date of commencement of the Offer Period), save for the Share Transfer, the Offeror and parties acting in concert with it had not dealt in nor did they have any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

LETTER FROM KINGSTON SECURITIES

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the Offeror's interest in the Sale Shares and Ms. Chan Option Shares under the Share Transfer, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives, of the Company;
- (ii) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;
- (iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (iv) save for the Share Transfer and the deposit of the Sale Shares, Ms. Chan Option Shares and the Offer Shares to be acquired by the Offeror through the Offer in favour of Kingston Securities as security for (i) the facility granted by Kingston Securities in relation to the SP Agreement; and (ii) the Facility respectively, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner, and/or any party acting in concert with any of them has borrowed or lent.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the Republic of Seychelles with limited liability on 11 December 2014. The Offeror is an investment holding company and had not carried on any business since its incorporation until the entering into of the SP Agreement. As at

LETTER FROM KINGSTON SECURITIES

the Latest Practicable Date, the Offeror is wholly owned by Mr. Zhu, who is also the sole director of the Offeror. Details of the background of Mr. Zhu are set out in the paragraph headed “Proposed executive Directors” in this letter.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the “LETTER FROM THE BOARD” as set out on pages 19 to 24 of this Composite Document and Appendix III to this Composite Document.

OFFEROR’S INTENTION REGARDING THE GROUP

The Offeror intends to continue the existing principal activities of the Group. Following completion of the Offer, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group which may include, among other things, the closing or transfer of certain shops (including some loss-making shops) in certain areas and, if appropriate, opening of new shops in other areas. The Offeror may also leverage the business network of Mr. Zhu and Mr. Kang Jianming (for the biographical information of Mr. Kang Jianming, please refer to the subsection headed “Proposed executive Directors” below) with certain financial and banking institutions in the PRC, and their experience in the industry of electronic commerce, to facilitate the development and expansion of the Group’s existing business portfolio, establish new business and broaden the source of income of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group, and/or restructuring of some assets and/or business of the Group in order to enhance its profitability as well as value to the Shareholders in the long run. The Offeror will ensure the compliance with the requirements under the Takeovers Code and the Listing Rules in this regard.

Proposed change of Board composition

The Board is currently made up of six Directors, comprising three executive Directors and three independent non-executive Directors. Pursuant to the terms of the SP Agreement, subject to the Completion, the Vendors shall cause all Directors, except Ms. Chan and Mr. KIU Wai Ming, to give notice to resign as director of the Group with effect from a date to be determined by the Offeror and such effective date shall be permitted under (or pursuant to any dispensation from) the Takeovers Code or by the SFC.

In addition, pursuant to the terms of the SP Agreement, the Vendors shall use their reasonable endeavours to cause such persons as the Offeror may nominate to be validly appointed as the company secretary and/or Directors and such appointment(s) shall be effective on a date to be determined by the Offeror and such effective date shall be

LETTER FROM KINGSTON SECURITIES

permitted under the Takeovers Code. The Offeror currently intends to nominate two new members to the Board, namely Mr. Zhu and Mr. KANG Jianming as executive Directors. Such appointments will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code.

The Offeror may nominate additional Directors to the Board on or after the Closing Date, but such persons have not been determined as at the Latest Practicable Date. Details of any such further changes to the composition of the Board will be announced in accordance with the Listing Rules.

Set out below are the proposed candidates to be nominated by the Offeror as the executive Directors:

Proposed executive Directors

Mr. Zhu, aged 45, is experienced in the industry of electronic commerce in the PRC. He is currently the general manager of 上海旭日養老服務有限公司 (Shanghai Xuri Elderly Care Services Company Limited*), which is engaged in the provision of pension-related financial products and services in the PRC, with certain projects operating in alliance with a fund in the PRC and several banking institutions in the PRC (including a joint venture company formed by banking institutions in the PRC which is engaged in electronic-payment-related services).

There is currently no service contract entered into between the Company and Mr. Zhu. Mr. Zhu is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Zhu with reference to his duties and responsibilities within the Group.

As at the Latest Practicable Date and by virtue of the SFO, Mr. Zhu is deemed to be interested in 387,657,500 shares of the Company held by the Offeror, representing approximately 60.44% of the entire issued share capital of the Company. The Offeror is wholly and beneficially owned by Mr. Zhu.

Save as disclosed above, as at the Latest Practicable Date, Mr. Zhu did not (i) hold any positions in other members of the Group; (ii) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (iii) hold other major appointments and professional qualifications; (iv) have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company; and (v) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

LETTER FROM KINGSTON SECURITIES

Save as disclosed above, there is no information in relation to Mr. Zhu that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. KANG Jianming (“Mr. Kang”), aged 41, graduated from the Beijing Normal University (北京師範大學) in the PRC with a master degree in philosophy. He also completed an Executive MBA programme from the Zhongshan University (中山大學) in the PRC and the China UnionPay Senior Management Programme from the Business and Administration Department of the Tsinghua University (清華大學) in the PRC.

Mr. Kang worked as an economist in the Guangdong Branch of the Industrial and Commercial Bank of China Limited (中國工商銀行) from March 2005 to December 2006. Afterwards, he worked as the business director of Guangzhou UnionPay Network Payment Company Limited (廣州銀聯網絡支付有限公司) from October 2007 to September 2015.

Mr. Kang obtained the intermediate level qualification in Finance and Economics conferred by the Ministry of Personnel of the Government of the PRC (currently known as the Ministry of Human Resources and Social Security of the Government of the PRC) in November 2002. In November 2014, Mr. Kang was appointed a member of the 3rd Committee of the Guangdong’s Association for Promotion of Cooperation between Guangdong, Hong Kong & Macao (廣東省粵港澳合作促進會).

There is currently no service contract entered into between the Company and Mr. Kang. Mr. Kang is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Kang with reference to his duties and responsibilities within the Group.

Save as disclosed above, as at the Latest Practicable Date, Mr. Kang did not (i) hold any positions in other members of the Group; (ii) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (iii) hold other major appointments and professional qualifications; (iv) have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company; and (v) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Mr. Kang that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

LETTER FROM KINGSTON SECURITIES

Details of the changes to the composition of the Board and the company secretary of the Company and the appointment of new Directors will be further announced as and when appropriate in compliance with the Takeovers Code and the Listing Rules.

Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange in the event that after the close of the Offer, the public float of the Company falls below 25%, they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible, to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

GENERAL

All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Company, Kingston Securities, Kingston Corporate Finance and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Form of Acceptance.

LETTER FROM KINGSTON SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from BOSC International as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

LETTER FROM THE BOARD



WALKER GROUP HOLDINGS LIMITED

盈進集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1386)

Executive Directors:

Ms. CHAN Mei Sheung (*Chairman*)
Mr. KIU Wai Ming (*Chief Executive Officer*)
Mr. HUNG Tin Chun

Independent non-executive Directors

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

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

3 February 2016

To the Independent Shareholders,

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY



KINGSTON SECURITIES

**FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement and the announcement of the Company dated 14 January 2016 in relation to the completion of the SP Agreement. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

* *For identification purpose only*

LETTER FROM THE BOARD

On 7 January 2016, the Vendors, the Vendors Guarantor, the Offeror and the Offeror Guarantor entered into the SP Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors, or as the case may be, Ms Chan, conditionally agreed to sell (i) the Sale Shares, representing approximately 59.51% of the total issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$470,583,697.50 (representing HK\$1.233 per Sale Share); and (ii) Ms. Chan Option Shares at the Share Offer Price per Ms. Chan Option Share.

The Joint Announcement was issued on 13 January 2016. Subsequently, all the outstanding Options (including the Ms. Chan Option) were exercised and a total of 9,000,000 Shares were allotted and issued on 13 January 2016 (among which 6,000,000 Shares were issued and allotted to Ms. Chan). Following such exercises by the holders of all outstanding Options, no Options were outstanding as at the Latest Practicable Date.

Completion took place on 14 January 2016 and the 6,000,000 Ms. Chan Option Shares were sold by Ms. Chan to the Offeror on 19 January 2016 at the Share Offer Price per Ms. Chan Option Share.

Following Completion and the above sale and purchase of the Ms. Chan Option Shares, as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 387,657,500 Shares, representing approximately 60.44% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, immediately following the Completion, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash Offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Kingston Securities, on behalf of the Offeror, is making the Offer.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 13 January 2016, the Board established the Independent Board Committee comprising all the independent non-executive Directors (namely Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. LEE Kwan Hung) to make a recommendation to the Independent Shareholders (including, the holders of the Shares attributable to the Minor and the Directors other than Ms. Chan) in respect of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

LETTER FROM THE BOARD

Pursuant to Rule 2.1 of the Takeovers Code, on 18 January 2016, BOSC International was appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer, and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer, and the letter from BOSC International containing its advice and recommendation to the Independent Board Committee in respect of the terms of the Offer and as to acceptance of the Offer.

UNCONDITIONAL MANDATORY CASH OFFER

As at the Latest Practicable Date, there were 641,360,000 Shares in issue, and there were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Principal Terms of the Offer

As mentioned in the “LETTER FROM KINGSTON SECURITIES” on pages 8 to 9 of this Composite Document, Kingston Securities is making the Offer for and on behalf of the Offeror to all the Independent Shareholders (including, for the purpose of the Offer, the holders of the Shares attributable to the Minor and the Directors other than Ms. Chan) for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with Rules 26.1 of the Takeovers Code on the following basis:

For each Offer Share HK\$1.233 in cash

The Share Offer Price of HK\$1.233 for each Offer Share under the Offer is the same as the price per each Sale Share and each Ms. Chan Option Share being acquired by the Offeror pursuant to the SP Agreement.

Further details of the Offer, including terms and procedures for acceptance and settlement of the Offer, are contained in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 11 to 12 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its Shares have been listed on the Stock Exchange since 2007. The Group is principally engaged in the development and retailing of a diversified range of footwear products under its own brands, namely, ACUPUNCTURE, ARTEMIS, COUBER.G, FORLERIA, OXOX, TRU-NARI, A+A2 and WALACI, through its self-managed retail shops, concession points in department stores and franchised stores. The Group possesses an extensive sales network across the regions of the PRC, Hong Kong and Taiwan.

Set out below is the audited revenue, profit before tax and profit attributable to the owners of the Company for each of the two financial years ended 31 March 2014 and 31 March 2015, and the unaudited revenue, profit before tax and profit attributable to the owners of the Company for the six months ended 30 September 2015 as extracted from Appendix II to this Composite Document:

	For the year ended 31 March		For the six months ended 30 September
	2014	2015	2015
	(audited)	(audited)	(unaudited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	1,299,154	1,090,668	427,640
Loss before tax	(216,070)	(85,985)	(70,840)
Loss for the year/period	(229,972)	(88,400)	(71,104)

Further details of the Group are set out in Appendices II and III to this Composite Document.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “INFORMATION ON THE OFFEROR” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 13 to 14 of this Composite Document, and Appendix IV to this Composite Document.

LETTER FROM THE BOARD

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed “INFORMATION ON THE OFFEROR” and “OFFEROR’S INTENTION REGARDING THE GROUP” in the “LETTER FROM KINGSTON SECURITIES” as set out on page 14 of this Composite Document. The Board is pleased with the Offeror’s intentions in respect of the Group and the employees of the Group and is willing to co-operate with the Offeror in the interests of the Group and the Shareholders as a whole.

CHANGE OF BOARD COMPOSITION OF THE COMPANY

Your attention is also drawn to the section headed “PROPOSED CHANGE OF BOARD COMPOSITION” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 14 to 17 of this Composite Document. Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “LETTER FROM KINGSTON SECURITIES” on page 17 of this Composite Document that the Offeror intends to maintain the listing status of the Company on the Stock Exchange following the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange that they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market,**

it would consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages 25 to 26 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof; and (ii) the “LETTER FROM BOSC INTERNATIONAL” on pages 27 to 47 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of
Walker Group Holdings Limited
KIU Wai Ming
Executive Director



WALKER GROUP HOLDINGS LIMITED

盈進集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1386)

3 February 2016

To the Independent Shareholders,

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY



KINGSTON SECURITIES

FOR AND ON BEHALF OF THE OFFEROR

**FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED**

**AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 3 February 2016 jointly issued by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Composite Document, unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders (including the holders of the Shares attributable to the Minor and the Directors other than Ms. Chan) are concerned, and as to acceptance thereof.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

BOSC International has been appointed as the independent financial adviser to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “LETTER FROM BOSC INTERNATIONAL” on pages 27 to 47 of the Composite Document.

We also wish to draw your attention to the “LETTER FROM THE BOARD”, the “LETTER FROM KINGSTON SECURITIES” and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from BOSC International, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should monitor the Share price movement until near the end of the Offer Period. If the market price of the Shares exceeds the Share Offer Price and the sale proceeds net of all transaction costs exceed the net proceeds receivable under the Offer, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Offer.

Independent Shareholders are recommended to read the full text of the “LETTER FROM BOSC INTERNATIONAL” on pages 27 to 47 of this Composite Document.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. SZE Tsai Ping, Michael
*Independent Non-executive
Director*

Dr. FAN Yiu Kwan, JP
*Independent Non-executive
Director*

Mr. LEE Kwan Hung
*Independent Non-executive
Director*

LETTER FROM BOSC INTERNATIONAL



34th Floor, Citibank Tower
Citibank Plaza, 3 Garden Road
Hong Kong

3 February 2016

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES (OTHER THAN THOSE SHARES
ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in composite offer and response document jointly issued by the Offeror and the Company (the “**Composite Document**”) dated 3 February 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 13 January 2016, the Board established the Independent Board Committee comprising all the independent non-executive Directors (namely Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. LEE Kwan Hung) to make a recommendation to the Independent Shareholders (including, for the purpose of the Offer, the holders of the Shares attributable to the Minor and the Directors other than Ms. Chan) in respect of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

BASIS OF OUR OPINION

In formulating our opinion, we have relied upon the information, facts and representations supplied or made available to us by the Company, the Directors, the representatives of the Company for which they are solely and wholly responsible, and to their information and

LETTER FROM BOSC INTERNATIONAL

knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be so as at the Latest Practicable Date and the Company will notify the Shareholders of any material changes to such information, facts and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have assumed that all statements and information supplied and the opinions and representations made or provided to us by the Company, the Directors and the representatives of the Company have been reasonably made after due and careful enquiry.

As stated in Appendix III to the Composite Document, the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror, the sole director of the Offeror, the proposed Directors nominated by the Offeror to the Board, their associates and parties acting in concert with any of them and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror, the sole director of the Offeror, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

As stated in Appendix IV to the Composite Document, the sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group, the Vendors and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinion expressed in the Composite Document (other than the opinions expressed by the Group, the Directors, the Vendors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and the representatives of the Company or to believe that material information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business or affairs or future prospects of the Company or any of its subsidiaries or associates.

LETTER FROM BOSC INTERNATIONAL

THE OFFER

The Offeror and the Company jointly announced on 13 January 2016 that on 7 January 2016, after trading hours, the Vendors (as seller) and the Offeror (as purchaser) entered into the SP Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors or, as the case may be, Ms. Chan, conditionally agreed to sell (i) the Sale Shares, representing approximately 59.51% of the total issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$470,583,697.50 (representing HK\$1.233 per Sale Share); and (ii) Ms. Chan Option Shares at the Share Offer Price per Ms. Chan Option Share.

On 13 January 2016, all the then outstanding Options (including Ms. Chan Option) were fully exercised and a total of 9,000,000 new Shares were allotted and issued on the same date (among which 6,000,000 Shares were allotted and issued to Ms. Chan). Following such exercises by the holders of all outstanding Options, no Options were outstanding as at the Latest Practicable Date.

Completion took place on 14 January 2016. The 6,000,000 Ms. Chan Option Shares were sold by Ms. Chan to the Offeror on 19 January 2016 at the Share Offer Price per Ms. Chan Option Share.

Following Completion and the above mentioned sale and purchase of Ms. Chan Option Shares, as at the Latest Practicable Date, the Offeror and parties acting in concert with it held a total of 387,657,500 Shares, representing approximately 60.44% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash Offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Kingston Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

For each Offer Share.....HK\$1.233 in cash

The Share Offer Price of HK\$1.233 for each Offer Share is referenced to the purchase price per Sale Share and per Ms. Chan Option Share paid by the Offeror pursuant to the SP Agreement.

LETTER FROM BOSC INTERNATIONAL

As at the Latest Practicable Date, there were 641,360,000 Shares in issue, and the Company did not have any outstanding options, derivatives or warrants or other securities which are convertible or exchangeable into the Shares and the Company had not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company.

Value of the Offer

Assuming there is no change in the issued share capital of the Company prior to the close of the Offer, 253,702,500 Shares will be subject to the Offer. Based on the Share Offer Price of HK\$1.233 per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to HK\$312,815,182.50.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

The Company was incorporated in the Cayman Islands with limited liability and the Shares have been listed on the Stock Exchange since 2007. The Group is principally engaged in the development and retailing of a diversified range of footwear products under its own brands, namely, ACUPUNCTURE, ARTEMIS, COUBER.G, FORLERIA, OXOX, TRU-NARI, A+A2 and WALACI, through its self-managed retail shops, concession points in department stores and franchised stores. The Group possesses an extensive sales network across the regions of the PRC, Hong Kong and Taiwan.

LETTER FROM BOSC INTERNATIONAL

1.2 *Financial information of the Group*

Set out below is the summarized financial information of the Group for each of the three years ended 31 March 2015 as extracted from the Company's annual reports for the years ended 31 March 2014 and 2015 and for the six months ended 30 September 2015 as extracted from the Interim Report.

	For the six months ended		For the year ended		
	30 September		31 March		
	2015	2014	2015	2014	2013
	("1H2016")	("1H2015")	("FY2015")	("FY2014")	("FY2013")
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)
Revenue	427.6	509.4	1,090.7	1,299.2	1,375.3
Cost of sales	(185.3)	(224.8)	(473.8)	(616.9)	(555.8)
Gross profit	242.3	284.6	616.9	682.2	819.4
Gross profit margin	56.7%	55.9%	56.6%	52.5%	59.6%
Loss before income tax	(70.8)	(64.0)	(86.0)	(216.1)	(91.9)
Income tax (expense)/credit	(0.3)	1.2	(2.4)	(13.9)	(3.4)
Loss attributable to equity holders of the Company	(70.6)	(62.3)	(87.4)	(227.9)	(92.8)

1H2016 vs. 1H2015

For 1H2016, the Group recorded a revenue of approximately HK\$427.6 million, representing a decrease of approximately 16.1% as compared to that for 1H2015. During the period, the revenue from the Group's PRC, Hong Kong and Taiwan markets decreased by approximately 18.2%, 6.6% and 18.4%, respectively. As noted from the Interim Report, the reduced revenue was mainly due to low consumer sentiment, changing consumer behavior and keen competition in the retail industry.

For the same period, the Group recorded a net loss attributable to equity holders of the Company of approximately HK\$70.6 million, representing an increase of approximately 13.3% as compared to that for 1H2015.

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FY2015 vs. FY2014

For FY2015, the Group recorded a revenue of approximately HK\$1,090.7 million, representing a decrease of approximately 16.1% as compared to that for FY2014. During the financial year, the revenue from the PRC, Hong Kong and Taiwan markets decreased by approximately 17.6%, 7.9% and 26.7%, respectively. As noted from the Company's annual report for FY2015 (the "2015 Annual Report"), the Chinese government's anti-graft policy, the continuous tightening of spending across business and public sectors, together with the influence of the anti-PRC tourists incident in Hong Kong, contributed to the unfavourable market conditions, with retail being the hardest hit industry. Keen market competition and increasing operating costs and rents also led to a negative impact on the Group's performance.

For the financial year, the Group recorded a net loss attributable to equity holders of the Company of approximately HK\$87.4 million, as compared to that of approximately HK\$227.9 million for FY2014. The decrease in net loss for FY2015 was mainly due to the decrease in overall operating expenses.

FY2014 vs. FY2013

For FY2014, the Group recorded a revenue of approximately HK\$1,299.2 million, representing a decrease of approximately 5.5% as compared to that for FY2013. During the financial year, the revenue from the PRC, Hong Kong and Taiwan markets decreased by approximately 3.8%, 11.0% and 24.4%, respectively. As stated in the annual report of the Company for FY2014, consumer confidence had remained low in the PRC and along with the PRC government's tightening policy on spending across business and government sectors, the keen competition in the industry, the increase in operating costs and rents and the rapid change in consumers' behavior, the results of the Group for FY2014 were negatively impacted.

For the financial year, net loss attributable to equity holders of the Company increased to approximately HK\$227.9 million from approximately HK\$92.8 million for FY2013. The significant increase in net loss in FY2014 was mainly due to the decrease in revenue as explained above and the increase in cost of sales which was mainly a result of an additional stock provision of approximately HK\$85.8 million made for the changes in circumstances that indicated the stocks may not be realized.

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	As at 30 September 2015 (unaudited) <i>HK\$' million</i>
Non-current assets	50.7
Current assets	482.5
Total assets	533.2
Non-current liabilities	0.5
Current liabilities	239.7
Total liabilities	240.2
Equity attributable to equity holders of the Company	295.6

As at 30 September 2015, the Group recorded net current assets of approximately HK\$242.8 million and equity attributable to equity holders of the Company of approximately HK\$295.6 million. The Group's total assets amounted to approximately HK\$533.2 million, mainly comprising inventories of approximately HK\$275.3 million (representing approximately 51.6% of total assets), trade receivables of HK\$90.8 million (representing approximately 17.0% of total assets) and cash and cash equivalents of approximately HK\$74.8 million (representing approximately 14.0% of total assets). The Group's total liabilities amounted to approximately HK\$240.2 million, mainly comprising trade payables of approximately HK\$157.3 million (representing approximately 65.5% of total liabilities) and accruals and other payables of approximately HK\$46.5 million (representing approximately 19.4% of total liabilities).

1.3 Outlook of the Group

As noted from the Interim Report, the Company believes that retail conditions remain uncertain and challenging, highlighted by weakening demand, high operating costs and the slowing growth in the PRC. With low consumer sentiment, changing consumer behavior and keen competition in the retail industry, most fashion retailers are facing enormous challenges posed by reduced turnover, slow growth or margin erosion.

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According to the 2015 Annual Report, approximately 79.2% and 19.6% of the Group's revenue was derived from its PRC and Hong Kong markets, respectively, and thus we believe that the Group's performance will be affected by the outlook of the retailing industry in the PRC and Hong Kong.

According to a report relating to the operations of chain-retailing companies in China (2014-2015) jointly issued by 中國連鎖經營協會 (translated as "China Chain Store & Franchise Association", being the official representative of the retailing and franchise industry in China with more than 1,000 enterprise members, among which the total sales of its retailer members (exclusive of franchise and food service) accounted for around 11% of the total retail sales of consumer goods of the PRC in 2014 according to the information published on its website (<http://www.ccfa.org.cn>)) and Deloitte in September 2015 (the "**China Retail Market Report**"), the slowdown in the growth of the gross domestic product of the PRC, the change in consumers' consumption pattern and the rise of new business models including e-commerce have played a role in the declining growth of traditional retailers. Furthermore, traditional retailers' profitability has been and is facing the pressure from increasing operating costs, such as rising rental cost and labor cost. According to the China Retail Market Report, the year-on-year growth rate of total retail sales value of the PRC declined from 18.3% in 2010 to 12.0% in 2014.

Similarly, according to the Report on Monthly Survey of Retail Sales published by the Census and Statistics Department of Hong Kong in January 2016, the Hong Kong market witnessed a decline in retailers' revenue growth. For the first 11 months of 2015, the value of total retail sales of the Hong Kong market decreased by 3.1%, and the total value of "footwear, allied products and other clothing accessories" sales declined by 3.6%, as compared to the same period in 2014. The year-on-year growth rate of total retail sales value declined from 18.3% in 2010 to -0.2% in 2014, and the year-on-year growth rate of "footwear, allied products and other clothing accessories" sales value declined from 18.2% in 2010 to 5.3% in 2014.

Taking into account (i) the historical loss making financial performance of the Group as stated above; and (ii) the lackluster retail market in each of PRC and Hong Kong as stated above, we concur with the management's view about the cautious outlook of the Group's business in near future.

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2. Information on and intention of the Offeror regarding the Group

2.1 Information on the Offeror

As stated in the letter from Kingston Securities in the Composite Document (the “**Letter from Kingston Securities**”), the Offeror was incorporated in the Republic of Seychelles with limited liability on 11 December 2014. The Offeror is an investment holding company and had not carried on any business since its incorporation until the entering into of the SP Agreement. As at the Latest Practicable Date, the Offeror was wholly owned by Mr. Zhu, who is also the sole director of the Offeror.

Mr. Zhu is experienced in the industry of electronic commerce in the PRC. He is currently the general manager of 上海旭日養老服務有限公司 (translated as “Shanghai Xuri Elderly Care Services Company Limited”), which is engaged in the provision of pension-related financial products and services in the PRC, with certain projects operating in alliance with a fund in the PRC and several banking institutions in the PRC (including a joint venture company formed by banking institutions in the PRC which is engaged in electronic-payment-related services). Mr. Zhu does not hold any directorships in any public or listed companies.

2.2 Intention of the Offeror regarding the Group

As stated in the Letter from Kingston Securities, the Offeror intends to continue the existing principal activities of the Group. Following completion of the Offer, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group which may include, among other things, the closing or transfer of certain shops (including some loss-making shops) in certain areas and, if appropriate, opening of new shops in other areas. The Offeror may also leverage the business network of Mr. Zhu and Mr. Kang Jianming (“**Mr. Kang**”) (whom the Offeror currently intends to nominate to the Board as executive Directors with detailed biographical information set out in the paragraph headed “Proposed change of Board composition” in the Letter from Kingston Securities) with certain financial and banking institutions in the PRC, and their experience

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in the industry of electronic commerce, to facilitate the development and expansion of the Group's existing business portfolio, establish new business and broaden the source of income of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group, and/or restructuring of some assets and/or business of the Group in order to enhance its profitability as well as value to the Shareholders in the long run.

2.3 Proposed change of the composition of the Board

As stated in the Letter from Kingston Securities, the Board is currently made up of six Directors, comprising three executive Directors and three independent non-executive Directors. Pursuant to the terms of the SP Agreement, subject to the Completion, the Vendors shall cause all Directors, except Ms. Chan and Mr. Kiu Wai Ming, to give notice to resign as director of the Group with effect from a date to be determined by the Offeror and such effective date shall be permitted under (or pursuant to any dispensation from) the Takeovers Code or by the SFC.

In addition, pursuant to the terms of the SP Agreement, the Vendors shall use their reasonable endeavours to cause such persons as the Offeror may nominate to be validly appointed as the company secretary of the Company and/or Directors and such appointment(s) shall be effective on a date to be determined by the Offeror and such effective date shall be permitted under the Takeovers Code.

The Offeror currently intends to nominate Mr. Zhu and Mr. Kang to the Board as executive Directors. Such appointments will only take effect after the date of despatch of the Composite Document in accordance with the requirements of the Takeovers Code. As mentioned above, the business network of Mr. Zhu and Mr. Kang with certain financial and banking institutions in the PRC and their experience in the industry of electronic commerce may be leveraged to facilitate the development and expansion of the Group's business.

The Offeror may nominate additional Directors to the Board on or after the Closing Date, but such persons have not been determined as at the Latest Practicable Date. Details of any such further changes to the composition of the Board will be announced in accordance with the Listing Rules.

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2.4 *Maintaining the listing status of the Company*

As stated in the Letter from Kingston Securities, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange in the event that after the close of the Offer, the public float of the Company falls below 25%, they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible, to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

3. Analysis of the Share Offer Price

The Share Offer Price of HK\$1.233 per Share is the same as the purchase price per Sale Share payable by the Offeror under the SP Agreement and represents:

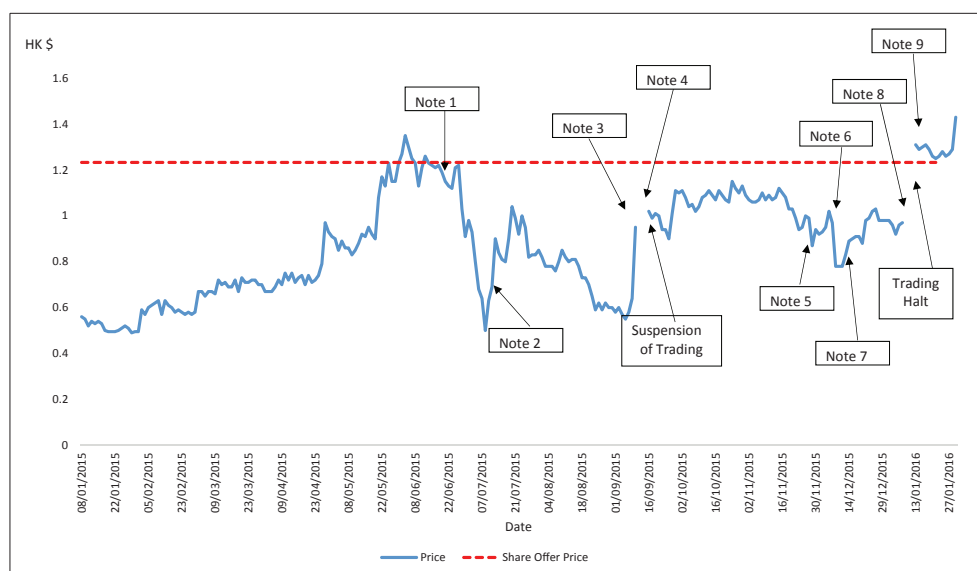
- (i) a premium of approximately 27.11% over the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 28.71% over the average closing price of HK\$0.958 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 26.07% over the average closing price of approximately HK\$0.978 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 32.15% over the average closing price of approximately HK\$0.933 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;

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- (v) a discount of approximately 13.78% to the closing price of HK\$1.430 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 167.46% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.461 per Share as at 30 September 2015 calculated based on the information as set out in the Interim Report and the 641,360,000 Shares in issue as at the Latest Practicable Date.

3.1 Historical price performance of the Shares

The chart below illustrates the closing price level of the Shares as quoted on the Stock Exchange from 8 January 2015 to 7 January 2016, being the Last Trading Day, (both days inclusive) being the 12-month period immediately preceding the Last Trading Day, and from 13 January 2016, being the date of the Joint Announcement, to the Latest Practicable Date (both days inclusive) (collectively, the “**Review Period**”) as follows:



Source: Bloomberg and Website of the Stock Exchange

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Notes:

- Note 1 The Company issued the results announcement for FY2015 on 23 June 2015.
- Note 2 The Company published its annual report for FY2015 on 10 July 2015.
- Note 3 The Company issued an announcement on 11 September 2015 regarding suspension of trading pending the release of an announcement on inside information and pursuant to Rule 3.7 of the Takeovers Code.
- Note 4 The Company issued an announcement (the “**Proposed Acquisition Announcement**”) on 15 September 2015 pursuant to the SFO, the Listing Rules and the Takeovers Code relating to the entering into of the memorandum of understanding (the “**MOU**”) between the intended vendor (a company owned by Ms. Chan and her family members) and a potential purchaser for the potential acquisition of no less than 60% of the then entire issued share capital of the Company (the “**Proposed Acquisition**”).
- Note 5 The Company issued the results announcement for 1H2016 on 27 November 2015.
- Note 6 The Company issued an announcement on 7 December 2015 in relation to the termination of the MOU.
- Note 7 The Company published its interim report for 1H2016 on 11 December 2015.
- Note 8 The Company issued an announcement on 8 January 2016 in relation to the trading halt, pending the release of the Joint Announcement pursuant to the Takeovers Code.
- Note 9 The Company issued the Joint Announcement on 13 January 2016.

Pre-Announcement Period

As shown in the chart above, for the period from 8 January 2015 to the Last Trading Day (both days inclusive) (the “**Pre-Announcement Period**”), the Shares closed below the Share Offer Price for most of the time apart from the sub-period from early to mid-June 2015 where the Share price closed at above the Share Offer Price. We are not aware of any public information relating to the price movement during such sub-period, and we enquired with the management of the Company regarding the possible reasons for the surges in the Share price during the aforementioned sub-period and were advised that the Company was not aware of any particular matters which might have impact on the Share price during the sub-period. And thus, we believe such price surge during this sub-period does not reflect the fundamentals of the Company, and does not serve a fair and meaningful indicator for assessing the Share Offer Price.

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During the Pre-Announcement Period, the lowest and highest closing price of the Shares were HK\$0.49 per Share recorded on 29 January 2015 and HK\$1.35 per Share recorded on 3 June 2015, respectively, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Pre-Announcement Period was approximately HK\$0.86 per Share. The Share Offer Price of HK\$1.233 per Share represents (i) a premium of approximately 151.63% over the lowest closing price; (ii) a discount of approximately 8.67% to the highest closing price; and (iii) a premium of approximately 43.37% over the average daily closing price during the Pre-Announcement Period.

Post-Announcement Period

As shown in the chart above, during the interval of the Review Period from 13 January 2016 (being the date of the Joint Announcement) to the Latest Practicable Date (the “**Post-Announcement Period**”), the Share price closed at a level higher than the Share Offer Price and recorded the lowest and highest closing price of the Shares as quoted on the Stock Exchange of HK\$1.25 per Share on 21 January 2016 and HK\$1.43 per Share on 29 January 2016, respectively. We consider that the relatively high closing prices of the Shares during the Post-Announcement Period as compared to the Share Offer Price reflected the market’s reaction to the Offer. After taking into account the historical Share price performance, we consider that the relatively high Share price during the Post-Announcement Period was supported by the Offer and thus there is uncertainty on the sustainability of the Share price momentum in the absence of the Offer.

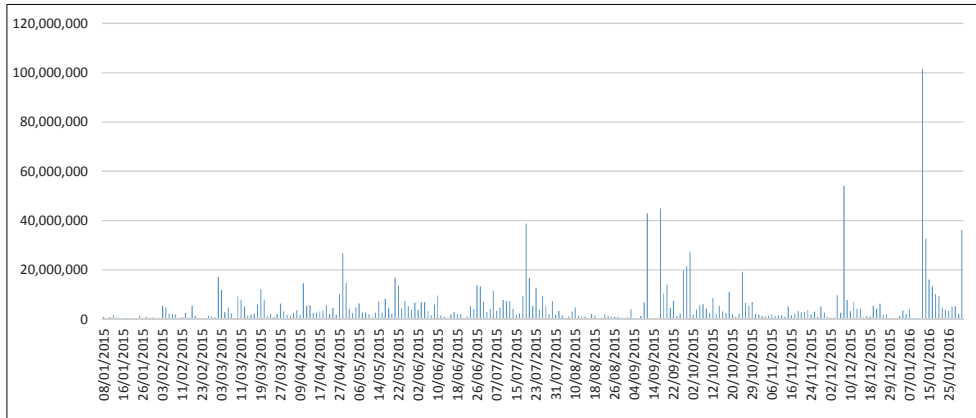
We consider the price performance of the Shares during the Pre-Announcement Period is appropriate for us to assess the fairness and reasonableness of the Share Offer Price because we consider it being less distorted by the market’s reactions and investors’ speculation towards the Offer.

Having considered that (i) the Share Offer Price was generally above the closing price of the Shares for most of the time during the Pre-Announcement Period, which period we consider is appropriate in reflecting the fundamentals of the Company; and (ii) the sustainability of the Share price momentum during the Post-Announcement Period is uncertain and may not maintain in the absence of the Offer, we are of the view that from the Share price performance perspective, the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

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3.2 *Trading liquidity of the Shares*

The following chart shows the daily trading volume of the Shares during the Review Period.



Source: Bloomberg

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The following table sets out the total trading volume of the Shares per month/period and the average daily trading volume of the Shares per month/period during the Review Period:

	Total trading volume for the month/period (Number of Shares)	Average daily trading volume for the month/period (Number of Shares)	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date <i>(Note 2)</i>	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date <i>(Note 3)</i>
Pre-Announcement Period				
2015				
8-31 January	10,651,000	626,529	0.10%	0.35%
February	32,373,000	1,798,500	0.28%	1.01%
March	110,634,000	5,028,818	0.78%	2.83%
April	116,286,000	6,120,316	0.95%	3.45%
May	101,311,000	5,332,158	0.83%	3.00%
June	101,804,900	4,627,495	0.72%	2.61%
July	169,724,000	7,714,727	1.20%	4.35%
August	29,910,100	1,424,290	0.22%	0.80%
September <i>(Note 1)</i>	210,363,000	12,374,294	1.93%	6.97%
October	101,916,000	5,095,800	0.79%	2.87%
November	48,505,000	2,309,762	0.36%	1.30%
December	119,067,000	5,412,136	0.84%	3.05%
2016				
1-7 January <i>(Note 1)</i>	10,694,000	2,673,500	0.42%	1.51%
Post-Announcement Period				
2016				
13-29 January	243,709,000	18,746,846	2.92%	10.56%

Source: Bloomberg

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Notes:

Note 1 The trading of the Shares on the Stock Exchange was suspended from 11 September 2015 to 15 September 2015 (both days inclusive) pending the release of the MOU and from 8 January 2016 to 12 January 2016 (both days inclusive) pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed on 16 September 2015 and 13 January 2016, respectively.

Note 2 Calculated based on the 641,360,000 Shares in issue as at the Latest Practicable Date.

Note 3 Calculated based on the 177,498,000 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, except for January and August 2015, above 1% of the Shares held by the public Shareholders traded daily on average during the Review Period. Average daily trading volume in September 2015 surged substantially in response to the MOU.

We note that the average daily trading volume of the Shares in the Post-Announcement Period as a percentage of the total number of the Shares in issue and as a percentage of the total number of Shares held by public Shareholders increased significantly. We consider that the high average daily trading volume of the Shares in the Post-Announcement Period is most likely due to the market's reaction to the Offer and it is uncertain whether such trading momentum could be sustained in the absence of the Offer in light that the average daily trading volume of the Shares was significantly lower during the Pre-Announcement Period as compared to the Post-Announcement Period.

The Independent Shareholders, especially those with significant shareholdings in the Company, should note that if they wish to realize their investments in the Shares, they might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares which may be lower than the Share Offer Price. The Offer represents an alternative exit for the Independent Shareholders to realize their investments in the Shares at the Share Offer Price.

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4. Comparison with comparable companies

Price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”) are the most commonly used benchmarks in valuing a company. Particularly, for companies that generate recurring revenue and income (like the Group’s business nature), P/E Ratio analysis is the most appropriate approach for valuation. However, the Group is loss making, thus making the P/E Ratio analysis not applicable to value the Company. Therefore, to further assess the fairness and reasonableness of the Share Offer Price, we have adopted P/B Ratio analysis, which we consider is the best alternative approach.

Based on the principal business of the Group, we have conducted a search for companies the shares of which are listed on the Main Board of the Stock Exchange and which are solely engaged in retailing of footwear in the PRC (being the principal business of the Group). Based on this criteria, we did not identify any comparable companies. And thus, we have expanded our search scope to cover companies (the “**Comparable Companies**”) with over 50% of revenue generated from manufacturing and retailing of footwear in the PRC, and identified six Comparable Companies (representing an exhaustive list of the Comparable Companies) with details set out below:

Company Name	Stock Code	Principal Business	Market Capitalization <i>(in million)</i> <i>(Note 1)</i>	Net Asset <i>(in million)</i> <i>(Note 1)</i>	P/B Ratio <i>(Note 1)</i>
Daphne International Holdings Ltd.	210.HK	Manufacturing, distribution and retailing of footwear, apparel and accessories in mainland China and export sales	HK\$1,995.5	HK\$5,063.8	0.39
Le Saunda Holdings Ltd.	738.HK	Manufacturing and sales of shoes	HK\$1,256.5	RMB1,250.6	0.83

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Company Name	Stock Code	Principal Business	Market Capitalization <i>(in million)</i> <i>(Note 1)</i>	Net Asset <i>(in million)</i> <i>(Note 1)</i>	P/B Ratio <i>(Note 1)</i>
C.banner International Holdings Ltd.	1028.HK	Manufacturing and sale of branded fashion footwear	HK\$7,182.9	RMB1,599.4	3.67
XTEP International Holdings Ltd.	1368.HK	Design, development, manufacturing and marketing of sportswear, including footwear, apparel and accessory products	HK\$9,219.0	RMB4,786.5	1.63
Fuginiao Co Ltd.	1819.HK	Manufacturing and sell of footwear and sell of business casual menswear	HK\$6,004.4	RMB2,394.9	2.13
Belle International Holdings Ltd.	1880.HK	Manufacturing, distribution and retailing of shoes and footwear products, and sales of sportswear and apparel products	HK\$45,713.5	RMB25,499.7	1.52
				Average	1.70
				Maximum	3.67
				Minimum	0.39
The Company	1386.HK	Retailing of footwear in Hong Kong, mainland China and Taiwan	HK\$790.7	HK\$295.6	2.67 <i>(Note 2)</i>

Source: Bloomberg and the website of the Stock Exchange

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Notes:

- Note 1 Data regarding the market capitalization, net asset value attributable to equity holders of the company and P/B Ratio of the Comparable Companies are sourced from Bloomberg as at 7 January 2016, being the date of the SP Agreement, with reference to their respective latest annual/interim reports.
- Note 2 The implied P/B Ratio of the Share Offer Price is calculated based on the Share Offer Price of HK\$1.233 and the unaudited net asset value attributable to equity holders of the Company per Share of approximately HK\$0.461 as at 30 September 2015 (which in turn is calculated by dividing the unaudited total equity of the Company as at 30 September 2015 of approximately HK\$295.6 million by 641,320,000 Shares in issue as at the Latest Practicable Date).

As set out in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.39 times to approximately 3.67 times with an average of approximately 1.70 times. The implied P/B Ratio of the Share Offer Price is approximately 2.67 times, which is within the range of the P/B Ratios of the Comparable Companies and higher than the average of the Comparable Companies.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) during the Pre-Announcement Period, the Share Offer Price was generally above the closing price of the Shares for most of the time, and represents a premium of approximately 43.37% from the average daily closing price during the Pre-Announcement Period;
- (ii) the Share Offer Price represents a premium over the closing price on the Last Trading Day, and a premium over the average closing price of the Shares for the last five, ten and thirty consecutive trading days up to and including the Last Trading Day;
- (iii) the Share Offer Price represents a premium of approximately 167.46% over the unaudited consolidated net asset value attributable to equity holders of the Company of approximately HK\$0.461 per Share as at 30 September 2015 calculated based on the information as set out in the Interim Report and the 641,360,000 Shares in issue as at the Latest Practicable Date;
- (iv) the Share Offer Price represents an implied P/B Ratio of approximately 2.67 times, which is higher than the average of the Comparable Companies;

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- (v) the high average daily trading volume of the Shares during the Post-Announcement Period was most likely due to the market's reaction to the Offer and it is uncertain whether such trading momentum could be sustained in the absence of the Offer as the average daily trading volume of the Shares was significantly lower during the Pre-Announcement Period as compared to the Post-Announcement Period, and thus the Independent Shareholders might not be able to dispose of a significant shareholding in the Company in the market without exerting a downward pressure on the market price of the Shares while the Offer represents an alternative exit for the Independent Shareholders to realize their investments in the Shares at the Share Offer Price; and
- (vi) the historical loss making financial performance of the Group and the uncertainty on the Group's prospects as analysed above,

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who would like to realise part or all of their investments in the Shares should closely monitor the market prices of the Shares during the period of the Offer. In the event that the market price of the Shares exceeds the Share Offer Price during the period of the Offer and the sale proceeds (net of transaction costs) exceed the net amounts receivable under the Offer, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Offer.

Those Independent Shareholders who wish to retain part or all of their investments in the Shares should consider carefully the intentions of the Offeror in relation to the Group after the close of the Offer (with details set out in the section above headed "2.2 Intention of the Offeror regarding the Group" of this letter and in the Letter from Kingston Securities).

The Shareholders should also read carefully the procedures for accepting the Offer with details set out in the Composite Document.

Yours faithfully,

For and on behalf of

BOSC International Company Limited

Alex Lau

*Managing Director
Investment Banking*

Lily Li

*Associate Director
Investment Banking*

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Walker Group Holdings Limited — Offer" in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Kingston Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the

consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

3. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

4. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the Offer Period;
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the Offer Period;
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

- (v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 4 of this Appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

6. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the accepting Independent Shareholders in respect of

the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within 7 Business Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

7. OVERSEAS SHAREHOLDERS

The Offer is in respect of securities of a company incorporated in the Hong Kong and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. Any Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

8. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, BOSCO International, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, BOSCO International, the Registrar or any of their respective directors or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of preemption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) the Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.
- (h) the Offer is made in accordance with the Takeovers Code.
- (i) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Kingston Securities, BOSC International or their respective professional advisers. Independent Shareholders should consult their own professional advisers for professional advice.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. FINANCIAL INFORMATION

A. Summary of Financial Results for the Three Years Ended 31 March 2015 and the Six Months Ended 30 September 2015

The following financial information has been extracted from the audited accounts of the Group for each of the three years ended 31 March 2015 and unaudited accounts for the six months ended 30 September 2015:

	Year ended 31 March 2015			Six months ended
	2013	2014	2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Revenue	1,375,256	1,299,154	1,090,668	427,640
Cost of sales	<u>(555,810)</u>	<u>(616,940)</u>	<u>(473,751)</u>	<u>(185,332)</u>
Gross profit	819,446	682,214	616,917	242,308
Selling and distribution costs	(779,949)	(754,318)	(630,998)	(275,733)
Administrative expenses	(139,849)	(154,891)	(88,838)	(48,123)
Other gains/(losses), net	1,246	(772)	10,388	9,510
Other income	<u>7,341</u>	<u>12,029</u>	<u>7,035</u>	<u>1,368</u>
Operating loss	<u>(91,765)</u>	<u>(215,738)</u>	<u>(85,496)</u>	<u>(70,670)</u>
Finance income	272	249	212	127
Finance costs	<u>(453)</u>	<u>(581)</u>	<u>(701)</u>	<u>(297)</u>
Finance costs, net	<u>(181)</u>	<u>(332)</u>	<u>(489)</u>	<u>(170)</u>
Loss before income tax	(91,946)	(216,070)	(85,985)	(70,840)
Income tax expense	<u>(3,363)</u>	<u>(13,902)</u>	<u>(2,415)</u>	<u>(264)</u>
Loss for the year/period	<u><u>(95,309)</u></u>	<u><u>(229,972)</u></u>	<u><u>(88,400)</u></u>	<u><u>(71,104)</u></u>

	Year ended 31 March 2015			Six months ended 30 September 2015
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Attributable to:				
Equity holders of the				
Company	(92,826)	(227,851)	(87,420)	(70,557)
Non-controlling interests	<u>(2,483)</u>	<u>(2,121)</u>	<u>(980)</u>	<u>(547)</u>
	<u><u>(95,309)</u></u>	<u><u>(229,972)</u></u>	<u><u>(88,400)</u></u>	<u><u>(71,104)</u></u>
Loss per share for loss attributable to equity holders of the Company (expressed in HK cents per share)				
Basic	(14.89)	(36.54)	(14.02)	(11.24)
Diluted	<u>(14.89)</u>	<u>(36.54)</u>	<u>(14.02)</u>	<u>(11.24)</u>
Dividend per share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There were no other exceptional items because of size, nature or incidence in respect of the consolidated financial statements of the Company during each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015.

The auditor of the Company has not issued any qualified opinion on the Group's financial statements for the three years ended 31 March 2013, 2014 and 2015.

Capitalised terms used in Section B and Section C of this Appendix below have the same meaning as defined in the related annual reports and interim reports of the Company.

B. Audited Consolidated Financial Statements of the Group

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015.

Consolidated Income Statement

For the Year Ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	5	1,090,668	1,299,154
Cost of sales	6	<u>(473,751)</u>	<u>(616,940)</u>
Gross profit		616,917	682,214
Selling and distribution costs	6	(630,998)	(754,318)
Administrative expenses	6	(88,838)	(154,891)
Other gains/(losses), net	7	10,388	(772)
Other income	8	<u>7,035</u>	<u>12,029</u>
Operating loss		<u>(85,496)</u>	<u>(215,738)</u>
Finance income	11	212	249
Finance costs	11	<u>(701)</u>	<u>(581)</u>
Finance costs, net		<u>(489)</u>	<u>(332)</u>
Loss before income tax		(85,985)	(216,070)
Income tax expense	12	<u>(2,415)</u>	<u>(13,902)</u>
Loss for the year		<u>(88,400)</u>	<u>(229,972)</u>
Attributable to:			
Equity holders of the Company		(87,420)	(227,851)
Non-controlling interests		<u>(980)</u>	<u>(2,121)</u>
		<u>(88,400)</u>	<u>(229,972)</u>
Loss per share for loss attributable to equity holders of the Company (expressed in HK cents per share)			
— basic	14	<u>(14.02)</u>	<u>(36.54)</u>
— diluted	14	<u>(14.02)</u>	<u>(36.54)</u>
Dividend	15	<u>—</u>	<u>—</u>

*Consolidated Statement of Comprehensive Income**For the Year Ended 31 March 2015*

	2015	2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Loss for the year	(88,400)	(229,972)
Other comprehensive income		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Fair value losses on available-for-sale financial assets	—	(408)
Fair value release on disposal of available-for-sale financial assets	—	(137)
Currency translation differences	(1,921)	1,037
Total items that have been reclassified or may be subsequently reclassified to profit or loss	(1,921)	492
Total comprehensive income for the year	(90,321)	(229,480)
Attributable to:		
Equity holders of the Company	(89,185)	(227,239)
Non-controlling interests	(1,136)	(2,241)
	(90,321)	(229,480)

*Consolidated Statement of Financial Position**As at 31 March 2015*

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>16</i>	34,942	40,386
Investment properties	<i>17</i>	—	3,579
Intangible assets	<i>18</i>	2,570	4,605
Deferred income tax assets	<i>20</i>	6,091	9,547
Rental deposits	<i>23</i>	10,995	14,781
		<u>54,598</u>	<u>72,898</u>
Current assets			
Inventories	<i>21</i>	242,388	320,393
Trade receivables	<i>22</i>	115,024	119,636
Deposits, prepayments and other receivables	<i>23</i>	40,044	50,043
Cash and cash equivalents	<i>24</i>	94,939	107,044
		<u>492,395</u>	<u>597,116</u>
Assets held for sale	<i>25</i>	5,022	—
		<u>497,417</u>	<u>597,116</u>
Total assets		<u>552,015</u>	<u>670,014</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>26</i>	62,356	62,356
Share premium	<i>26</i>	562,600	562,600
Reserves	<i>27</i>	(257,466)	(168,395)
		<u>367,490</u>	<u>456,561</u>
Non-controlling interests		(2,316)	(1,180)
Total equity		<u>365,174</u>	<u>455,381</u>

	<i>Note</i>	2015 <i>HK\$ '000</i>	2014 <i>HK\$ '000</i>
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	28	115	221
Deferred income tax liabilities	20	5,990	5,989
		<u>6,105</u>	<u>6,210</u>
Current liabilities			
Trade payables	29	101,396	128,095
Accruals and other payables	29	53,193	71,854
Borrowings	30	25,040	5,260
Obligation under finance lease	28	106	106
Tax payable		1,001	3,108
		<u>180,736</u>	<u>208,423</u>
Total liabilities		<u>186,841</u>	<u>214,633</u>
Total equity and liabilities		<u>552,015</u>	<u>670,014</u>
Net current assets		<u>316,681</u>	<u>388,693</u>
Total assets less current liabilities		<u>371,279</u>	<u>461,591</u>

*Statement of Financial Position**As at 31 March 2015*

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>16</i>	—	—
Interests in subsidiaries	<i>19</i>	466,884	584,146
		<u>466,884</u>	<u>584,146</u>
Current assets			
Deposits, prepayments and other receivables	<i>23</i>	214	186
Amounts due from subsidiaries	<i>19</i>	2,167	2,368
Cash and cash equivalents	<i>24</i>	596	529
		<u>2,977</u>	<u>3,083</u>
Total assets		<u><u>469,861</u></u>	<u><u>587,229</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>26</i>	62,356	62,356
Share premium	<i>26</i>	562,600	562,600
Reserves	<i>27</i>	(156,719)	(38,926)
Total equity		<u>468,237</u>	<u>586,030</u>
LIABILITIES			
Current liabilities			
Accruals and other payables	<i>29</i>	1,624	1,199
Total equity and liabilities		<u><u>469,861</u></u>	<u><u>587,229</u></u>
Net current assets		<u><u>1,353</u></u>	<u><u>1,884</u></u>
Total assets less current liabilities		<u><u>468,237</u></u>	<u><u>586,030</u></u>

Consolidated Statement of Changes in Equity*For the Year Ended 31 March 2015*

	Attributable to equity holders of the Company					Total equity HK\$'000
	Share capital and premium (Note 26) HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
	Balance at 1 April 2013	624,956	131,492	(73,138)	683,310	
Fair value losses on available-for-sale financial assets	—	(408)	—	(408)	—	(408)
Fair value release on disposal of available-for-sale financial assets	—	(137)	—	(137)	—	(137)
Currency translation differences	—	1,157	—	1,157	(120)	1,037
Loss for the year	—	—	(227,851)	(227,851)	(2,121)	(229,972)
Total recognised income and expenses	—	612	(227,851)	(227,239)	(2,241)	(229,480)
Transfer	—	(50)	50	—	—	—
Share option scheme — value of employee services (Note 26)	—	371	—	371	—	371
Share award (Note 26)	—	119	—	119	—	119
Capital injection from non-controlling interests	—	—	—	—	2,135	2,135
Balance at 31 March 2014	624,956	132,544	(300,939)	456,561	(1,180)	455,381
Currency translation differences	—	(1,765)	—	(1,765)	(156)	(1,921)
Loss for the year	—	—	(87,420)	(87,420)	(980)	(88,400)
Total recognised income and expenses	—	(1,765)	(87,420)	(89,185)	(1,136)	(90,321)
Share option scheme — value of employee services (Note 26)	—	86	—	86	—	86
Share award (Note 26)	—	28	—	28	—	28
Balance at 31 March 2015	<u>624,956</u>	<u>130,893</u>	<u>(388,359)</u>	<u>367,490</u>	<u>(2,316)</u>	<u>365,174</u>

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash flows from operating activities			
Cash used in operations	<i>31(a)</i>	(21,869)	(17,403)
Interest paid		(701)	(581)
Income tax refund		1,578	—
Income tax paid		(2,639)	(1,049)
		<u> </u>	<u> </u>
Net cash used in operating activities		(23,631)	(19,033)
Cash flows from investing activities			
Purchases of property, plant and equipment		(17,306)	(21,152)
Purchases of intangible assets		(332)	(119)
Proceeds from disposal of property, plant and equipment	<i>31(b)</i>	7,462	264
Proceeds from disposal of investment properties	<i>31(c)</i>	3,770	—
Proceeds from disposal of available-for-sale financial assets	<i>31(d)</i>	—	39,321
Dividend income received on available-for-sale financial assets		—	1,297
Interest received		212	249
		<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities		(6,194)	19,860
Cash flows from financing activities			
Proceeds from borrowings		80,736	103,587
Repayment of borrowings		(60,736)	(103,587)
Capital injection from non-controlling interests		—	2,135
Capital elements of finance lease payments		(106)	(52)
		<u> </u>	<u> </u>
Net cash generated from financing activities		19,894	2,083
Net (decrease)/ increase in cash and cash equivalents			
		(9,931)	2,910
Cash and cash equivalents at the beginning of the year		107,044	104,179
Exchange differences		(2,174)	(45)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year	<i>24</i>	<u> </u> <u> </u>	<u> </u> <u> </u>

*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, the People’s Republic of China (the “**PRC**”) 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, 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 dollar, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2015.

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

(i) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2014:

Amendment to HKAS 32, “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment has no significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 36, “Impairment of assets”, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment has no significant impact on the Group’s consolidated financial statements.

The following amended standards and interpretation have been published and are mandatory for the Group’s accounting periods beginning on or after 1 April 2014, but are not currently relevant to the Group.

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Novation of derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities
HK(IFRIC) 21	Levies

(ii) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 31 December 2015 in accordance with section 358 of that Ordinance, i.e. for the year ending 31 March 2016. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the financial statements will be affected.

- (iii) The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortization	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 July 2014
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRSs (Amendment)	Annual improvements 2012 cycle	1 July 2014
HKFRSs (Amendment)	Annual improvements 2013 cycle	1 July 2014
HKFRSs (Amendment)	Annual improvements 2014 cycle	1 January 2016

The Group plans to adopt the above new standards and amendments when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will result.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners of the subsidiary. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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 (“Executive Directors”) that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within ‘finance costs, net’. All other foreign exchange gains and losses are presented in the consolidated income statement within ‘other gains/(losses), net’.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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 in other comprehensive income.

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

2.5 Investment properties

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

Investment properties are initially measured 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 consolidated income statement during the financial period in which they are incurred.

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

The investment properties' residual value and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Investment properties' carrying amounts are written down immediately to its recoverable amount if the investment properties' carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.6 Property, plant and equipment

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

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

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

Leasehold land	Over the lease term
Buildings	50 years
Leasehold improvements	Over the lease term
Motor vehicles	25%
Furniture, fixtures and equipment	20%
Computer equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

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

2.7 Intangible assets

(a) *Acquired trademark*

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

Subsequent to the annual review by management, the Group has revised the estimated useful life of the acquired trademark from 20 years to 5 years, with effect from 1 April 2014. The effect of the change in estimated useful life will be recognised prospectively. It is expected that such change in amortisation pattern will have no significant impact to the amortisation expense in future years.

(b) *Computer software*

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

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets**(a) Classification**

The Group classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as 'trade receivables', 'deposits, prepayments, and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets 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. Loans and receivables are carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventories

Inventories representing merchandising stocks are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted-average costing method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

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

2.13 Assets held for sale

Non-current assets are re-classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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 obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, 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, 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 end of the reporting 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(b) Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability 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.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits**(a) Employee leave entitlement**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for long service leave as a result of services rendered by employees up to the statement of financial position 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 the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC 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\$1,500 per employee per month. The assets of MPF Scheme are held separately from those of the Group in an independently administered fund.

(d) Share-based compensation

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

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

2.19 Provisions

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

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

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

2.20 Revenue recognition

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

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

(a) *Sales of goods — retail*

The Group operates a chain of retail outlets for selling footwear. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) *Sales of goods — wholesale*

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

(c) *Interest income*

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

(d) *Dividend income*

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

(e) *Licence fee and royalty*

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

(f) *Rental income*

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

2.21 Government grants

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

2.22 Lease

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

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated 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 lease is depreciated over the shorter of the useful life of the asset and the lease term.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) *Foreign currency risk*

The Group operates principally in Hong Kong and the PRC. 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 into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) *Interest rate risk*

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

At 31 March 2015, one of the Group's borrowings denominated in New Taiwan dollar was carried at fixed rate but exposed the Group to a minimal fair value interest rate risk. Borrowings denominated in HK dollar were carried at variable rate. As at 31 March 2015, if interest rate of borrowings denominated in HK dollar had increased/decreased by 50 basis points (2014: Nil) with all other variables constant, the Group's loss after tax and accumulated losses would have been approximately HK\$100,000 (2014: Nil) higher/lower.

(c) *Credit risk*

The Group's credit risk arises from cash and cash equivalents, as well as credit exposures to trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. Deposits are placed with major and sizeable banks with high credit ratings and management expects no losses from non-performing banks.

Sales to retail customers are made in cash or via major credit cards. The Group's concessionaire sales through department stores are generally collectible within 60 days from the invoice date. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past.

The Group has put in place policies to ensure that wholesale sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group also makes deposits (current and non-current) for rental of certain of its retail sales point with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

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

(d) Liquidity risk

In managing the Group's liquidity requirement, the Group monitors and maintains a level of cash and cash equivalents and the availability of funding through an adequate amount credit facilities.

The Group's primary cash requirements have been for working capital and capital expenditures. The Group finances its working capital requirements primarily through funds generated from operations and borrowings from banks. As at 31 March 2015, the Group has unutilised banking facilities of HK\$145,350,000 (2014: HK\$182,515,000). To improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to improve profit margin and to reduce the operating cash outflows, as well as selling non-sales generating assets.

The directors of the Company monitor the Group's liquidity through cash flow projections covering a period of twelve months from the date of statement of financial position. There are continuous communication with the Group's principal banks on the Group's performance. Furthermore, the banking facilities are fully secured by the Group's property, plant and equipment and assets held for sale. As such, the directors of the Company are confident that all the banking facilities will continue to be available to the Group, and the Group will have sufficient working capital to meet its financial obligations as and when they fall due, for the next twelve months from the date of the statement of financial position.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

	Within 1 year <i>HK\$'000</i>	Between 1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2015:			
Borrowings	25,071	—	25,071
Trade payables	101,396	—	101,396
Other payables, accruals and other liabilities	53,312	128	53,440
	<u>179,779</u>	<u>128</u>	<u>179,907</u>
As at 31 March 2014:			
Borrowings	5,284	—	5,284
Trade payables	128,095	—	128,095
Other payables, accruals and other liabilities	71,972	246	72,218
	<u>205,351</u>	<u>246</u>	<u>205,597</u>

3.2 Capital risk management

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

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

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

During the year 2015, the Group's strategy was to maintain a gearing ratio within 5%. The gearing ratios at 31 March 2014 and 2015 were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Borrowings (<i>Note 30</i>)	25,040	5,260
Obligation under finance lease (<i>Note 28</i>)	221	327
Total debts	<u>25,261</u>	<u>5,587</u>
Total assets	<u>552,015</u>	<u>670,014</u>
Gearing ratio	<u>4.6%</u>	<u>0.8%</u>

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

3.3 Fair value estimation

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.

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

Subsequent to the annual review by management, with effective from 1 April 2014, the Group has revised the estimated useful life of the acquired trademark from 20 years to 5 years. This conclusion is supported by the past and future financial performance of the trademark. The effect of change in estimated useful life will be recognised prospectively. It is expected that such change in amortisation pattern will have no significant impact to the amortisation expense in future years.

(b) Useful lives of property, plant and equipment

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

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

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

(d) 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.

(f) Impairment of trade receivables

The policy of impairment assessment for trade receivables of the Group is based on the current market condition and the credit history of its customers and department stores. Management reassesses the provision at each date of statement of financial position.

5. SEGMENT INFORMATION

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC 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/(expenses) and finance income/(costs), which is consistent with that in the financial statements.

Segment assets exclude deferred income tax assets.

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

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

The segment results for the year ended 31 March 2015 are as follows:

	For the year ended 31 March 2015				Total HK\$'000
	Hong Kong HK\$'000	The PRC HK\$'000	Taiwan HK\$'000	Unallocated HK\$'000	
Revenue from sales of footwear, fashion wears and accessories	213,207	863,593	13,868	—	1,090,668
Segment loss	(10,600)	(3,208)	(273)	(71,415)	(85,496)
Finance income					212
Finance costs					(701)
Income tax expense					(2,415)
Loss for the year					(88,400)
Other segment items are as follows:					
Capital expenditure	6,723	10,584	331	—	17,638
Depreciation of property, plant and equipment	5,540	12,360	190	—	18,090
Depreciation of investment properties	154	—	—	—	154
Amortisation of intangible assets	1,345	1,024	—	—	2,369
Impairment of property, plant and equipment	698	—	—	—	698
Impairment of intangible assets	—	—	—	—	—
Net (write-back of)/provision for inventories	(5,658)	10,731	50	—	5,123

The segment results for the year ended 31 March 2014 are as follows:

	For the year ended 31 March 2014				Total HK\$'000
	Hong Kong HK\$'000	The PRC HK\$'000	Taiwan HK\$'000	Unallocated HK\$'000	
Revenue from sales of footwear, fashion wears and accessories	<u>231,551</u>	<u>1,048,678</u>	<u>18,925</u>	<u>—</u>	<u>1,299,154</u>
Segment loss	(26,130)	(42,922)	(3,052)	(143,634)	(215,738)
Finance income					249
Finance costs					(581)
Income tax expense					<u>(13,902)</u>
Loss for the year					<u>(229,972)</u>
Other segment items are as follows:					
Capital expenditure	5,584	15,931	135	—	21,650
Depreciation of property, plant and equipment	7,807	20,035	488	—	28,330
Depreciation of investment properties	60	—	—	—	60
Amortisation of intangible assets	1,944	1,005	—	2,446	5,395
Impairment of property, plant and equipment	1,291	—	—	—	1,291
Impairment of intangible assets	—	—	—	35,468	35,468
Net provision for inventories	<u>9,791</u>	<u>80,343</u>	<u>2,318</u>	<u>—</u>	<u>92,452</u>

The segment assets and liabilities at 31 March 2015 are as follows:

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>123,250</u>	<u>416,307</u>	<u>6,367</u>	545,924
Unallocated assets				<u>6,091</u>
Total assets				<u><u>552,015</u></u>
Segment liabilities	<u>52,096</u>	<u>120,657</u>	<u>6,876</u>	179,629
Unallocated liabilities				<u>7,212</u>
Total liabilities				<u><u>186,841</u></u>

The segment assets and liabilities at 31 March 2014 are as follows:

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>164,902</u>	<u>485,977</u>	<u>9,588</u>	660,467
Unallocated assets				<u>9,547</u>
Total assets				<u><u>670,014</u></u>
Segment liabilities	<u>30,806</u>	<u>167,491</u>	<u>6,912</u>	205,209
Unallocated liabilities				<u>9,424</u>
Total liabilities				<u><u>214,633</u></u>

6. EXPENSES BY NATURE

	2015 <i>HK\$ '000</i>	2014 <i>HK\$ '000</i>
Purchase of and changes in inventories	468,628	524,488
Auditor's remuneration	1,915	1,915
Depreciation of property, plant and equipment (<i>Note 16</i>)		
— owned assets	17,977	28,264
— leased assets	113	66
Impairment of property, plant and equipment (<i>Note 16</i>)	698	1,291
Depreciation of investment properties (<i>Note 17</i>)	154	60
Amortisation of intangible assets (<i>Note 18</i>)	2,369	5,395
Impairment of intangible assets (<i>Note 18</i>)	—	35,468
Bad debts written off	617	325
Operating lease rental in respect of leasehold land and buildings		
— minimum lease payments	39,183	45,075
— turnover rental expenses	323,460	399,732
Advertising and promotion expenses	21,044	23,775
Net provision for inventories	5,123	92,452
Employee benefit expenses (<i>Note 9</i>)	236,572	273,468
Other expenses	75,734	94,375
	<u>1,193,587</u>	<u>1,526,149</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>1,193,587</u>	<u>1,526,149</u>

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

	2015 <i>HK\$ '000</i>	2014 <i>HK\$ '000</i>
Cost of sales	473,751	616,940
Selling and distribution costs	630,998	754,318
Administrative expenses	88,838	154,891
	<u>1,193,587</u>	<u>1,526,149</u>

7. OTHER GAINS/(LOSSES), NET

	2015 <i>HK\$ '000</i>	2014 <i>HK\$ '000</i>
Gain on fair value release on disposal of available-for-sale financial assets	—	137
Loss on disposal of available-for-sale financial assets	—	(30)
Gain/(loss) on disposal of property, plant and equipment	5,925	(749)
Gain on disposal of investment properties	2,946	—
Net foreign exchange gains/(losses)	1,517	(130)
	<u>10,388</u>	<u>(772)</u>

8. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividend income on available-for-sale financial assets	—	1,297
Licence fee and royalty income	763	1,098
Government subsidies	4,732	8,404
Others	1,540	1,230
	<u>7,035</u>	<u>12,029</u>

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

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, wages and bonuses	200,671	227,557
Pension costs — defined contribution plans	30,357	39,779
Share award and option expenses	114	490
Welfare and other expenses	5,430	5,642
	<u>236,572</u>	<u>273,468</u>

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fees	744	744
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,583	3,810
Share options and share award	49	84
Contributions to pension plans	51	30
	<u>5,427</u>	<u>4,668</u>

The emoluments of each director for the year ended 31 March 2015 are set out below:

	Fees HK\$'000	Basic salaries, housing allowance, other allowances and benefits-in-kind HK\$'000	Share options and share award HK\$'000	Contributions to pension plans HK\$'000	Total HK\$'000
Executive Directors:					
Ms. CHAN Mei Sheung	—	2,406	20	17	2,443
*Mr. KIU Wai Ming	—	1,538	20	17	1,575
**Mr. HUNG Tin Chun	—	639	9	17	665
Independent Non-executive Directors:					
Mr. SZE Tsai Ping, Michael	264	—	—	—	264
Dr. FAN Yiu Kwan, JP	240	—	—	—	240
Mr. LEE Kwan Hung	240	—	—	—	240
	<u>744</u>	<u>4,583</u>	<u>49</u>	<u>51</u>	<u>5,427</u>

The emoluments of each director for the year ended 31 March 2014 are set out below:

	Fees HK\$'000	Basic salaries, housing allowance, other allowances and benefits-in-kind HK\$'000	Share options and share award HK\$'000	Contributions to pension plans HK\$'000	Total HK\$'000
Executive Directors:					
Ms. CHAN Mei Sheung	—	2,266	42	15	2,323
*Mr. KIU Wai Ming	—	1,544	42	15	1,601
Independent Non-executive Directors:					
Mr. SZE Tsai Ping, Michael	264	—	—	—	264
Dr. FAN Yiu Kwan, JP	240	—	—	—	240
Mr. LEE Kwan Hung	240	—	—	—	240
	<u>744</u>	<u>3,810</u>	<u>84</u>	<u>30</u>	<u>4,668</u>

* Mr. Kiu is also the CEO of the Group.

** Mr. Hung was appointed as Executive Director on 16 September 2014.

No emoluments have been paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

None of the directors waived their emoluments during the year ended 31 March 2015 (2014: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include two directors (2014: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,099	2,750
Share options and share award	20	58
Contributions to pension plans	35	26
	<u>3,154</u>	<u>2,834</u>

The emoluments fell within the following bands:

	2015	2014
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$2,000,000	2	1
	<u>3</u>	<u>3</u>

(c) Senior management's emoluments by band

Pursuant to Code Provision B.1.5 of the Listing Rules, the senior management's emoluments fell within the following bands:

	2015	2014
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$2,000,000	2	1
	<u>5</u>	<u>3</u>

11. FINANCE COSTS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finance income		
— Interest income from deposits	212	249
Finance costs		
— Interest on bank borrowings	(689)	(576)
— Interest on obligation under finance lease	(12)	(5)
	<u>(701)</u>	<u>(581)</u>
Finance costs, net	<u>(489)</u>	<u>(332)</u>

12. INCOME TAX EXPENSE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	445	530
— (Over)/ under-provision in respect of prior year	(1,492)	1,906
	(1,047)	2,436
Deferred income tax (<i>Note 20</i>)	3,462	11,466
	2,415	13,902

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has not been provided for as the Group has no assessable profit for the years ended 31 March 2014 and 2015.

The tax on the Group's 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before income tax	(85,985)	(216,070)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(13,186)	(45,654)
Income not subject to tax	(2,522)	(969)
Expenses not deductible for tax purposes	250	6,733
Deductible temporary differences not recognised	3,402	1,303
Tax losses not recognised	10,129	49,084
Reversal of deferred tax assets	5,834	—
(Over)/under-provision in respect of prior year	(1,492)	1,906
Withholding tax	—	1,499
Tax charge	2,415	13,902

The weighted average applicable tax rate was 15% (2014: 21%) for the year. The decrease is caused by a change in the distribution of profitability of the Group's subsidiaries in the respective countries.

There is no tax charge relating to components of other comprehensive income for the year (2014: Nil).

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$117,907,000 (2014: HK\$66,040,000).

14. LOSS PER SHARE

(a) Basic

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

	2015	2014
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(87,420)</u>	<u>(227,851)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>623,560</u>	<u>623,560</u>
Loss per share attributable to equity holders of the Company (<i>HK cent per share</i>)	<u>(14.02)</u>	<u>(36.54)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share for the years ended 31 March 2014 and 2015 as there were no dilutive share options for the years.

15. DIVIDEND

The Board has recommended not to declare dividend for the year ended 31 March 2015 (2014: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
At 1 April 2013						
Cost	40,792	103,453	5,986	18,775	17,537	186,543
Accumulated depreciation and impairment	(13,786)	(88,236)	(5,562)	(15,884)	(11,011)	(134,479)
Net book amount	<u>27,006</u>	<u>15,217</u>	<u>424</u>	<u>2,891</u>	<u>6,526</u>	<u>52,064</u>
Year ended 31 March 2014						
Opening net book amount	27,006	15,217	424	2,891	6,526	52,064
Exchange differences	—	25	1	10	15	51
Additions	—	20,248	451	162	670	21,531
Transfer to investment properties	(2,626)	—	—	—	—	(2,626)
Disposals	—	(120)	(19)	(299)	(575)	(1,013)
Depreciation	(779)	(23,060)	(324)	(1,613)	(2,554)	(28,330)
Impairment	—	(1,291)	—	—	—	(1,291)
Closing net book amount	<u>23,601</u>	<u>11,019</u>	<u>533</u>	<u>1,151</u>	<u>4,082</u>	<u>40,386</u>
At 31 March 2014						
Cost	36,443	114,282	5,643	17,353	16,748	190,469
Accumulated depreciation and impairment	(12,842)	(103,263)	(5,110)	(16,202)	(12,666)	(150,083)
Net book amount	<u>23,601</u>	<u>11,019</u>	<u>533</u>	<u>1,151</u>	<u>4,082</u>	<u>40,386</u>
Year ended 31 March 2015						
Opening net book amount	23,601	11,019	533	1,151	4,082	40,386
Exchange differences	—	(7)	(1)	1	3	(4)
Additions	—	16,400	—	400	506	17,306
Transfer to investment properties	(1,202)	—	—	—	—	(1,202)
Transfer to assets held for sale (Note 25)	(1,219)	—	—	—	—	(1,219)
Disposals	(1,464)	(57)	—	(13)	(3)	(1,537)
Depreciation	(685)	(15,102)	(214)	(585)	(1,504)	(18,090)
Impairment	—	(698)	—	—	—	(698)
Closing net book amount	<u>19,031</u>	<u>11,555</u>	<u>318</u>	<u>954</u>	<u>3,084</u>	<u>34,942</u>
At 31 March 2015						
Cost	29,782	68,442	5,642	17,092	17,543	138,501
Accumulated depreciation and impairment	(10,751)	(56,887)	(5,324)	(16,138)	(14,459)	(103,559)
Net book amount	<u>19,031</u>	<u>11,555</u>	<u>318</u>	<u>954</u>	<u>3,084</u>	<u>34,942</u>

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

Bank borrowing are secured on land and building for the value of HK\$19,031,000 (2014: HK\$23,601,000).

(b) **Company**

	Motor vehicle	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning and end of the year		
Cost	1,580	1,580
Accumulated depreciation	(1,580)	(1,580)
	<u> </u>	<u> </u>
Net book amount	<u> </u>	<u> </u>

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Selling and distribution costs	15,452	23,768
Administrative expenses	2,638	4,562
	<u> </u>	<u> </u>
	<u>18,090</u>	<u>28,330</u>

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

Motor vehicles include the following amounts of which the Group is a lessee under a finance lease:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost — capitalised finance lease	451	451
Accumulated depreciation	(179)	(66)
	<u> </u>	<u> </u>
	<u>272</u>	<u>385</u>

The Group leased a motor vehicle under non-cancellable finance lease agreement. The lease term is 4 years and ownership of the asset lies with the Group.

(e) Land and building

The Group's interests in land and building in Hong Kong are held on leases of between 10 to 50 years.

17. INVESTMENT PROPERTIES — GROUP

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year		
Cost	4,157	1,531
Accumulated depreciation	(578)	(518)
Net book amount	<u>3,579</u>	<u>1,013</u>
During the year		
Opening net book amount	3,579	1,013
Transfer from property, plant and equipment	1,202	2,626
Depreciation	(154)	(60)
Disposals	(824)	—
Transfer to assets held for sale (<i>Note 25</i>)	(3,803)	—
Closing net book amount	<u>—</u>	<u>3,579</u>
At the end of the year		
Cost	—	4,157
Accumulated depreciation	—	(578)
Net book amount	<u>—</u>	<u>3,579</u>

The fair value of investment properties was HK\$17,140,000 as at 31 March 2014. The valuations were performed by DTZ Debenham Tie Leung Limited, an independent professional valuer. The best evidence of fair value is current prices in an active market or similar investment properties.

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

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

Bank borrowings were secured on the investment properties for the value of HK\$3,579,000 as at 31 March 2014.

18. INTANGIBLE ASSETS – GROUP

	Trademark <i>HK\$'000</i>	Licence fees <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013				
Cost	69,566	318	17,743	87,627
Accumulated amortisation and impairment	(31,652)	(318)	(10,318)	(42,288)
Net book amount	<u>37,914</u>	<u>—</u>	<u>7,425</u>	<u>45,339</u>
Year ended 31 March 2014				
Opening net book amount	37,914	—	7,425	45,339
Exchange differences	—	—	10	10
Additions	—	—	119	119
Amortisation	(2,446)	—	(2,949)	(5,395)
Impairment	(35,468)	—	—	(35,468)
Closing net book amount	<u>—</u>	<u>—</u>	<u>4,605</u>	<u>4,605</u>
At 31 March 2014				
Cost	69,566	318	17,837	87,721
Accumulated amortisation and impairment	(69,566)	(318)	(13,232)	(83,116)
Net book amount	<u>—</u>	<u>—</u>	<u>4,605</u>	<u>4,605</u>
Year ended 31 March 2015				
Opening net book amount	—	—	4,605	4,605
Exchange differences	—	—	2	2
Additions	—	—	332	332
Amortisation	—	—	(2,369)	(2,369)
Closing net book amount	<u>—</u>	<u>—</u>	<u>2,570</u>	<u>2,570</u>
At 31 March 2015				
Cost	69,566	318	18,157	88,041
Accumulated amortisation and impairment	(69,566)	(318)	(15,587)	(85,471)
Net book amount	<u>—</u>	<u>—</u>	<u>2,570</u>	<u>2,570</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Selling and distribution costs	400	390
Administrative expenses	1,969	5,005
	<u>2,369</u>	<u>5,395</u>

For the purpose of impairment review, the recoverable amount of trademark is based on fair value less cost to sell calculations. The valuation of the trademark is determined by estimating the value of royalties which the Group is exempted from by virtue of the fact that it owns the trademark. During the year ended 31 March 2014, the key assumptions used in the valuation of the trademark are as follows:

Net sales royalty rate	3%
Discount rate	<u>13.5%</u>

19. INTERESTS IN SUBSIDIARIES – COMPANY

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current		
Unlisted equity investments, at cost	10,000	10,000
Less: Provision for impairment (<i>Note a</i>)	<u>(10,000)</u>	<u>(10,000)</u>
Net carrying amount	—	—
Capital in nature contribution (<i>Note b</i>)	559,045	559,045
Amounts due from subsidiaries (<i>Note c</i>)	72,136	76,601
Less: Provision for impairment (<i>Note d</i>)	<u>(164,297)</u>	<u>(51,500)</u>
	<u>466,884</u>	<u>584,146</u>
Current		
Amounts due from subsidiaries (<i>Note e</i>)	<u>2,167</u>	<u>2,368</u>

Notes:

- (a) Movements in the provision for impairment of unlisted equity investments are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year	10,000	—
Recognition of impairment loss	<u>—</u>	<u>10,000</u>
At the end of the year	<u>10,000</u>	<u>10,000</u>

- (b) The amounts due from subsidiaries are treated as capital in nature contributions to subsidiaries.
- (c) Amounts due from subsidiaries are unsecured, interest free and not repayable within twelve months.
- (d) Movements in the provision for impairment of capital in nature contribution and amounts due from subsidiaries are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year	51,500	—
Recognition of impairment loss	<u>112,797</u>	<u>51,500</u>
At the end of the year	<u><u>164,297</u></u>	<u><u>51,500</u></u>

- (e) Amounts due from subsidiaries are unsecured, interest free and has no fixed terms of repayment. This amount approximates its fair value.
- (f) Particulars of the subsidiaries of the Group are set out in Note 34.

20. DEFERRED INCOME TAX – GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred income tax assets	6,091	9,547
Deferred income tax liabilities	<u>(5,990)</u>	<u>(5,989)</u>
	<u><u>101</u></u>	<u><u>3,558</u></u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year	3,558	14,899
Exchange differences	5	125
Charged to the consolidated income statement (Note 12)	<u>(3,462)</u>	<u>(11,466)</u>
At the end of the year	<u><u>101</u></u>	<u><u>3,558</u></u>

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 <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2013	10,196	9,159	19,355
Exchange differences	(7)	130	123
Charged to the consolidated income statement	<u>(642)</u>	<u>(9,289)</u>	<u>(9,931)</u>
As at 31 March 2014	9,547	—	9,547
Exchange differences	6	—	6
Charged to the consolidated income statement	<u>(3,462)</u>	<u>—</u>	<u>(3,462)</u>
As at 31 March 2015	<u><u>6,091</u></u>	<u><u>—</u></u>	<u><u>6,091</u></u>

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxation profits is probable.

The Group has unrecognised tax losses and unrecognised temporary differences of approximately HK\$533,641,000 (2014: HK\$419,612,000) to carry forward against future taxable income. These tax losses are subject to approval by Hong Kong Inland Revenue Department and the PRC tax authority respectively, approximately HK\$297,034,000 (2014: HK\$189,751,000) of unrecognised tax losses have no expiry date and the remaining loss of HK\$122,846,000 (2014: HK\$149,824,000) will expire in 5 years.

Deferred income tax liabilities:

	Withholding tax on dividend for undistributed profits <i>HK\$'000</i>	Tax depreciation allowance <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2013	4,234	222	4,456
Exchange difference	(2)	—	(2)
Charged to the consolidated income statement	<u>1,499</u>	<u>36</u>	<u>1,535</u>
As at 31 March 2014	5,731	258	5,989
Exchange difference	<u>1</u>	<u>—</u>	<u>1</u>
As at 31 March 2015	<u><u>5,732</u></u>	<u><u>258</u></u>	<u><u>5,990</u></u>

21. 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\$468,628,000 (2014: HK\$524,488,000).

22. 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 statement of financial position date is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 — 30 days	75,009	79,446
31 — 60 days	24,833	21,262
61 — 90 days	2,787	2,002
Over 90 days	12,395	16,926
	<u>115,024</u>	<u>119,636</u>

As of 31 March 2015, trade receivables of HK\$39,104,000 (2014: HK\$39,222,000) were past due. These relate to a number of independent customers and department stores 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
1 — 30 days	24,003	20,300
31 — 60 days	2,836	2,002
61 — 90 days	2,568	2,622
Over 90 days	9,697	14,298
	<u>39,104</u>	<u>39,222</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong dollar	897	1,288
Renminbi	112,650	116,435
New Taiwan dollar	1,477	1,913
	<u>115,024</u>	<u>119,636</u>

The carrying amount of trade receivables approximates its fair value.

The Group does not hold any collateral as security.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits	40,748	45,578	—	—
Prepayments	2,832	5,813	214	186
Other receivables	837	1,413	—	—
Value-added tax recoverable	6,622	12,020	—	—
	<u>51,039</u>	<u>64,824</u>	<u>214</u>	<u>186</u>
Less: Long-term rental deposits	(10,995)	(14,781)	—	—
	<u>40,044</u>	<u>50,043</u>	<u>214</u>	<u>186</u>
Denominated in:				
Hong Kong dollar	32,115	36,263	214	186
Renminbi	18,642	28,339	—	—
New Taiwan dollar	278	216	—	—
Others	4	6	—	—
	<u>51,039</u>	<u>64,824</u>	<u>214</u>	<u>186</u>

The carrying amounts of deposits, prepayments and other receivables approximate their fair values. The Group does not hold any security. The above receivables do not contain impaired assets.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	94,939	107,044	596	529
Cash and cash equivalents	<u>94,939</u>	<u>107,044</u>	<u>596</u>	<u>529</u>

Cash and cash equivalents in the statement of financial position are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	14,185	42,280	571	504
Renminbi	78,034	59,184	—	—
United States dollar	1,379	3,136	25	25
Others	1,341	2,444	—	—
	<u>94,939</u>	<u>107,044</u>	<u>596</u>	<u>529</u>

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

25. ASSETS HELD FOR SALE – GROUP

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Properties, plant and equipment (<i>Note 16</i>)	1,219	—
Investment properties (<i>Note 17</i>)	3,803	—
	<u>5,022</u>	<u>—</u>

Certain properties located in Hong Kong previously classified as properties, plant and equipment and investment properties of HK\$1,219,000 and HK\$3,803,000 respectively are presented as assets held for sale following the approval of the Group's management to locate the buyers for these properties on 22 December 2014. The transactions are expected to be completed within 12 months.

The fair value of assets held for sale are HK\$26,660,000 as at 31 March 2015. The valuations are performed by DTZ Debenham Tie Leung Limited, an independent professional valuer. The best evidence of fair value is current prices in an active market or similar assets held for sale.

Bank borrowings are secured on the assets held for sale for the value of HK\$5,022,000.

On 4 February 2015, Senet International Limited, a wholly owned subsidiary of the Company, entered into a provisional sales and purchase agreement for sales of its property for a consideration of HK\$5,630,000. The transaction was subsequently completed on 30 April 2015.

On 9 April 2015, Trunari Enterprises Company Limited, a wholly owned subsidiary of the Company, entered into a provisional sales and purchase agreement for sales of its property for a consideration of HK\$7,130,000. The transaction was subsequently completed on 8 June 2015.

26. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Authorised				
At 31 March 2014 and 2015	<u>9,000,000,000</u>	<u>900,000</u>	<u>—</u>	<u>900,000</u>
Issued and fully paid				
At 31 March 2014 and 2015	<u>623,560,000</u>	<u>62,356</u>	<u>562,600</u>	<u>624,956</u>

Share options:

The Company adopted the Pre-IPO share option scheme in May 2007 (“Pre-IPO Scheme”). On 21 May 2007, share options were granted to directors and to selected employees under the Pre-IPO Scheme.

A share option scheme (“Share Option Scheme”) was adopted by the shareholders’ written resolution of the Company dated 21 May 2007. On 5 August 2009, share options were granted to directors and to selected employees under the Share Option Scheme.

The subscription price determined by the board shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the grant date; and (c) the nominal value of the shares. Options are conditional on the employee completing 1 to 5 year’s service (the vesting period). The options are exercisable starting 1 to 3 years from the listing date. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Average exercise price in Hong Kong dollar per share	Options (’000)
At 1 April 2013	0.93	23,560
Forfeited	0.60	(1,300)
Expired	3.09	(3,080)
At 31 March 2014	0.60	19,180
Forfeited	0.60	(160)
At 31 March 2015	0.60	19,020

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

Vesting date	Expiry date	Exercise price in Hong Kong dollar per share	Number of share options (’000) outstanding at 31 March	
			2015	2014
5 August 2010	4 August 2017	0.60	3,340	3,340
5 August 2011	4 August 2017	0.60	3,920	3,960
5 August 2012	4 August 2017	0.60	3,920	3,960
5 August 2013	4 August 2017	0.60	3,920	3,960
5 August 2014	4 August 2017	0.60	3,920	3,960
			19,020	19,180

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

Date of grant	Option value	Share price at the date of grant	Exercisable price	Expected volatility	Annual risk-free interest	Life of option	Dividend yield
5 August 2009	0.2689-0.3083	0.57	0.60	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\$86,000 (2014: HK\$371,000) was recognised in the consolidated income statement.

Share award:

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

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

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

Options to purchase a total of 10,000,000 shares, representing approximately 1.6% of the Company's total issued share capital immediately after the date of grant, at the exercise price of HK\$0.6 per share were granted under the share purchase scheme.

The Company is required to recognise the value of the above-mentioned shares as a non-cash employee benefit expense on a straight-line basis over the relevant vesting period. Total share expense of HK\$28,000 (2014: HK\$119,000) was recognised in the consolidated income statement for the year ended 31 March 2015. A corresponding amount was credited as share based compensation reserve under equity in the financial statements of the Company.

27. RESERVES

(a) Group

	Merger reserve (Note i) HK\$'000	Statutory reserves (Note ii) HK\$'000	Foreign currency translation HK\$'000	Available- for-sale investment reserves HK\$'000	Share- based compen- sation reserve HK\$'000	Accumu- lated losses HK\$'000	HK\$'000
Balance at 1 April 2013	22,002	24,004	56,034	545	28,907	(73,138)	58,354
Fair value losses on available-for-sale financial assets	—	—	—	(408)	—	—	(408)
Fair value release on disposal of available-for-sale financial assets	—	—	—	(137)	—	—	(137)
Currency translation differences	—	—	1,157	—	—	—	1,157
Loss for the year	—	—	—	—	—	(227,851)	(227,851)
Transfer	—	(50)	—	—	—	50	—
Share option scheme — value of employee services (Note 26)	—	—	—	—	371	—	371
Share award (Note 26)	—	—	—	—	119	—	119
Balance at 31 March 2014	22,002	23,954	57,191	—	29,397	(300,939)	(168,395)
Currency translation differences	—	—	(1,765)	—	—	—	(1,765)
Loss for the year	—	—	—	—	—	(87,420)	(87,420)
Share option scheme — value of employee services (Note 26)	—	—	—	—	86	—	86
Share award (Note 26)	—	—	—	—	28	—	28
Balance at 31 March 2015	<u>22,002</u>	<u>23,954</u>	<u>55,426</u>	<u>—</u>	<u>29,511</u>	<u>(388,359)</u>	<u>(257,466)</u>

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 the PRC or at the discretion of the board of the respective companies. Such statutory reserves can only be used to offset accumulated losses, to increase capital, or for special bonus or collective welfare of employees. These statutory reserves cannot be distributed to equity holders of the Company.

(b) Company

	Accumulated losses <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	(2,283)	28,907	26,624
Loss for the year	(66,040)	—	(66,040)
Share option scheme — value of employee services (<i>Note 26</i>)	—	371	371
Share award (<i>Note 26</i>)	—	119	119
At 31 March 2014	(68,323)	29,397	(38,926)
Loss for the year	(117,907)	—	(117,907)
Share option scheme — value of employee services (<i>Note 26</i>)	—	86	86
Share award (<i>Note 26</i>)	—	28	28
At 31 March 2015	<u>(186,230)</u>	<u>29,511</u>	<u>(156,719)</u>

28. OBLIGATION UNDER FINANCE LEASE – GROUP

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gross finance lease liabilities — minimum lease payments:		
Within one year	118	118
In the second to fifth year inclusive	<u>128</u>	<u>246</u>
	246	364
<i>Less:</i> Future finance charges	<u>(25)</u>	<u>(37)</u>
Present value of obligation under finance lease	<u>221</u>	<u>327</u>
The present value of finance lease liabilities is as follows:		
Within one year	106	106
In the second to fifth year inclusive	<u>115</u>	<u>221</u>
Present value of obligation under finance lease	<u>221</u>	<u>327</u>

The weighted average effective interest rates per annum of the Group's obligation under finance lease was 2.5% (2014: 2.5%).

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

29. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	101,396	128,095	—	—
Accruals and other payables	53,193	71,854	1,624	1,199
	<u>154,589</u>	<u>199,949</u>	<u>1,624</u>	<u>1,199</u>

The ageing analysis of trade payables is as follows:

	2015	2014
	HK\$'000	HK\$'000
0 — 30 days	91,290	113,430
31 — 60 days	1,283	1,831
61 — 90 days	326	3,392
Over 90 days	8,497	9,442
	<u>101,396</u>	<u>128,095</u>

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

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

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	31,802	32,102	1,624	1,199
Renminbi	120,658	166,195	—	—
New Taiwan dollar	1,836	1,652	—	—
Others	293	—	—	—
	<u>154,589</u>	<u>199,949</u>	<u>1,624</u>	<u>1,199</u>

30. BORROWINGS — GROUP

	2015	2014
	HK\$'000	HK\$'000
Short-term bank loan — secured	<u>25,040</u>	<u>5,260</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong dollar	20,000	—
New Taiwan dollar	<u>5,040</u>	<u>5,260</u>
	<u><u>25,040</u></u>	<u><u>5,260</u></u>

The bank loans are repayable in range of 30 days to 90 days from the date of issuance.

At 31 March 2015, a bank loan of HK\$5,040,000 (2014: HK\$5,260,000) is interest bearing at a fixed rate of 2.75% and secured by the Group's standby letter of credit amounting to US\$1 million, a promissory note of New Taiwan dollar 28 million co-made by the Group and the non-controlling shareholder.

At 31 March 2015, a bank loan of HK\$20,000,000 (2014: Nil) is interest bearing at Hong Kong Inter Bank of floating rate plus 2% per annum and secured by the Group's property, plant and equipment and assets held for sale (Notes 16 and 25).

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

31. CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to cash used in operations

	2015 HK\$'000	2014 HK\$'000
Loss before income tax	(85,985)	(216,070)
Adjustments for:		
— Depreciation of property, plant and equipment	18,090	28,330
— Depreciation of investment properties	154	60
— Impairment of property, plant and equipment	698	1,291
— Amortisation of intangible assets	2,369	5,395
— Impairment of intangible assets	—	35,468
— (Gain)/ loss on disposal of property, plant and equipment	(5,925)	749
— Gain on disposal of investment properties	(2,946)	—
— Gain on fair value release on disposal of available-for-sale financial assets	—	(137)
— Loss on disposal of available-for-sale financial assets	—	30
— Dividend income on available-for-sale financial assets	—	(1,297)
— Interest income	(212)	(249)
— Interest expense	701	581
— Share award and option expenses	114	490
Changes in working capital		
— Inventories	78,022	125,205
— Trade receivables	4,631	33,057
— Deposits, prepayments and other receivables	13,791	5,562
— Trade payables	(26,744)	(34,049)
— Accruals and other payables	(18,627)	(1,819)
Cash used in operations	<u>(21,869)</u>	<u>(17,403)</u>

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

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

	2015 HK\$'000	2014 HK\$'000
Net book amount (Note 16)	1,537	1,013
Gain/(loss) on disposal of property, plant and equipment (Note 7)	<u>5,925</u>	<u>(749)</u>
Proceeds from disposal of property, plant and equipment	<u>7,462</u>	<u>264</u>

(c) Proceeds from disposal of investment properties

In the consolidated statement of cash flows, proceeds from disposal of investment properties comprise:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net book amount (<i>Note 17</i>)	824	—
Gain on disposal of investment properties (<i>Note 7</i>)	<u>2,946</u>	<u>—</u>
Proceeds from disposal of investment properties	<u><u>3,770</u></u>	<u><u>—</u></u>

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount	—	39,351
Loss on disposal of available-for-sale financial assets (<i>Note 7</i>)	<u>—</u>	<u>(30)</u>
Proceeds from disposal of available-for-sale financial assets	<u><u>—</u></u>	<u><u>39,321</u></u>

32. COMMITMENTS**(a) Capital commitments**

As at 31 March 2014 and 2015, the Group and the Company had no capital commitments.

(b) Operating lease commitments

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Land and buildings		
— No later than 1 year	69,476	85,290
— Later than 1 year and no later than 5 years	52,569	40,857
	<u>122,045</u>	<u>126,147</u>
Furniture, fixtures and equipment		
— No later than 1 year	221	194
— Later than 1 year and no later than 5 years	554	775
	<u>775</u>	<u>969</u>
	<u>122,820</u>	<u>127,116</u>

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.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Smart Presto Holdings Limited (incorporated in the British Virgin Islands) which owns 72.03% of the Company's shares. The remaining 27.97% of the shares were widely held. The ultimate controlling party of the Group is Ms. CHAN Mei Sheung.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Key management compensation		
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,126	4,055
Share options and share award	20	58
Contributions to pension plans	37	43
	<u>4,183</u>	<u>4,156</u>

Note:

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

34. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2015:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				2015	2014
Directly held:					
Genius Earn Investments Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	90 ordinary shares of US\$1 each	100%	100%
Indirectly held:					
Artemis Footwear Limited	Hong Kong, limited liability company	Retailing of footwear in Taiwan	10,000,000 ordinary shares	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	100%	100%
Billion International Trading (Shanghai) Company Limited†	The PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	US\$1,000,000	100%	100%
Citiward Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share	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%
Hero Glory Corporation Limited	Hong Kong, limited liability company	Retailing of footwear in Hong Kong	1,000,000 ordinary shares	100%	100%
Main Legend Investment Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares	100%	100%
Senet International Limited	Hong Kong, limited liability company	Holding of trademarks and property in Hong Kong	10 ordinary shares	100%	100%
Smart Trend Trading (Shenzhen) Company Limited†	The PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	HK\$41,000,000	100%	100%
Smarter Trading (Beijing) Company Limited†	The PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	HK\$40,000,000	100%	100%
Surplus Jet Investments Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1	100%	100%

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				2015	2014
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 trademarks and properties in Hong Kong	22,000,000 ordinary shares	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	100%	100%
Walker Group China Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares	100%	100%
Walker Group International Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares	100%	100%
Walker International Footwear Limited	Hong Kong, limited liability company	Wholesaling of footwear	100 ordinary shares	100%	100%
Walker Investment Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares	100%	100%
Walker Shop Footwear Limited	Hong Kong, limited liability company	Investment holding and retailing of footwear in Hong Kong	500,000,000 ordinary shares	100%	100%
Walker Shop International Trading (Shanghai) Company Limited [†]	The PRC, wholly foreign-owned enterprise, limited liability company	Retailing of footwear in the PRC	US\$200,000	100%	100%
Smart Sky International (Beijing) Limited [†]	The PRC, wholly foreign-owned enterprise, limited liability company	Trading of footwear in the PRC	HK\$1,000,000	100%	100%
廣州盈暉貿易有限公司	The PRC, wholly foreign-owned enterprise, limited liability company	Trading of footwear in the PRC	HK\$1,500,000	100%	100%

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

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

C. Unaudited Condensed Consolidated Financial Statements of the Group

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2015 as extracted from the interim report of the Company for the six months ended 30 September 2015.

Condensed Consolidated Income Statement

For the period ended 30 September 2015

	<i>Note</i>	Unaudited 2015 HK\$'000	Unaudited 2014 HK\$'000
Revenue	6	427,640	509,390
Cost of sales	7	<u>(185,332)</u>	<u>(224,812)</u>
Gross profit		242,308	284,578
Selling and distribution costs	7	(275,733)	(297,928)
Administrative expenses	7	(48,123)	(51,799)
Other gains/(losses), net	8	9,510	(8)
Other income	9	<u>1,368</u>	<u>1,119</u>
Operating loss		<u>(70,670)</u>	<u>(64,038)</u>
Finance income	10	127	116
Finance costs	10	<u>(297)</u>	<u>(113)</u>
Finance (costs)/income, net		<u>(170)</u>	<u>3</u>
Loss before income tax		(70,840)	(64,035)
Income tax (expense)/credit	11	<u>(264)</u>	<u>1,157</u>
Loss for the period		<u><u>(71,104)</u></u>	<u><u>(62,878)</u></u>

		Unaudited 2015	Unaudited 2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(70,557)	(62,277)
Non-controlling interests		<u>(547)</u>	<u>(601)</u>
		<u>(71,104)</u>	<u>(62,878)</u>
Loss per share for loss attributable to the equity holders of the Company (expressed in HK cents per share)			
— basic	<i>12</i>	(11.24)	(9.99)
— diluted	<i>12</i>	<u>(11.24)</u>	<u>(9.99)</u>

Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 September 2015

	Unaudited 2015 <i>HK\$'000</i>	Unaudited 2014 <i>HK\$'000</i>
Loss for the period	(71,104)	(62,878)
Other comprehensive income <i>Items that have been reclassified or may be</i> <i>subsequently reclassified to profit or loss</i>		
Currency translation differences	(6,719)	3,025
Total items that have been reclassified or may be subsequently reclassified to profit or loss	(6,719)	3,025
Total comprehensive income	(77,823)	(59,853)
Attributable to:		
Equity holders of the Company	(77,154)	(59,252)
Non-controlling interests	(669)	(601)
	(77,823)	(59,853)

*Condensed Consolidated Statement of Financial Position**As at 30 September 2015*

		Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	35,414	34,942
Intangible assets	<i>13</i>	2,435	2,570
Deferred income tax assets		—	6,091
Rental deposits		12,828	10,995
		<u>50,677</u>	<u>54,598</u>
Current assets			
Inventories		275,317	242,388
Trade receivables	<i>14</i>	90,795	115,024
Deposits, prepayments and other receivables		39,514	40,044
Cash and cash equivalents		74,781	94,939
		<u>480,407</u>	<u>492,395</u>
Assets held for sale	<i>15</i>	2,110	5,022
		<u>482,517</u>	<u>497,417</u>
Total assets		<u>533,194</u>	<u>552,015</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>16</i>	63,236	62,356
Share premium	<i>16</i>	569,361	562,600
Reserves		(336,981)	(257,466)
		<u>295,616</u>	<u>367,490</u>
Non-controlling interests		(2,579)	(2,316)
Total equity		<u>293,037</u>	<u>365,174</u>

		Unaudited	Audited
		30 September	31 March
		2015	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Obligation under finance lease		62	115
Deferred income tax liabilities		419	5,990
		<u>481</u>	<u>6,105</u>
Current liabilities			
Trade payables	<i>18</i>	157,263	101,396
Accruals and other payables		46,486	53,193
Borrowings	<i>19</i>	34,840	25,040
Obligation under finance lease		106	106
Tax payable		981	1,001
		<u>239,676</u>	<u>180,736</u>
Total liabilities		<u>240,157</u>	<u>186,841</u>
Total equity and liabilities		<u>533,194</u>	<u>552,015</u>
Total assets less current liabilities		<u>293,518</u>	<u>371,279</u>

Condensed Consolidated Statement of Changes In Equity
For the period ended 30 September 2015

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital and premium <i>(Note 16)</i> <i>HK\$'000</i>	Other reserves <i>(Note 17)</i> <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2015	624,956	130,893	(388,359)	367,490	(2,316)	365,174
Loss for the period	—	—	(70,557)	(70,557)	(547)	(71,104)
Other comprehensive income:						
Currency translation differences	—	(6,597)	—	(6,597)	(122)	(6,719)
Total comprehensive income	—	(6,597)	(70,557)	(77,154)	(669)	(77,823)
Share options scheme —						
Proceeds from share issued	7,641	(2,361)	—	5,280	—	5,280
Capital injection from non-controlling interests	—	—	—	—	406	406
Balance at 30 September 2015	<u>632,597</u>	<u>121,935</u>	<u>(458,916)</u>	<u>295,616</u>	<u>(2,579)</u>	<u>293,037</u>
Balance at 1 April 2014	624,956	132,544	(300,939)	456,561	(1,180)	455,381
Loss for the period	—	—	(62,277)	(62,277)	(601)	(62,878)
Other comprehensive income:						
Currency translation differences	—	3,025	—	3,025	—	3,025
Total comprehensive income	—	3,025	(62,277)	(59,252)	(601)	(59,853)
Share option scheme — value of employee services	—	44	—	44	—	44
Share award	—	14	—	14	—	14
Balance at 30 September 2014	<u>624,956</u>	<u>135,627</u>	<u>(363,216)</u>	<u>397,367</u>	<u>(1,781)</u>	<u>395,586</u>

CONDENSED CONSOLIDATED STATEMENT of CASH FLOWS*For the period ended 30 September 2015*

	Unaudited 2015 HK\$'000	Unaudited 2014 HK\$'000
Net cash used in operating activities	<u>(37,292)</u>	<u>(39,157)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,206)	(9,859)
Purchase of intangible assets	(564)	(287)
Proceeds from disposal of property, plant and equipment	48	3
Proceeds from disposal of assets held for sale	12,760	—
Interest received	<u>127</u>	<u>116</u>
Net cash generated from/(used in) investing activities	<u>3,165</u>	<u>(10,027)</u>
Cash flows from financing activities		
Proceed from borrowings	45,148	30,540
Repayment of borrowings	(35,148)	(10,540)
Proceeds from share issued	5,280	—
Capital injection from non-controlling interests	406	—
Capital elements of finance lease payments	<u>(53)</u>	<u>(53)</u>
Net cash generated from financing activities	<u>15,633</u>	<u>19,947</u>
Net decrease in cash and cash equivalents	(18,494)	(29,237)
Cash and cash equivalents at the beginning of the period	94,939	107,044
Effect of foreign exchange	<u>(1,664)</u>	<u>271</u>
Cash and cash equivalents at the end of the period	<u><u>74,781</u></u>	<u><u>78,078</u></u>

*Notes To The Condensed Consolidated Interim Financial Information***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, the People’s Republic of China (the “**PRC**”) 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The condensed consolidated interim financial information is presented in Hong Kong dollars (“**HKD**”), unless otherwise stated.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2015 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 March 2015.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2015.

There have been no changes in the risk management policies since year end including capital risk management policies.

5.2 Liquidity risk

During the period ended 30 September 2015, the Group reported a net loss of HK\$71,104,000 (2014: HK\$62,878,000) and had a net cash outflow from operating activities of HK\$37,292,000 (2014: HK\$39,157,000). These conditions indicate the existence of certain liquidity risk for the Group. In managing the Group's liquidity requirement, the Group monitors and maintains a level of cash and cash equivalents and the availability of funding through an adequate amount of credit and banking facilities.

The Group's primary cash requirements have been for working capital and capital expenditures. The Group finances its cash requirements primarily through funds generated from operations and short-term borrowings from banks. As at 30 September 2015, the Group has unutilised banking facilities of approximately HK\$110,070,000 (31 March 2015: HK\$145,350,000). To improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to improve profit margin and to reduce the operating cash outflows, as well as selling non-sales generating assets.

The Directors of the Company continuously monitor the Group's liquidity and have prepared cash flow projections covering a period of twelve months from the date of statement of financial position. Based on these projections, the sufficiency of cash flows is dependent on the continuous availability of the Group's bank facilities. There are continuous communications with the Group's principal banks on the Group's performance. Furthermore, the banking facilities are fully secured by certain of the Group's property, plant and equipment and assets held for sale. As such, based on the latest communication with the Group's principal banks, barring any significant change in circumstances, the directors of the Company are confident that the banking facilities will continuously be available to the Group, and thus the Group will have sufficient working capital to meet its financial obligations as and when they fall due, for the next twelve months from the date of the statement of financial position.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

	Within 1 year <i>HK\$'000</i>	Between 1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2015			
Borrowings	34,864	—	34,864
Trade payables	157,263	—	157,263
Other payables, accruals and other liabilities	46,604	69	46,673
	<u>238,731</u>	<u>69</u>	<u>238,800</u>
As at 31 March 2015			
Borrowings	25,071	—	25,071
Trade payables	101,396	—	101,396
Other payables, accruals and other liabilities	53,312	128	53,440
	<u>179,779</u>	<u>128</u>	<u>179,907</u>

5.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Deposits, prepayments and other receivables
- Cash and cash equivalents
- Trade payables
- Accruals and other payables
- Borrowings

6. SEGMENT INFORMATION

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC 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 perspective. 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, other income and finance income/(costs), which is consistent with that in the financial statements.

Segment assets exclude deferred income tax assets.

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

The segment results are as follows:

	Unaudited				
	Six months ended 30 September 2015				
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from sales of footwear, fashion wears and accessories	88,234	334,187	5,219	—	427,640
Segment loss	(17,507)	(15,443)	(475)	(37,245)	(70,670)
Finance income					127
Finance costs					(297)
Income tax expense					(264)
Loss for the period					(71,104)
Other segment items are as follows:					
Capital expenditure	1,554	8,018	198	—	9,770
Depreciation of property, plant and equipment	2,855	5,091	86	—	8,032
Amortisation of intangible assets	170	481	—	—	651
Impairment of trade receivables	—	560	—	—	560
Impairment of property, plant and equipment	312	—	—	—	312
Net provision/(write-back of provision) for inventories	(1,161)	15,147	(30)	—	13,956

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	Unaudited				
	Six months ended 30 September 2014				
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from sales of footwear, fashion wears and accessories	<u>94,433</u>	<u>408,559</u>	<u>6,398</u>	<u>—</u>	<u>509,390</u>
Segment loss	(9,111)	(3,802)	(437)	(50,688)	(64,038)
Finance income					116
Finance costs					(113)
Income tax credit					<u>1,157</u>
Loss for the period					<u>(62,878)</u>
Other segment items are as follows:					
Capital expenditure	2,858	7,223	65	—	10,146
Depreciation of property, plant and equipment	2,671	7,252	122	—	10,045
Depreciation of investment properties	77	—	—	—	77
Amortisation of intangible assets	892	507	—	—	1,399
Impairment of property, plant and equipment	698	—	—	—	698
Net provision/(write-back of provision) for inventories	<u>(2,614)</u>	<u>16,273</u>	<u>267</u>	<u>—</u>	<u>13,926</u>

An analysis of the Group's assets and liabilities is set out below:

	Unaudited			
	As at 30 September 2015			
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>107,247</u>	<u>420,209</u>	<u>5,738</u>	533,194
Total assets				<u>533,194</u>
Segment liabilities	<u>60,405</u>	<u>171,013</u>	<u>7,171</u>	238,589
Unallocated liabilities				<u>1,568</u>
Total liabilities				<u>240,157</u>

	Audited			
	As at 31 March 2015			
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>123,250</u>	<u>416,307</u>	<u>6,367</u>	545,924
Unallocated assets				<u>6,091</u>
Total assets				<u>552,015</u>
Segment liabilities	<u>52,096</u>	<u>120,657</u>	<u>6,876</u>	179,629
Unallocated liabilities				<u>7,212</u>
Total liabilities				<u>186,841</u>

7. EXPENSES BY NATURE

	Unaudited 2015	Unaudited 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of and changes in inventories	171,376	210,886
Advertising and promotion expenses	9,601	8,391
Auditor's remuneration	1,086	1,108
Depreciation of property, plant and equipment	8,032	10,045
Depreciation of investment properties	—	77
Amortisation of intangible assets	651	1,399
Provision for impairment of property, plant and equipment	312	698
Provision for impairment of trade receivables	560	—
Operating lease rental in respect of leasehold land and buildings		
— minimum leases payments	29,892	32,182
— turnover rental expenses	119,087	131,592
Provision for obsolete inventories	13,956	13,926
Employee benefit expenses	112,856	119,681
Other expenses	41,779	44,554
	<u>509,188</u>	<u>574,539</u>

8. OTHER GAINS/(LOSSES), NET

	Unaudited 2015	Unaudited 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposals of property, plant and equipment	(116)	(23)
Gain on disposal of assets held for sale	9,848	—
Net foreign exchange (losses)/gains	(222)	15
	<u>9,510</u>	<u>(8)</u>

9. OTHER INCOME

	Unaudited 2015	Unaudited 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government subsidies	—	1
Licence fee income	243	351
Others	1,125	767
	<u>1,368</u>	<u>1,119</u>

10. FINANCE (COSTS)/INCOME, NET

	Unaudited 2015 HK\$'000	Unaudited 2014 HK\$'000
Finance income:		
— Interest income on bank deposits	127	116
Finance costs:		
— Interest on bank borrowings and overdrafts	(291)	(107)
— Interest on obligation under finance lease	(6)	(6)
	(297)	(113)
Finance (costs)/income, net	(170)	3

11. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has not been provided as the Hong Kong subsidiaries did not generate assessable profit during the current period.

The amount of income tax expense/(credit), charged/(credited) to the income statement represents:

	Unaudited 2015 HK\$'000	Unaudited 2014 HK\$'000
Current income tax:		
— Hong Kong profits tax	—	—
— PRC corporate income tax	195	336
Over-provision in prior year	—	(1,493)
	195	(1,157)
Deferred income tax	69	—
	264	(1,157)

12. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the period attributable to the equity holder of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited 2015	Unaudited 2014
Loss for the period attributable to the equity holder of the Company (HK\$'000)	<u>(70,557)</u>	<u>(62,277)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>627,791</u>	<u>623,560</u>
Loss per share (HK cents per share)	<u>(11.24)</u>	<u>(9.99)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share for the periods ended 30 September 2014 and 30 September 2015 as there was no dilutive potential ordinary shares outstanding during the periods.

13. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Unaudited Investment properties <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>
Six months ended			
30 September 2015			
Opening net book amount as at 1 April 2015	34,942	—	2,570
Additions	9,206	—	564
Disposals	(164)	—	—
Depreciation and amortisation	(8,032)	—	(651)
Impairment	(312)	—	—
Exchange differences	(226)	—	(48)
Closing net book amount as at 30 September 2015	35,414	—	2,435
Six months ended			
30 September 2014			
Opening net book amount as at 1 April 2014	40,386	3,579	4,605
Additions	9,859	—	287
Reclassification	(1,202)	1,202	—
Disposals	(26)	—	—
Depreciation and amortisation	(10,045)	(77)	(1,399)
Impairment	(698)	—	—
Exchange differences	101	—	26
Closing net book amount as at 30 September 2014	38,375	4,704	3,519

14. TRADE RECEIVABLES

Ageing analysis of third party trade receivables is as follows:

	Unaudited 30 September 2015 <i>HK\$ '000</i>	Audited 31 March 2015 <i>HK\$ '000</i>
0 — 30 days	43,881	75,009
31 — 60 days	23,694	24,833
61 — 90 days	3,914	2,787
Over 90 days	19,860	12,395
	<u>91,349</u>	<u>115,024</u>
<i>Less: provision for impairment of trade receivables</i>	<u>(554)</u>	<u>—</u>
	<u><u>90,795</u></u>	<u><u>115,024</u></u>

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

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

15. ASSETS HELD FOR SALE

	Unaudited 30 September 2015 <i>HK\$ '000</i>	Audited 31 March 2015 <i>HK\$ '000</i>
Properties, plant and equipment	—	1,219
Investment properties	2,110	3,803
	<u>2,110</u>	<u>5,022</u>

Certain properties located in Hong Kong amounted to HK\$2,110,000 (31 March 2015: HK\$5,022,000) are presented as assets held for sale following the approval of the Group's management to locate the buyers for these properties on 22 December 2014. The transactions are expected to be completed within 12 months.

On 4 February 2015, Senet International Limited, a wholly owned subsidiary of the Company, entered into a provisional sales and purchase agreement for sales of its property for a consideration of HK\$5,630,000. The transaction was completed on 30 April 2015.

On 9 April 2015, Trunari Enterprises Company Limited, a wholly owned subsidiary of the Company, entered into a provisional sales and purchase agreement for sales of its property for a consideration of HK\$7,130,000. The transaction was completed on 8 June 2015.

16. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Authorised				
At 1 April 2015 and 30 September 2015, ordinary shares of HK\$0.1 each	9,000,000,000	900,000	—	900,000
Issued and fully paid				
At 1 April 2014, 30 September 2014 and 1 April 2015, ordinary shares of HK\$0.1 each	623,560,000	62,356	562,600	624,956
Exercise of share options (<i>Note a</i>)	8,800,000	880	6,761	7,641
At 30 September 2015	632,360,000	63,236	569,361	632,597

Note:

- (a) Share option scheme: During the period ended 30 September 2015, options were exercised to subscribe for 8,800,000 ordinary shares (2014: Nil) in the company at a consideration of HK\$5,280,000 of which HK\$880,000 was credited to share capital and the balance of HK\$4,400,000 was credited to the share premium account. HK\$2,361,000 has been transferred from the share-based compensation reserve to the share premium account. The related weighted average price at the time of exercise was HK\$0.6 (2014: Nil) per share.

17. OTHER RESERVES

	Merger reserve (Note a) HK\$'000	Statutory reserves (Note b) HK\$'000	Unaudited Foreign currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Total other reserves HK\$'000
Balance at 1 April 2015	22,002	23,954	55,426	29,511	130,893
Currency translation differences	—	—	(6,597)	—	(6,597)
Share option scheme — exercise of share options (Note 16 (a))	—	—	—	(2,361)	(2,361)
Balance at 30 September 2015	<u>22,002</u>	<u>23,954</u>	<u>48,829</u>	<u>27,150</u>	<u>121,935</u>
Balance at 1 April 2014	22,002	23,954	57,191	29,397	132,544
Currency translation differences	—	—	3,025	—	3,025
Share option scheme — value of employee services	—	—	—	44	44
Share award	—	—	—	14	14
Balance at 30 September 2014	<u>22,002</u>	<u>23,954</u>	<u>60,216</u>	<u>29,455</u>	<u>135,627</u>

Notes:

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

18. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
0 — 30 days	152,583	91,290
31 — 60 days	2,443	1,283
61 — 90 days	260	326
Over 90 days	1,977	8,497
	<u>157,263</u>	<u>101,396</u>

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

19. BORROWINGS

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Short-term bank loans — secured	<u>34,840</u>	<u>25,040</u>

The bank loans are denominated in New Taiwan dollar and Hong Kong dollar amounting to HK\$4,840,000 and HK\$30,000,000, repayable in 90 days and 30 days from the date of issuance and are interest bearing at fixed rate of 2.75% and at Hong Kong Inter Bank of floating rate plus 2% per annum respectively.

The New Taiwan dollar denominated bank loan is secured by the Group's standby letter of credit amounting to United States dollar 1 million and a promissory note of New Taiwan dollar 28 million co-made by the Group and the non-controlling shareholder. The Hong Kong dollar denominated bank loan is secured by the Group's property, plant and equipment and assets held for sale with carrying value of HK\$18,732,000 and HK\$2,110,000 respectively.

The fair value of the bank loans equal their carrying amounts, as the impacts of discounting are not significant due to their short maturity.

Movement of bank borrowings are analysed as below:

	Unaudited 2015 HK\$ '000	Unaudited 2014 HK\$ '000
Opening balance as at 1 April	25,040	5,260
Additions	45,148	30,540
Repayments	(35,148)	(10,540)
Exchange differences	(200)	—
	<u>34,840</u>	<u>25,260</u>
Closing balance at 30 September	<u><u>34,840</u></u>	<u><u>25,260</u></u>

20. DIVIDEND

The Board has resolved not to declare interim dividend for the period (2014: Nil).

21. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2015 (31 March 2015: Nil).

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Smart Presto Holdings Limited (incorporated in the British Virgin Islands) which owns 71.03% of the Company's shares as at 30 September 2015. The ultimate controlling party of the Group is Ms. Chan Mei Sheung. The remaining 28.97% of the shares were widely held.

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

Key management compensation:

	Unaudited 2015 HK\$ '000	Unaudited 2014 HK\$ '000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,757	3,748
Contributions to pension plans	36	34
Share based payments	—	22
	<u>3,793</u>	<u>3,804</u>

Note:

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

2. INDEBTEDNESS STATEMENT

Indebtedness

Borrowings

As of the close of business on 30 November 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group's bank borrowings of approximately HK\$34,920,000 in aggregate comprised (i) a bank borrowing of approximately HK\$4,920,000, which was secured by the Group's standby letter of credit of US\$1 million and a promissory note of New Taiwan Dollar 28 million co-made by the Group and the non-controlling shareholder and (ii) a bank borrowing of approximately HK\$30,000,000, which was secured by the Group's certain property, plant and equipment and assets held for sale with carrying amounts of approximately HK\$18,633,000 and HK\$2,110,000 as at 30 November 2015, respectively.

Obligation under finance lease

As of the close of business on 30 November 2015, the Group's obligation under finance lease of approximately HK\$150,000 was secured by the Group's property, plant and equipment with a carrying amount of approximately HK\$197,000 as at 30 November 2015.

Save as aforesaid or otherwise mentioned in this Composite Document and apart from intra-group liabilities and normal trade payables, the Group had no other debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing or acceptances or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees as at the close of business on 30 November 2015.

3. MATERIAL CHANGE

The Directors have confirmed that, save and except for:

- (i) the material increase in bank loans amounting to HK\$20.0 million drawn down used for settlement of the Group's trade payables since 31 March 2015 and up to the Latest Practicable Date (as compared to the balance of borrowings of approximately HK\$25.0 million as at 31 March 2015);
- (ii) an unaudited aggregate gain of approximately HK\$9.8 million arising from the disposal of a property by Senet International Limited, a wholly owned subsidiary of the Company pursuant to a provisional sales and purchase agreement dated 4 February 2015 for a consideration of HK\$5,630,000, which was subsequently completed on 30 April 2015; and the disposal of a property

by Trunari Enterprises Company Limited, a wholly owned subsidiary of the Company, pursuant to a provisional sales and purchase agreement dated 9 April 2015 for a consideration of HK\$7,130,000, which was subsequently completed on 8 June 2015, details of which are disclosed in the announcement of the Company dated 9 April 2015 and Note 8 to the Interim Report;

- (iii) the net decrease of 33 shops of the Group (including self-managed retail shops, concession points in department stores and franchised stores) as at 30 September 2015 as compared to 31 March 2015, which is expected to be reflected in the Group's revenue for the year ending 31 March 2016;
- (iv) an unaudited unrealised foreign exchange losses of approximately HK\$6.6 million mainly arising from the Group's cash and cash equivalents and intercompany balances denominated in RMB for the period from 1 April 2015 to 30 September 2015, as disclosed in Note 17 of the Interim Report; and
- (v) an unaudited provision for obsolete inventories of approximately HK\$14.0 million for the period from 1 April 2015 to 30 September 2015, as disclosed in Note 7 of the Interim Report,

there has been no material change in the financial or trading position or outlook of the Group since 31 March 2015, being the date to which the latest published audited accounts of the Group were made up, and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, the sole director of the Offeror, the proposed Directors nominated by the Offeror to the Board, their associates and parties acting in concert with any of them and the Offeror's intention regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror, the sole director of the Offeror, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
9,000,000,000 Shares of HK\$0.10 each	900,000,000
<i>Issued and fully paid:</i>	
641,360,000 Shares of HK\$0.10 each	64,136,000

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, the Company did not have any outstanding Options or any outstanding options, warrants or other conversion rights affecting the Shares.

The number of Shares in issue at 31 March 2015, being the date to which the latest audited financial statements of the Company were made up, was 623,560,000. A total of 17,800,000 Shares were issued since that date until the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
31 July 2015	0.82
31 August 2015	0.60
30 September 2015	1.10
30 October 2015	1.09
30 November 2015	0.94
31 December 2015	0.98
7 January 2016 (Last Trading Day)	0.97
29 January 2016 (Latest Practicable Date)	1.43

During the Relevant Period:

- (i) the highest closing price of the Share as quoted on the Stock Exchange was HK\$1.43 per Share on 29 January 2016; and
- (ii) the lowest closing price of the Share as quoted on the Stock Exchange was HK\$0.55 per Share on 7 September 2015.

4. DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange:

(a) Interests and short positions in the Shares and its associated corporations

Name of directors	Capacity	Number of Shares <i>(Note 1)</i>	Percentage shareholding in the same class of securities as at the Latest Practicable Date
Mr. KIU Wai Ming	Beneficial owner	6,500,000 (L)	1.01%
Mr. HUNG Tin Chun	Beneficial owner, interest of spouse	2,212,000 (L) <i>(Note 2)</i>	0.34%

Notes:

- The letter “L” represents the director’s long position in the Shares.
- Mr. Hung Tin Chun is personally interested in 2,000,000 Shares and the remaining 212,000 Shares are held by Ms. SZE Ming Fun who is the spouse of Mr. HUNG Tin Chun.

(b) Interests and short positions in the underlying Shares and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in any underlying Shares or any of its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Interests and short positions in the debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in the debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(d) Interests and short positions of substantial Shareholders in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the following Shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the Shares and underlying Shares are set out above) had interests or short positions in the shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held (Note 1)	Approximate percentage of interests as at the Latest Practicable Date
Mr. HUI Wan Hon	Interests held jointly with Ng Chee Yin Susie Linda	56,271,400 (L)	8.77%
Estate of Huang Wen Yi, Administrators Account	Other	67,492,500 (L)	10.52%
The Offeror	Beneficial owner	387,657,500 (L)	60.44%
Mr. Zhu (Note 2)	Interest of controlled corporation	387,657,500 (L)	60.44%

Note: (1) The letter "L" represents the person/entity's long position in the Shares.

(2) The entire issued share capital of the Offeror is wholly owned by Mr. Zhu. By virtue of the SFO, Mr. Zhu is deemed to be interested in the Shares held by the Offeror.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares and underlying Shares which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

5. DEALINGS IN SECURITIES

- (a) As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror during the Relevant Period.
- (b) As at the Latest Practicable Date, save as disclosed in the paragraph headed “4. Disclosure of interests” in this Appendix, none of the Directors were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror. Save for Ms. Chan (who was transmitted and transferred on 8 October 2015 a total of 246,672,500 Shares pursuant to the Distribution and the administration of the Estate (as disclosed in the Company’s announcement dated 5 October 2015), and who (pursuant to the SP Agreement) sold the Sale Shares, exercised the Ms. Chan Option and sold the Ms. Chan Option Shares), Mr. HUNG Tin Chun (who exercised the Option then held by him to purchase 2,000,000 Shares at HK\$0.60 per Share on 13 January 2016) and Mr. KIU Wai Ming (whose Option to purchase 6,000,000 Shares pursuant to the share purchase scheme adopted on 5 August 2009 by Smart Presto Holdings Limited, a former controlling Shareholder of the Company, lapsed on 8 October 2015), none of the Directors had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period.
- (c) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or its subsidiaries, or the adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

- (d) As at the Latest Practicable Date and during the Relevant Period, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (e) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (f) As at the Latest Practicable Date, one Director (namely, Mr. HUNG Tin Chun) has expressed his intention in respect of his own beneficial shareholdings in the Company, to accept the Offer, in whole or in part, subject to the movement in the Share price during the Offer Period (see paragraph headed “RECOMMENDATION” in the “LETTER FROM INDEPENDENT BOARD COMMITTEE” on pages 25 to 26 of this Composite Document).
- (g) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

As at the Latest Practicable Date, save for the SP Agreement to which Ms. Chan is a party, the Offeror had not entered into any material contract in which any Director has a material personal interest.

7. SERVICE CONTRACTS OF DIRECTORS

The Company has entered into a service contract or letter of appointment with the following Directors either (i) which was entered into/amended within six months before the commencement of the Offer Period or (ii) for a fixed term of more than 12 months irrespective of notice period (in which case, the appointment shall be subject to the provision for retirement by rotation in the articles of association of the Company). Details of such service contracts and letters of appointment are set out below:

Name of Directors	Commencement date of service contract/letter of appointment	Expiry date of service contract/letter of appointment	Fixed fee per annum
Ms. Chan (<i>Note</i>)	7 June 2014	6 June 2016	HK\$2,140,080
Mr. KIU Wai Ming (<i>Note</i>)	7 June 2014	6 June 2016	HK\$1,696,080
Mr. HUNG Tin Chun (<i>Note</i>)	16 September 2014	15 September 2016	HK\$696,780
Mr. SZE Tsai Ping, Michael	7 June 2014	6 June 2016	HK\$264,000
Dr. FAN Yiu Kwan, <i>JP</i>	7 June 2014	6 June 2016	HK\$240,000
Mr. LEE Kwan Hung	1 February 2015	31 January 2017	HK\$240,000

Note: Under the respective service agreements entered into by the Company with each of the executive Directors, each executive Director is entitled to a bonus as determined by the board of Directors of the Company at its absolute discretion, provided that the total amount of bonus payable to all Directors of the Company shall not exceed 7.5% of the audited consolidated net profit after tax and minority interests (but before extraordinary items) of the Company for that financial year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period;

- (b) were continuous contracts with a notice period of twelve months or more; or
- (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors had entered into any service contract or had an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

There had been no other contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years prior to 13 January 2016, being the date of commencement of the Offer Period, and up to the Latest Practicable Date which is or may be material.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

10. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert(s) who have given its report, opinion or advice which are contained in this Composite Document:

Name	Qualifications
BOSC International Company Limited	A corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

BOSC International has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and references to its name, in the form and context in which they are included.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since 31 March 2015, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is 7th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong.
- (b) The registered office of BOSC International is at 34/F Citibank Tower, 3 Garden Road, Central, Hong Kong.
- (c) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at 7th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.walkershop.com.hk>) during the period from the date of this Composite Document onwards for as long as the Offer remain open for acceptance:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the two financial years ended 31 March 2014 and 31 March 2015;
- (c) the interim report of the Group for the six months ended 30 September 2015;
- (d) a copy of this Composite Document;

- (e) the letter dated 3 February 2016 from the Board as set out on pages 19 to 24 of this Composite Document;
- (f) the letter dated 3 February 2016 from the Independent Board Committee to the Independent Shareholders as set out on pages 25 to 26 of this Composite Document;
- (g) the letter dated 3 February 2016 from BOSC International to the Independent Board Committee as set out on pages 27 to 47 of this Composite Document;
- (h) each of the Directors' service agreement or letter of appointment referred to under the paragraph headed "7. SERVICE CONTRACTS OF DIRECTORS" in this Appendix; and
- (i) the letter of consent from BOSC International referred to under the paragraph headed "10. QUALIFICATIONS AND CONSENT OF EXPERT" in this Appendix.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offer.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendors and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinion expressed in this Composite Document (other than the opinion expressed by the Group, the Directors, the Vendors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statements contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Zhu, who is the sole director and sole shareholder of the Offeror.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Number of Shares held/ interested	Approximate % of interest as at the Latest Practicable Date
The Offeror	Beneficial owner	387,657,500	60.44
Mr. Zhu	Interest of controlled corporation (<i>Note</i>)	387,657,500	60.44

Note: The Offeror is wholly and beneficially owned by Mr. Zhu. By virtue of the SFO, Mr. Zhu is deemed to be interested in the same parcel of Shares held by the Offeror.

As at the Latest Practicable Date, pursuant to the terms and conditions of the facilities granted by Kingston Securities for the purpose of the SP Agreement and the Offer, the Sale Shares, the Ms. Chan Option Shares and the Offer Shares to be acquired by the Offeror under the Offer shall be deposited with Kingston Securities as collateral for such facilities. Save for the aforesaid, Kingston Securities did not have any interest in any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) As at the Latest Practicable Date, save as disclosed in the paragraph headed “Disclosure of Interest” in this Appendix IV, the sole director of the Offeror did not have any interests in any Shares, convertible securities, warrants, options or derivatives of the Company, or had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (b) Save for the 387,657,500 Shares owned by the Offeror, and save for the rights of Kingston Securities (a party presumed to be acting in concert with the Offeror) over those Shares deposited with it as collateral for the facilities granted by it to the Offeror for the purpose of the SP Agreement and the Offer, none of the Offeror or any persons acting in concert with it owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.
- (c) Save for the entering into of the SP Agreement and the transactions contemplated thereunder (of which the sale and purchase of the Sale Shares was completed on 14 January 2016, and the sale and purchase of the Ms. Chan Option Shares was completed on 19 January 2016), none of the Offeror or any persons acting in concert with it had dealt for value in any such securities during the Relevant Period.
- (d) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or reject the Offer.

- (e) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it had entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.
- (f) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

4. GENERAL

- (a) As at the Latest Practicable Date, there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) As at the Latest Practicable Date, save for the arrangement of resignation of existing Directors as set out under the subsection headed “Proposed change of Board composition” in the “Letter from Kingston Securities” set out in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer;
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not or seek to invoke a pre-condition or a condition to the Offer.

5. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
31 July 2015	0.82
31 August 2015	0.60
30 September 2015	1.10
30 October 2015	1.09
30 November 2015	0.94
31 December 2015	0.98
7 January 2016 (the Last Trading Day)	0.97
29 January 2016 (the Latest Practicable Date)	1.43

During the Relevant Period:

- (i) the highest closing price of the Share as quoted on the Stock Exchange was HK\$1.43 per Share on 29 January 2016 ; and
- (ii) the lowest closing price of the Share as quoted on the Stock Exchange was HK\$0.55 per Share on 7 September 2015.

6. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Kingston Securities	a licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Securities and Kingston Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which it appear.

As at the Latest Practicable Date, none of Kingston Securities and Kingston Corporate Finance had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the Offeror is a company incorporated in the Republic of Seychelles with limited liability on 11 December 2014 and is wholly owned by Mr. Zhu. As at the Latest Practicable Date, the Offeror does not have any subsidiary save for the Company;
- (b) the registered office address of the Offeror is Second Floor, Capital City, Independence Avenue, Victoria, Mahé, Seychelles;
- (c) the sole director of the Offeror is Mr. Zhu;
- (d) the correspondence address of Mr. Zhu is Room 1102, Xietu East Road 158 Long No.3, Huangpu, Shanghai, The People's Republic of China;
- (e) the registered office and correspondence address of Kingston Corporate Finance and Kingston Securities is at Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong; and
- (f) the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at 7th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.walkershop.com.hk>) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out in the section headed “Letter from Kingston Securities” in this Composite Document; and
- (c) the letters of consent referred to under the paragraph headed “Experts and consents” in this Appendix IV.