

Walker Shop

Walker Group Holdings Limited

incorporated in the Cayman Islands with limited liability
stock code : 1386



Walker Shop First Asia Celebrity Endorser – Kitty Zhang

Interim Report 2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUANG Wen Yi *Chairman*
CHAN Mei Sheung
CHU Yin Man
KIU Wai Ming

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

CHU Yin Man

QUALIFIED ACCOUNTANT

CHONG Lai Chu

PRINCIPAL BANKERS

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

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS

Baker & McKenzie
P. C. Woo & Co

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 Steet
Kowloon Bay, Kowloon
Hong Kong

REGISTRAR IN HONG KONG

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

REGISTRAR IN CAYMAN ISLANDS

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

COMPLIANCE ADVISER

Taifook Capital Limited

INTERNET ADDRESS

www.walkershop.com.hk

STOCK CODE

1386

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of Walker Group Holdings Limited (the "Company") has pleasure in presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007. The unaudited condensed consolidated interim financial information has been reviewed and approved with no disagreement by the Audit Committee of the Company.

For the period under review, the Group made approximately HK\$411 million (2006: HK\$306 million) in revenue, representing an increase of approximately 34.4% against the same period last year. Gross profit was approximately HK\$249 million (2006: HK\$185 million), representing an increase of approximately 35.0%. The Group's unaudited profit attributable to shareholders for the six months ended 30 September 2007 amounted to HK\$60 million (2006: HK\$33 million).

BASIC EARNINGS PER SHARE

Basic earnings per share was HK10.8 cents during the six months ended 30 September 2007.

INTERIM DIVIDEND

The Directors have declared payment of an interim dividend of HK1.5 cents per share for the six months ended 30 September 2007 (2006: nil) to shareholders whose names appear on the register of members of the Company on Thursday, 24 January 2008. The dividend will be paid on Tuesday, 29 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 January 2008 to Thursday, 24 January 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 January 2008.

CHAIRMAN'S STATEMENT

PROSPECTS

The Group's business continued to progress steadily translating into positive performance and a 83.8% increase in profit for the period under review. The Group expanded its point-of-sales network by adding 108 self-managed shops and 20 franchise sales points in the PRC, 3 self-managed in Hong Kong, and 1 franchise sales point in Taiwan, bringing the total to 417, 58 and 7 in the three markets respectively.

In addition, the Group started operating franchise business in the PRC in July 2007 and as at 30 September 2007, 20 franchise sales points were set up and running in the PRC.

During the period under review, the Group's performance, especially that in the PRC, were better than expected with rapid opening of new shops, pointing to possibly an early arrival at our target expansion. The continuously thriving PRC market will no doubt keep offering us more opportunities in the coming years. As for the local market, with the economy improving and tourism continuing to boom, we see the importance of boosting our brand in the market to instill customer loyalty. The Group will enhance marketing in Hong Kong and the PRC, one way through including appointing celebrities as product spokespersons. We have also put strong emphasis on renovating our shops to keep them trendy and appealing, a very effective way to enhance our image to customers. With rapidly expanding retail networks in the different markets, we are optimistic of the long-term growth of our business in the years ahead.

Finally, on behalf of the Board, I would like to take this opportunity to express my thanks and sincere appreciation to all employees for their contribution to the Group's satisfactory 2007 interim results, I look forward to working with all staff of the Group to achieve further success in the coming years.

HUANG Wen Yi

Chairman

11 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to report fast growth. For the period under review, it achieved turnover and profit attributable to the Company's equity holders of HK\$411 million and HK\$60 million respectively, 34.4% and 83.8% higher respectively than in the same period last year.

As at 30 September 2007, the Group had a total of 482 sales points of which 58 were self-managed in Hong Kong, 397 self-managed sales points and 20 franchise sales points in the PRC, and 7 franchise sales points in Taiwan. The total retail floor space of the Group was 23,905 sq. meters (excluded franchised shops) as at 30 September 2007.

TURNOVER

The Group's turnover increased by 34.4% to HK\$411 million in the six months ended 30 September 2007 (2006: HK\$306 million).

(a) Hong Kong

Turnover from the Hong Kong operation increased a notable 28.6% to HK\$170 million (2006: HK\$132 million).

(b) China

In July 2007, the Group started operating franchise business in the PRC and, as at 30 September 2007, 20 franchise sales points were set up and running in the country. For the period under review, the Group added 68, 28 and 7 self-managed sales points for Walker Shop, Couber.G and Artemis, and 5 Acupuncture specialty shops. Operations in the PRC continued to enjoy strong growth momentum and achieved a turnover of HK\$236 million (2006: HK\$171 million) for the period under review, representing an increase of over 38.2% compared with last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND ANALYSIS

The Group's operations in Hong Kong, the PRC and other markets accounted for 41.4%, 57.5% and 1.1% respectively of its total turnover for the six months ended 30 September 2007.

Sales from retail shop operations increased by 33.1% to HK\$402 million for the six months ended 30 September 2007 (2006: HK\$302 million). Overall gross margin was 60.6% (2006: 60.3%) and net profit was HK\$60 million (2006: HK\$33 million). During the period under review, interest income from deposits relating to share subscription under the listing was HK\$19 million and gain on disposal of property, plant and equipment related to the corporate reorganization was HK\$3 million, while share option related expense was HK\$6 million. Excluding these three items, the Group's adjusted net profit for the six months ended 30 September 2007 was amounted to HK\$44 million (2006: HK\$33 million), an increase of 34.5%.

For the period under review, the average per pair transaction price of the Group's footwear products was approximately HK\$260 (2006: HK\$280) and average total footwear products sold a day was approximately 8,400 pairs (2006: 5,800 pairs).

During the period under review, the Group continued to expand actively by opening new sales points totaling 128 (including 20 new franchise sales points) in the PRC including in the provinces of Shandong, Jiangsu, Sichuan, Zhejiang, Liaoning and Guangdong, and municipalities such as Beijing, Shanghai, Tianjin and Chongqing. The demand for footwear had grown steadily in the PRC during the review period.

The highly volatile stock market resulting from the sub-prime mortgage situation in the US appeared to have affected consumption sentiment slightly in Hong Kong. The Group, however, does not expect the US credit issue to impact economies in other parts of the world particularly the PRC. The Group expects demand for footwear to continue to increase at its persistent sales and marketing efforts.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2007, the Group had working capital of approximately HK\$695 million (2006: HK\$53 million) and its current ratio improved notably to a steady level of 5.0 times (31 March 2007: 1.2 times).

During the period under review, the Group increased its inventory level to ensure sufficient stocks were available to support sales expansion. Its inventory turnover ratio was 211 days (31 March 2007: 188 days) and the value of inventory was approximately HK\$218 million (31 March 2007: HK\$155 million).

As at 30 September 2007, the Group had cash and cash equivalents of approximately HK\$535 million (31 March 2007: HK\$48 million). It had outstanding bank borrowings of approximately HK\$29 million (31 March 2007: HK\$109 million) comprising long-term bank loans of approximately HK\$8 million of which approximately HK\$1 million will be repaid within one year, HK\$2 million will be repaid in the second to fifth year and the approximately HK\$5 million balance will be repaid after the fifth year. During the period, the Group secured new short-term bank loans of approximately HK\$29 million to finance its working capital needs and bank loans of approximately HK\$109 million were settled. The bank loans in Hong Kong dollars and Renminbi were arranged on floating rate basis for short-term bank borrowings and fixed rate of HIBOR + 1.25% per annum for long-term loans. As at 30 September 2007, the gearing ratio of the Group was 3% (31 March 2007: 24.2%).

Taking into account the cashflow generated from operating activities and financial resources available, the Group believes it has sufficient working capital to meet all present requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE MANAGEMENT

The Group is exposed to risks of exchange rate fluctuation, primarily in relation to Renminbi. Foreign exchange risks are experienced in activities including commercial transactions, recognized assets and liabilities and net investments in foreign operations, and subject to foreign exchange control rules and regulations promulgated by the PRC government.

CONTINGENT LIABILITIES

As at 30 September 2007, the Group did not have any outstanding contingent liabilities (31 March 2007: Nil).

HUMAN RESOURCES

As at 30 September 2007, the Group had a total of 2,844 employees. Training courses were regularly organized for employees to enhance their sales skills and product knowledge. The Group offers competitive remuneration packages to employees, including basic salaries, allowances, insurance and bonuses.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 September 2007, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Capacity and number of Shares held			Number of equity derivatives (options) held		Total	Approximate percentage of shareholding
	Personal Interest	Family Interest	Corporate Interest	Personal Interest (note 3)	Family Interest		
Huang Wen Yi (note 1)	–	–	449,765,000	4,380,000	3,550,000	457,695,000	73.53%
Chan Mei Sheung (note 2)	–	449,765,000	–	3,550,000	4,380,000	457,695,000	73.53%
Chu Yin Man (note 4)	300,000	–	–	1,200,000	–	1,500,000	0.24%
Kiu Wai Ming	–	–	–	2,000,000	–	2,000,000	0.32%

Notes:

- Mr. Huang Wen Yi (“Mr. Huang”) is taken to be interested in the 449,765,000 Shares held by Smart Presto Holdings Limited (“Smart Presto”), which is owned as to 90% by Mr. Huang and 10% by Ms. Chan Mei Sheung (“Ms. Chan”). Mr. Huang is the husband of Ms. Chan and is deemed to be interested in the option relating to 3,550,000 shares held by Ms. Chan.
- Ms. Chan is the wife of Mr. Huang and is taken to be interested in the 449,765,000 Shares held by Smart Presto in which Mr. Huang is interested and the option relating to 4,380,000 shares held by Mr. Huang.
- These represent the number of shares which will be allotted and issued to such Directors upon the exercise of the options granted to each of them under the Pre-IPO Share Option Scheme.
- The 300,000 Shares were acquired by Mr. Chu Yin Man pursuant to the Employee Share Purchase Agreement entered into by Mr. Huang, Smart Presto and Mr. Chu Yin Man on 2 May 2007.

DISCLOSURE OF INTERESTS

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any Shares of the Company as at 30 September 2007.

SUBSTANTIAL SHAREHOLDER

As at 30 September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Long Position

Substantial Shareholder	Number of Shares Held	Capacity	Approximate percentage of shareholding
Smart Presto Holdings Limited (note 1)	449,765,000	Beneficial owner	72.25%

Note:

- Smart Presto Holdings Limited, which is owned as to 90% by Mr. Huang and 10% by Ms. Chan, is the registered owner of 449,765,000 Shares.

Save as disclosed above, no person had registered interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of the Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 September 2007, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, a practicable matter, able to direct or influence the management of the Company.

CORPORATE GOVERNANCE

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2007, except for the deviation from Code Provision A.2.1., which stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Wen Yi, one of the founders of the Group, is the chairman, an executive Director and chief executive officer of the Company. With Mr. Huang’s extensive experience in the footwear industry, he is responsible for overall management of the Group. The Board considers that vesting the roles of the chairman and chief executive officer in the same person, namely Mr. Huang, who possesses such extensive experience, is appropriate at this stage. The Board believes that Mr. Huang’s responsibilities as chairman and chief executive officer allow him to apply his extensive experience in the best interests of the Company.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of seven Directors, comprising four executive Directors, three independent non-executive Directors. More than one-third of the Board are independent non-executive Directors and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company’s Articles of Association and the Code on CG Practices.

CORPORATE GOVERNANCE

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective 7 June 2007. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2007.

AUDIT COMMITTEE

The Company established the audit committee ("Audit Committee") in May 2007 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The Audit Committee comprises three independent non-executive directors, namely, Mr. SZE Tsai Ping Michael (Chairman of the Audit Committee), Prof. FAN Yiu Kwan *JP* and Mr. TSANG Link Carl Brian. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's interim results for the six months ended 30 September 2007 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The Company established its remuneration committee (“Remuneration Committee”) in May 2007 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The Remuneration Committee comprises three independent non-executive directors, namely Prof. FAN Yiu Kwan *JP* (Chairman of the Remuneration Committee), Mr. SZE Tsai Ping Michael and Mr. TSANG Link Carl Brian.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee has been established in May 2007 and currently consists of three members, including Mr. Sze Tsai Ping Michael (Chairman of the Nomination Committee), Prof. Fan Yiu Kwan *JP* and Mr. Tsang Link Carl Brian, all of them are independent non-executive Directors. The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will be based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment) to identify and recommend proposed candidates to the Board.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 September 2007.

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

PRE-IPO SHARE OPTION SCHEME

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

On 21 May 2007, options to subscribe for a total of 15,000,000 shares in the Company, representing 2.5% of the issued share capital, at the exercise price of HK\$3.09 share which was equivalent to 80% of the final offer price of listing (HK\$3.86) were granted under the Pre-IPO Scheme. All options granted and accepted can be exercised in 3 vesting period within 6 years commencing on the expiration of 12 months after the listing (ie. from 7 June 2008 to 6 June 2013). All were accepted, and none were exercised, cancelled or lapsed during the six months ended 30 September 2007.

A summary of the movements during the six months ended 30 September 2007 of the share options under the Pre-IPO Scheme is as follows:

Name or category of participant	No of Share Options			Balance as at 30 September 2007	Percentage of issued share capital %
	Balance as at 1 April 2007	Granted during the six months ended 30 September 2007	Exercised during the six months ended 30 September 2007		
Directors					
Huang Wen Yi	—	4,380,000	—	4,380,000	0.70
Chan Mei Sheung	—	3,550,000	—	3,550,000	0.57
Chu Yin Man	—	1,200,000	—	1,200,000	0.24
Kiu Wai Ming	—	2,000,000	—	2,000,000	0.32
Employees					
Continuous contract employees	—	3,870,000	—	3,870,000	98.17

OTHER INFORMATION

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

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

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

At the balance sheet date, the Company had 15,000,000 share options outstanding under the Pre-IPO Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 15,000,000 additional ordinary shares of the Company and additional share capital of HK\$1,500,000 and share premium of HK\$44,850,000.

SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Scheme") for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contributions to the Company or its subsidiaries, which was effective from 7 June 2007. At the balance sheet date, the Board of Directors had not granted any options under the Scheme to the Directors or eligible employees of the Company or its subsidiaries to subscribe shares in the Company and no outstanding share options was exercised during the period under review.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Note	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
ASSETS			
Non-current assets			
Leasehold land	5	19,120	35,196
Property, plant and equipment	5	39,699	41,061
Intangible assets	5	12,755	14,039
Deferred income tax assets		1,843	1,061
Available-for-sale financial assets		1,190	1,168
Rental deposits		18,016	14,160
		92,623	106,685
Current assets			
Inventories		218,024	155,176
Trade and bills receivables	6	81,915	68,781
Amounts due from related companies		—	33,280
Deposits, prepayments and other receivables		25,659	28,709
Tax recoverable		17	17
Pledged bank deposit		10,000	10,000
Cash and cash equivalents		535,152	47,823
		870,767	343,786
Total assets		963,390	450,471
EQUITY			
Share capital and premium	7	624,320	10,000
Retained earnings		107,980	100,078
Other reserve		39,973	29,941
Total equity		772,273	140,019

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Continued)

AS AT 30 SEPTEMBER 2007

	Note	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	8	7,333	9,914
License fees payable		7,662	9,393
Deferred income tax liabilities		295	295
		15,290	19,602
Current liabilities			
Borrowings	8	21,479	99,224
Trade and bills payables	9	77,736	84,905
Accruals and other payables		33,961	37,559
License fees payable		3,426	3,302
Amounts due to related companies		26,851	37,786
Amounts due to directors		—	13,048
Tax payable		12,374	15,026
		175,827	290,850
Total liabilities		191,117	310,452
Total equity and liabilities		963,390	450,471
Net current assets		694,940	52,936
Total assets less current liabilities		787,563	159,621

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		Unaudited Six months ended 30 September	
	Note	2007 HK\$'000	2006 HK\$'000
Turnover	4	411,061	305,907
Cost of sales	10	(161,851)	(121,319)
Gross profit		249,210	184,588
Selling and distribution costs	10	(174,679)	(124,160)
Administrative expenses	10	(34,699)	(18,734)
Other gains	11	223	44
Other income	12	13,031	1,108
Operating profit		53,086	42,846
Finance income	14	18,690	—
Finance costs	14	(2,696)	(1,220)
Profit before income tax		69,080	41,626
Income tax expenses	15	(9,059)	(8,976)
Profit for the period		60,021	32,650
Earnings per share (<i>expressed in HK cent per share</i>)			
— basic	16	10.8	7.3
— diluted	16	10.7	7.3
Dividend	17	60,499	—

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Share capital and premium (note 7) HK\$'000	Merger reserve (note a) HK\$'000	Statutory reserves (note b) HK\$'000	Foreign currency translation reserves HK\$'000	Available-for-sale investment reserve HK\$'000	Share based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2006	10,000	22,473	2,897	(657)	–	–	98,720	133,433
Profit for the period	–	–	–	–	–	–	32,650	32,650
Currency translation differences	–	–	–	136	–	–	–	136
Balance at 30 September 2006	10,000	22,473	2,897	(521)	–	–	131,370	166,219
Balance at 1 April 2007	10,000	22,002	5,412	2,529	(2)	–	100,078	140,019
Issue of shares	665,850	–	–	–	–	–	–	665,850
Listing expenses	(51,530)	–	–	–	–	–	–	(51,530)
Fair value loss of available-for-sale financial assets	–	–	–	–	22	–	–	22
Profit for the period	–	–	–	–	–	–	60,021	60,021
Transfer	–	–	958	–	–	–	(958)	–
Share option scheme – value of employment services	–	–	–	–	–	5,505	–	5,505
Dividends paid (note 17)	–	–	–	–	–	–	(51,161)	(51,161)
Currency translation differences	–	–	–	3,547	–	–	–	3,547
Balance at 30 September 2007	624,320	22,002	6,370	6,076	20	5,505	107,980	772,273
Representing:								
Reserves	624,320	22,002	6,370	6,076	20	5,505	98,642	762,935
Interim dividend (note 17)	–	–	–	–	–	–	9,338	9,338
	624,320	22,002	6,370	6,076	20	5,505	107,980	772,273

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 People's Republic of China ("PRC") are required to make appropriations to certain statutory reserves from profit for the period 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.

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATION INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(62,942)	(16,462)
Net cash generated from/(used in) investing activities	15,886	(15,419)
Net cash generated from financing activities	533,688	24,408
Net increase/(decrease) in cash and cash equivalents	486,632	(7,473)
Cash and cash equivalents at the beginning of the period	47,823	26,956
Effect of foreign exchange	697	366
Cash and cash equivalents at the end of the period	535,152	19,849

The notes on page 22 to 39 are an integral part of these condensed interim financial statements.

INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Walker Group Holdings Limited (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 combined 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 Group is principally engaged in the retailing of footwear in Hong Kong and Mainland China.

The Company and its subsidiaries (collectively the "Group") underwent the reorganisation (the "Reorganisation") in preparation for the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation were disclosed in the annual financial statements of the Group for the year ended 31 March 2007.

The Company's shares were listed on the Main Board of the Stock Exchange on 7 June 2007.

This condensed consolidated interim financial information for the six months ended 30 September 2007 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 11 December 2007.

2 Basis of preparation

This interim financial information has been prepared using the principles of merger accounting, as described in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information included the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 April 2006.

The Company has a financial year end date of 31 March. This condensed consolidated interim financial information for the six months ended 30 September 2007 has been prepared in accordance with Hong Kong Accounting Standard 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 2007.

INTERIM FINANCIAL STATEMENTS

3 Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2007, except as mentioned below.

(a) Effect of adopting new standards, amendments to standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 March 2008.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above standards and interpretations has no material financial impact to the condensed consolidated interim financial information.

(b) Standards, amendments to standards and interpretations that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 April 2007 and have not been early adopted. The Group anticipates that the adoption of these new standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKFRS 8	Operating Segments (effective from 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective from 1 January 2009)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective from 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective from 1 July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)

INTERIM FINANCIAL STATEMENTS

4 Segment information

(a) Primary reporting format – business segments

At 30 September 2007, the Group is organised into two main business segments operating in Hong Kong and Mainland China:

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

Segment assets consist primarily of leasehold land, property, plant and equipment, intangible assets, rental deposits, inventories, receivables and operating cash. They exclude tax recoverable, deferred income tax assets, available-for-sale financial assets and amounts due from related companies.

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

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

The segment results for the period are as follows:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Turnover:		
Retail	401,759	301,725
Wholesales	9,302	4,182
	411,061	305,907
Segment results:		
Retail	84,601	60,071
Wholesales	3,184	1,509
Unallocated	(34,699)	(18,734)
	53,086	42,846
Finance income	18,690	–
Finance costs	(2,696)	(1,220)
Income tax expenses	(9,059)	(8,976)
	60,021	32,650
Profit for the period	60,021	32,650

INTERIM FINANCIAL STATEMENTS

4 Segment information (Continued)

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

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Segment assets:		
Retail	955,816	411,802
Wholesales	4,524	3,143
Unallocated	3,050	35,526
	963,390	450,471
Segment liabilities:		
Retail	122,785	135,159
Wholesales	—	—
Unallocated	68,332	175,293
	191,117	310,452
	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Capital expenditure:		
Retail	10,471	15,577
Wholesales	—	—
Unallocated	—	—
	10,471	15,577

INTERIM FINANCIAL STATEMENTS

4 Segment information (Continued)

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

Other segment items included in the income statement for the period are as follows:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Amortisation of leasehold land:		
Retail	—	—
Wholesales	—	—
Unallocated	275	437
	275	437
Depreciation of property, plant and equipment:		
Retail	9,739	6,797
Wholesales	—	—
Unallocated	—	—
	9,739	6,797
Amortisation of intangible assets:		
Retail	1,581	144
Wholesales	—	—
Unallocated	—	—
	1,581	144
Net write-back of provision for obsolete inventories:		
Retail	(1,403)	(7,545)
Wholesales	—	—
Unallocated	—	—
	(1,403)	(7,545)

INTERIM FINANCIAL STATEMENTS

4 Segment information (Continued)

(b) Secondary reporting format – geographical segments

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

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Turnover:		
Hong Kong	170,005	132,161
Mainland China	236,433	171,076
Others	4,623	2,670
	<hr/>	<hr/>
	411,061	305,907

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

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Segment assets:		
Hong Kong	689,963	233,769
Mainland China	270,377	181,176
	<hr/>	<hr/>
	960,340	414,945
Unallocated assets	3,050	35,526
	<hr/>	<hr/>
	963,390	450,471

INTERIM FINANCIAL STATEMENTS

4 Segment information (Continued)

(b) Secondary reporting format – geographical segments (Continued)

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

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	6,731	10,992
Mainland China	3,740	4,585
	10,471	15,577

5 Capital expenditure

	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
Six months ended 30 September 2007			
Opening net book amount as at 1 April 2007	35,196	41,061	14,039
Exchange difference	—	275	2
Additions	—	10,176	295
Disposals	(15,801)	(2,074)	—
Depreciation and amortisation	(275)	(9,739)	(1,581)
Closing net book amount as at 30 September 2007	19,120	39,699	12,755
Six months ended 30 September 2006			
Opening net book amount as at 1 April 2006	36,761	32,544	638
Exchange difference	—	106	1
Additions	—	15,274	303
Disposals	—	(131)	—
Depreciation and amortisation	(437)	(6,797)	(144)
Closing net book amount as at 30 September 2006	36,324	40,996	798

INTERIM FINANCIAL STATEMENTS

6 Trade and bills receivables

Ageing analysis of third party trade and bills receivables is as follows:

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
0 – 30 days	75,349	65,325
31 – 60 days	3,665	1,894
61 – 90 days	1,357	445
Over 90 days	1,544	1,117
	81,915	68,781
Denominated in:		
– HK\$	8,836	5,118
– RMB	73,079	63,663
	81,915	68,781

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.

INTERIM FINANCIAL STATEMENTS

7 Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised					
Ordinary shares of HK\$0.1 each upon incorporation	(a)	3,900,000	390	—	390
Increase in authorised share capital	(b)	8,996,100,000	899,610	—	899,610
		9,000,000,000	900,000	—	900,000
Issued and fully paid					
At 10 November 2006 (date of incorporation)					
Issue of ordinary share of HK\$0.10	(a)	1	—	—	—
At 1 April 2007					
Issue of shares arising from Reorganisation	(c)	99,999,999	10,000	—	10,000
Capitalisation of share premium account	(d)	350,000,000	35,000	(35,000)	—
Issue of shares in connection with the listing	(e)	172,500,000	17,250	648,600	665,850
Listing expenses		—	—	(51,530)	(51,530)
At 30 September 2007		622,500,000	62,250	562,070	624,320

Notes:

- (a) On 10 November 2006 (date of incorporation of the Company), the authorised share capital of the Company was HK\$390,000 divided into 3,900,000 ordinary shares of HK\$0.10 each. On the same date, one subscriber's share of HK\$0.10 was allotted and issued to the initial subscriber for cash at par.
- (b) On 21 May 2007, the authorised share capital of the Company was increased from HK\$390,000 to HK\$900,000,000 by the creation of an addition of 8,996,100,000 shares of HK\$0.10 each.
- (c) On 21 May 2007, the Company acquired the entire issued share capital of Genius Earn Investments Limited and the consideration of which was satisfied by the issue and allotment of 99,999,999 shares to Smart Presto Holdings Limited, the then immediate holding company of the Group.

INTERIM FINANCIAL STATEMENTS

7 Share capital and premium (Continued)

Notes: (Continued)

- (d) On 6 June 2007, pursuant to the written resolution of shareholders of the Company passed on 4 June 2007, 350,000,000 ordinary shares of the Company were issued at par as fully paid to shareholders whose names appeared on the register of members of the Company on 21 May 2007 in proportion to their then existing shareholding in the Company. The amount was paid up in full by applying an amount of HK\$35,000,000 standing to the credit of the share premium account of the Company.
- (e) On 7 June 2007, the Company issued 150,000,000 ordinary shares of HK\$0.10 each at HK\$3.86 per share in connection with the listing, and raised gross proceeds of approximately HK\$579,000,000. Besides, on 26 June 2007, pursuant to the exercise of the over-allotment option, additional 22,500,000 ordinary shares of HK\$0.10 each were issued at HK\$3.86 per share and raised gross proceeds of HK\$86,850,000.

8 Borrowings

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Non-current		
Long-term bank loans	7,333	9,914
Current		
Current portion of long-term bank loans	667	1,667
Short-term bank loans	20,812	97,557
	21,479	99,224
Total bank borrowings	28,812	109,138

INTERIM FINANCIAL STATEMENTS

8 Borrowings (Continued)

Movement in borrowings is analysed as follows:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Opening amount as at 1 April	109,138	32,661
Additions	29,109	61,404
Repayment	(109,740)	(36,996)
Exchange reserve	305	—
Closing amount as at 30 September	28,812	57,069

9 Trade and bills payables

The ageing analysis of trade and bills payables is as follows:

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
0 – 30 days	76,592	83,281
31 – 60 days	139	544
61 – 90 days	240	284
Over 90 days	765	796
	77,736	84,905
Denominated in:		
– HK\$	23,831	32,643
– RMB	53,905	52,262
	77,736	84,905

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

INTERIM FINANCIAL STATEMENTS

10 Expenses by nature

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Purchase of and changes in inventories	163,254	128,864
Auditor's remuneration		
– current period	649	145
– over-provision in prior period	(690)	–
Amortisation of leasehold land	275	437
Depreciation of property, plant and equipment	9,739	6,797
Amortisation of intangible assets	1,581	144
Operating lease rental in respect of leasehold land and buildings	101,835	79,310
– including turnover rental expenses	82,454	64,741
Net write-back of obsolete inventories	(1,403)	(7,545)
Employee benefit expenses (<i>note 13</i>)	61,649	34,858
Other expenses	34,340	21,203
Total cost of sales, selling and distribution costs and administrative expenses	371,229	264,213

11 Other gains

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net foreign exchange gains	223	44

INTERIM FINANCIAL STATEMENTS

12 Other income

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Bank interest income	7,667	157
Licence fee income	866	350
Gain on disposal of property, plant and equipment	2,906	—
Others	1,592	601
	13,031	1,108

13 Employee benefit expenses (including directors' emoluments)

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Salaries, wages and bonuses	50,273	30,979
Pension costs — defined contribution plans	3,826	2,035
Share option scheme — value of employment services	5,505	—
Welfare and other expenses	2,045	1,844
	61,649	34,858

14 Finance income and costs

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Interest income from deposits relating to share subscription under the new listing (<i>note</i>)	18,690	—
Interest expense on bank borrowings and overdrafts	2,696	1,220

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

INTERIM FINANCIAL STATEMENTS

15 Income tax expenses

Hong Kong and PRC profits tax have been provided at the rate of 17.5% (2006: 17.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

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

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Current income tax:		
– Hong Kong profits tax	945	3,627
– PRC enterprise income tax	8,892	5,713
	<hr/>	<hr/>
	9,837	9,340
Deferred income tax	(778)	(364)
	<hr/>	<hr/>
	9,059	8,976

16 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Profit for the period	60,021	32,650
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	556,885	450,000
	<hr/>	<hr/>
Earnings per share (HK cent per share)	10.8	7.3

INTERIM FINANCIAL STATEMENTS

16 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprise share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Profit for the period	60,021	32,650
Weighted average number of ordinary shares in issue	556,885	450,000
Adjusted for share options	3,958	—
Weighted average number of ordinary shares for diluted earnings per share	560,843	450,000
Earnings per share (HK cent per share)	10.7	7.3

17 Dividend

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

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

At a meeting held on 11 December 2007, the Directors declared an interim dividend of HK1.5 cents per share, totalling HK\$9,338,000. This interim dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2008.

INTERIM FINANCIAL STATEMENTS

18 Significant related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

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

(a) Period end balances

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Amounts due to related companies		
– Beijing Trunari Footwear Company Limited	26,851	35,396
– Guangzhou Walker Shop Trading Limited	—	2,390
	26,851	37,786

Beijing Trunari Footwear Company Limited and Guangzhou Walker Shop Trading Limited are beneficially owned by Mr. Huang Wen Yi and Ms. Chan Mei Sheung.

(b) Key management compensation

	Unaudited Six months ended 30 September 2007 HK\$'000	2006 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,592	2,126
Contributions to pension plans	97	45
Share option expenses	4,396	—
	8,085	2,171

INTERIM FINANCIAL STATEMENTS

18 Significant related party transactions (Continued)

(c) Disposal of leasehold land and property, plant and equipment

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net book value of residential property transferred to Fine Top Investments Limited which is beneficially owned by Mr. Huang Wen Yi and Ms. Chan Mei Sheung	17,683	—

19 Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2007 (31 March 2007: Nil).

20 Accounting adjustments under common control combination

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

The consolidated balance sheet as at 31 March 2007:

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

INTERIM FINANCIAL STATEMENTS

20 Accounting adjustments under common control combination (Continued)

The consolidated balance sheet as at 30 September 2007 (unaudited):

	The Company HK\$'000	Subsidiaries of the Company HK\$'000	Adjustments HK\$'000 (note)	Consolidated HK\$'000
Investment in subsidiaries	10,000	46,649	(56,649)	—
Other assets	644,406	127,867	—	772,273
Net assets	654,406	174,516		772,273
Share capital and premium	624,320	78,651	(78,651)	624,320
Merger reserve	—	—	22,002	22,002
Retained earnings and other reserves	30,086	95,865	—	125,951
	654,406	174,516		772,273

Notes:

- The above adjustments represent adjustments to eliminate the share capital of the consolidated entities against the investment cost. The difference has been made to the merger reserve in the consolidated financial statements.
- No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

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)

NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2007

The Board of Directors of Walker Group Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30 September 2007 amounted to HK\$60 million which represents earnings of HK 10.8 cents per share. The Directors have declared an interim dividend for 2007 of HK 1.5 cents per share to shareholders whose names appear on the register of members of the Company on Thursday, 24 January 2008. The dividend will be paid on Tuesday, 29 January 2008.

The register of members of the Company will be closed from Thursday, 17 January 2008 to Thursday, 24 January 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 January 2008.

By Order of the Board
WALKER GROUP HOLDINGS LIMITED
Huang Wen Yi
Chairman

Hong Kong, 11 December 2007

As at the date of this report, the executive Directors are Mr. HUANG Wen Yi, Ms. CHAN Mei Sheung, Mr. CHU Yin Man and Mr. KIU Wai Ming, and the independent non-executive Directors are Mr. SZE Tsai Ping Michael, Prof. FAN Yiu Kwan, JP and Mr. TSANG Link Carl Brian.

* For identification purpose only