

# Walker GROUP



## Walker Group Holdings Limited

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

Interim Report 2008

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent non-executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

CHU Yin Man

### QUALIFIED ACCOUNTANT

CHONG Lai Chu

### PRINCIPAL BANKERS

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

### AUDITOR

PricewaterhouseCoopers

### LEGAL ADVISER

Baker & McKenzie

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### REGISTRAR IN HONG KONG

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

### REGISTRAR IN THE CAYMAN ISLANDS

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

### COMPLIANCE ADVISER

Taifook Capital Limited

### INTERNET ADDRESS

[www.walkershop.com.hk](http://www.walkershop.com.hk)

### STOCK CODE

1386

## **CHAIRMAN'S STATEMENT**

The board (the "Board") of directors (the "Directors") of Walker Group Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008. The interim financial information has been reviewed and approved by the audit committee of the Company.

For the period under review, the Group recorded a turnover of approximately HK\$438 million (2007: HK\$411 million), representing an increase of approximately 6.6% against the same period last year. Gross profit was approximately HK\$236 million (2007: HK\$249 million), representing a decrease of approximately 5.2% as compared to the same period last year.

The Group has acquired trademarks of "ACUPUNCTURE", which is a British footwear brand originated from London, through acquisition of the entire issued share capital of Vervestone Limited from Philip Dermot Bueno de Mesquita, Nikos Jacobus Nicholaou and Louisa Jane Chloe Bryan. The trademarks are registered in approximately 30 jurisdictions, including registrations in the United States, the European Community and other countries in Asia, North America and Latin America.

The Group believes that the acquisition will diversify the business into licensing as well as equip the Group with the potential to expand the brand business into other countries. The acquisition has been demonstrating the potential in helping the Group to broaden the customer base and revenue sources and further drive the shareholder's value.

The Group will keep on exploring potential brands and looking for growth opportunities in the retail market in order to enhance the portfolio of the Group.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: HK 1.5 cents per share).

## CHAIRMAN'S STATEMENT

### PROSPECTS

The Group's business has continued to grow steadily with turnover amounting to approximately HK\$438 million (2007: HK\$411 million), representing an increase of approximately 6.6%, for the period under review. The Group expanded its point-of-sales network by adding a net total of 141 self-managed shops and 19 franchised sales points in the PRC whilst on the other hand 2 self-managed shops in Hong Kong were closed, bringing the total to 672, 56 and 7 sales points in the PRC, Hong Kong and Taiwan respectively as at 30 September 2008.

In October 2008, the Group entered into a sale and purchase deed with Philip Dermot Bueno de Mesquita, Nikos Jacobus Nicholaou and Louisa Jane Chloe Bryan for the acquisition of the entire issued share capital of Vervestone Limited ("Vervestone") at the aggregate consideration of approximately US\$7.5 million. In addition to the consideration, approximately £0.8 million was paid for settling the liabilities of Vervestone and its subsidiaries upon completion.

Triple Juicy Limited, a wholly-owned subsidiary of Vervestone, is the holder of the registered trademarks of "ACUPUNCTURE", which is a British footwear brand originated from London, in approximately 30 jurisdictions, including the United States, the European Community and other countries in Asia, North America and Latin America.

For the "ACUPUNCTURE" brand, the Group is operating 36 sales points in the PRC and Hong Kong subsequent to the balance sheet date. The brand has demonstrated strong potential in helping the Group to broaden its customer base. The Board considers that the acquisition will reduce the licence fee expenses of the Group and diversify the business of the Group into licensing. The Directors also believe that the Group has potential to expand the brand business to other countries and enlarge this revenue source having taken into account the licence fees receivable by the Group from its licensee(s) (subject to any commission payable by the Group to the relevant licensing agent(s) in respect thereof).

## CHAIRMAN'S STATEMENT

The continuously steady growth in the PRC market albeit at a lower rate in the wake of the current global economic climate will no doubt keep offering the Group more opportunities in the coming years. Riding on the success of the first Walker One flagship store in Beijing, the Group has opened the second and third Walker One in Beijing and Shanghai respectively during the period under review. The Group will enhance marketing in the PRC and Hong Kong including seeking celebrities endorsement of its products. Efforts will also be made in renovation of shops to keep them trendy and appealing to the customers. Supported by steady expansion of retail networks in different markets, we are optimistic about the long-term growth of our business.

To enlarge its share in the footwear market in Taiwan, the Group has developed and will continue to expand its sales business covering diverse range of footwear, apparel and accessories in Taiwan. Subsequent to the balance sheet date, the Group has opened an Acupuncture flagship store in Taiwan. The Group sells Acupuncture products at 40 sales points through wholesaler in Taiwan. The Group intends to open additional Acupuncture shops in Taiwan in 2009.

Finally, on behalf of the Board, I would like to express my appreciations to all employees for their contributions to the Group. I look forward to working with all staff of the Group to achieve better performance in the rest of year and beyond.

**CHAN Mei Sheung**

*Chairman*

18 December 2008

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As at 30 September 2008, the Group operated a total of 735 sales points including 56 self-managed shops in Hong Kong, 616 self-managed and 56 franchised outlets in the PRC and 7 franchised outlets in Taiwan.

Due to the adverse effect of Sichuan earthquake on the sales of products in the PRC, there was no sales record for some out of around 50 shops in Sichuan province and Chongqing City and the sales per shop has dropped for approximately 40% on average sales per shop in the PRC in the two weeks following the Sichuan earthquake compared with corresponding period in 2007. Plans to open more shops in 2008 had to change and expansion has been slowed down.

For the six months ended 30 September 2008, turnover of the Group rose to approximately HK\$438 million (2007: HK\$411 million), representing an increase of approximately 6.6%. However, the catastrophic earthquakes in Sichuan in the PRC in May 2008, the drop of retail sales in Beijing of approximately 11% during the Beijing 2008 Olympic Games and the weaker consumer sentiments in the PRC and Hong Kong in face of global financial crises collectively had an adverse impact on the overall performance of the Group. A net loss of approximately HK\$57 million (2007: net profit of HK\$60 million) was incurred for the six months ended 30 September 2008.

Average daily sales of footwear products of the Group for the six months ended 30 September 2008 was approximately 8,500 pairs (2007: 8,400 pairs) at the average selling price of approximately HK\$270 (2007: HK\$260). Same-store-sales decreased by approximately 19.5% (2007: increased by 18.6%) and 12.3% (2007: increased by 18.0%) in the PRC and Hong Kong respectively for the period under review.

During the period under review, the Group derived its income from the PRC, Hong Kong and other markets which accounted for approximately 67.3%, 32.6% and 0.1% of its turnover respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRC

During the period under review, the Group added a net total of 160 sales points in the PRC comprising 52 self-managed sales points for Walker Shop, 50 for COUBER.G, 11 for ARTEMIS, 14 for ACUPUNCTURE, 12 for OXOX and 2 for Walker One bringing the total number of self-managed sales points in the PRC to 616 as at 30 September 2008 (31 March 2008: 475), and 19 franchised shops for Walker Shop bringing the total number of franchised shops in the PRC to 56 as at 30 September 2008 (31 March 2008: 37). The market brought a total revenue of approximately HK\$295 million (2007: HK\$236 million), representing an approximately 25.0% jump.

### Hong Kong

During the period under review, the Group closed 2 self-managed sales points for COUBER.G and maintained the same number of sales points of Walker Shop and ACUPUNCTURE, bringing the total number of self-managed sales points in Hong Kong as at 30 September 2008 to 56 (31 March 2008: 58). The total revenue derived in Hong Kong amounted to approximately HK\$143 million (2007: HK\$170 million), representing an approximately 15.9% drop.

## FINANCIAL REVIEW

### Turnover

Turnover increased by approximately HK\$27 million, or approximately 6.6%, from approximately HK\$411 million for the six months ended 30 September 2007 to approximately HK\$438 million for the six months ended 30 September 2008. This increase was mainly attributable to the increase in sales points in the PRC and higher discount sales compared to the corresponding period in 2007. Turnover from the PRC increased by approximately HK\$59 million during the period under review, whereas that from Hong Kong declined by approximately HK\$27 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

The catastrophic earthquakes in Sichuan in the PRC in May 2008, the drop of retail sales in Beijing of approximately 11% during the Beijing 2008 Olympic Games and the weaker consumer sentiments in the PRC and Hong Kong in face of global financial crises collectively had an adverse impact on the overall performance of the Group, including that the overall turnover of the Group for the six months ended 30 September 2008 had only slightly increased as compared with the corresponding period in 2007, and the inventory level of the Group had increased which caused the Group to sell its products at a higher discount, thereby lowering the gross profit of the Group for the six months ended 30 September 2008. Same-store-sales decreased by approximately 19.5% (2007: increased by 18.6%) and 12.3% (2007: increased by 18.0%) in the PRC and Hong Kong respectively for the period under review.

### Cost of sales

Cost of sales increased by approximately HK\$40 million, from approximately HK\$162 million for the six months ended 30 September 2007 to approximately HK\$202 million for the six months ended 30 September 2008, representing an increase of approximately 24.7%. As a percentage of total sales, cost of sales increased from approximately 39.4% for the six months ended 30 September 2007 to approximately 46.1% for the six months ended 30 September 2008 resulted from increase of costs of product comprising such as the rise in purchase price of crude oil related by-products and raw materials which were highly fluctuating, higher provision for obsolete inventories from sluggish turnover, and higher payment of royalties for the period under review.

### Gross profit

With the relatively slight increase in turnover against increase in cost of sales, the Group's gross profit decreased to approximately HK\$236 million for the six months ended 30 September 2008 from approximately HK\$249 million for the six months ended 30 September 2007, representing a decrease of approximately 5.2%, and gross profit margin also decreased from approximately 60.6% for the six months ended 30 September 2007 to approximately 53.9% for the six months ended 30 September 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating expenses

Operating expenses increased by approximately HK\$79 million, from approximately HK\$209 million for the six months ended 30 September 2007 to approximately HK\$288 million for the six months ended 30 September 2008, representing an increase of approximately 37.7%. The increase reflected mainly risen staff costs from approximately HK\$62 million for the six months ended 30 September 2007 to approximately HK\$83 million for the six months ended 30 September 2008 with the Group hiring a total of 3,777 employees as at 30 September 2008 as compared to 2,844 employees as at 30 September 2007 and rental expenses up from approximately HK\$102 million for the six months ended 30 September 2007 to approximately HK\$132 million for the six months ended 30 September 2008. There was also an increase in other overheads by approximately HK\$28 million, making up largely of an increase in depreciation of sales-point renovation expenditures and promotional expenses.

### Investment loss

During the six months ended 30 September 2008, the Group had a fair value loss on financial assets in the income statement amounting to approximately HK\$8 million on unlisted equity linked notes acquired at cost of approximately HK\$50 million and a fair value loss in reserve of approximately HK\$14 million on listed securities investment and bond fund acquired at cost of approximately HK\$60 million. As at 30 September 2008, the fair value of the financial investment of the Group amounted to approximately HK\$88 million, of which approximately HK\$42 million was attributable to unlisted equity linked notes and approximately HK\$46 million was attributable to listed securities investment and bond fund held for long term. The fair value of financial investment of the Group subsequent to 30 September 2008 is subject to adjustment depending on market situations.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating loss

As a result of the decrease in gross profit of approximately HK\$13 million on the one hand and an increase in operating expenses of approximately HK\$79 million and fair value loss on financial assets at fair value through profit or loss of approximately HK\$8 million as discussed above on the other, the Group recorded an operating loss of approximately HK\$56 million for the six months ended 30 September 2008 against the operating profit of approximately HK\$45 million for the six months ended 30 September 2007. As for the operating margin (expressed as a percentage of operating loss/profit to turnover) of the Group, it was approximately -12.8% for the six months ended 30 September 2008, and approximately 11.0% for the six months ended 30 September 2007.

### Outlook

To increase the profitability of the Group, we will keep on developing our brand business to other countries and enlarge the revenue source by broadening our customer base. We will continue to devote more marketing efforts to fortifying our brands. Efforts will also be made in renovation of shops to keep them trendy and appealing to the customers.

The Group will continue to launch advertising campaigns for its major brands, namely COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS, WALACI and ACUPUNCTURE.

## LIQUIDITY AND CAPITAL RESOURCES

Management believes that its cash holding, liquid assets, future revenue and available banking facilities will be sufficient to fund the working capital requirements in the foreseeable future.

As at 30 September 2008, the Group had working capital of approximately HK\$576 million (31 March 2008: HK\$717 million) and current ratio at approximately 4.0 times (31 March 2008: 6.8 times).

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2008, the Group had cash and cash equivalents of approximately HK\$293 million deposited in banks in Hong Kong dollars, US dollars and Renminbi (31 March 2008: HK\$452 million). The Group had no outstanding bank borrowings as at 30 September 2008 and 31 March 2008 (gearing ratio: N/A).

As at 30 September 2008, the Group had aggregate banking facilities of approximately HK\$187 million for overdrafts, bank loans and trade financing (31 March 2008: HK\$237 million) of which approximately HK\$6 million was utilized for trade financing as at 30 September 2008 (31 March 2008: HK\$11 million). As at 30 September 2008 and 31 March 2008, the Group had no charge on its assets.

The Group has continued to keep sufficient inventory to meet the need of its expanding retail network. During the period under review, inventory turnover days of the Group increased to approximately 235 days (31 March 2008: 179 days) and held inventory worth approximately HK\$300 million as at 30 September 2008 (31 March 2008: HK\$217 million).

### Foreign Exchange Management

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

### Contingent Liabilities

As at 30 September 2008, the Group was not exposed to any significant contingent liability (31 March 2008: Nil).

### Human Resources

As at 30 September 2008, the Group had a total of 3,777 employees. Training courses on sales skills and product knowledge are regularly organized for employees by the Group. Staff remuneration is determined with reference to qualifications, experience, performance and contribution of an employee to the Group. Competitive remuneration packages including basic salaries, allowances, share options, insurance and bonuses are also offered to employees. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel receive commissions based on several goal-oriented schemes.

## DISCLOSURE OF INTERESTS

### DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 September 2008, the interests of each Director and chief executive of the Company in the shares, share options, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein; or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

#### Long position in the ordinary shares of the Company ("Shares")

Name of Director	Capacity and number of Shares held			Number of share options of the Company held		Total	Approximate percentage of shareholding (%)
	Personal Interest	Family Interest	Corporate Interest	Personal Interest (note 3)	Family Interest (note 5)		
CHAN Mei Sheung (note 2)	-	449,920,000 (note 1)	-	3,550,000	4,380,000 (note 5)	457,850,000	73.55
KIU Wai Ming	-	-	-	2,000,000	-	2,000,000	0.32
CHU Yin Man	300,000 (note 4)	-	-	1,200,000	-	1,500,000	0.24

#### Notes:

1. Mr. HUANG Wen Yi ("**Mr. Huang**"), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang's estate is taken to be interested in the 449,920,000 shares held by Smart Presto Holdings Limited, owned as to 90% by estate of Mr. Huang and 10% by Ms. CHAN Mei Sheung ("**Ms. Chan**").
2. Ms. Chan was the wife of the late Mr. Huang and is taken to be interested in the 449,920,000 Shares held by Smart Presto Holdings Limited and the option relating to 4,380,000 Shares granted to Mr. Huang. Ms. Chan is in the process of applying to the Probate Registry in Hong Kong for Grant of Letters of Administration in respect of the estate of the late Mr. Huang.
3. These represent the number of Shares which will be allotted and issued to such Directors upon the exercise of the option granted to each of them under the pre-IPO share option scheme adopted by the Company on 21 May 2007.

## DISCLOSURE OF INTERESTS

4. The 300,000 Shares were granted to Mr. CHU Yin Man pursuant to the Employee Share Purchase Agreement entered into by Mr. Huang, Smart Presto Holdings Limited and Mr. CHU Yin Man on 2 May 2007.
5. Mr. Huang passed away on 10 February 2008. Pursuant to the terms of the pre-IPO share option scheme adopted by the Company on 21 May 2007, Mr. Huang's legal personal representative shall be entitled after commencement of the option period until the last day of the period of 12 months from 10 February 2008 (or such longer period as the Board may determine) to exercise his share option. Since the option periods in respect of 70% of the Shares comprised in Mr. Huang's share option would not commence by the last day of such 12-month period and that no determination has been made by the Board to extend such 12-month period as of 30 September 2008, Mr. Huang's legal personal representative was only entitled to exercise his share option in respect of 30% of the Shares comprised therein, i.e. 1,314,000 Shares, as of 30 September 2008.

Save as disclosed above, as at 30 September 2008, none of the Directors or the chief executives of the Company nor their associates had any interests or short positions in any shares, share options, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDER

So far as is known to the Directors and chief executives of the Company, as at 30 September 2008, the following shareholder, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which were required pursuant to Section 336 of the SFO to be recorded in the register referred to therein:

#### Long position in the Shares

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

Note:

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

Save as disclosed above and so far as is known to the Directors and chief executives of the Company, as at 30 September 2008, no person (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept pursuant to section 336 of the SFO.

## **CORPORATE GOVERNANCE**

### **CODE OF CORPORATE GOVERNANCE PRACTICES**

The Board and the management see the need to maintain high corporate governance standards in the Company so as to effectively safeguard the interest of shareholders.

The Company has adopted the code provisions on the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months accounting period ended 30 September 2008. The Board believes that the Company has been complying with the CG Code during the six months ended 30 September 2008.

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct applicable to securities transactions undertaken by its Directors. Having made specific enquiries with all Directors, the Board is satisfied that all the Directors had complied with the Model Code in their securities transactions during the six months ended 30 September 2008.



## CORPORATE GOVERNANCE

### INTERNAL CONTROL

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

### AUDIT COMMITTEE

The Audit Committee was established in May 2007. Its role is to review the Group’s financial reports and related practice and make relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if required according to the Company’s policy.

The Audit Committee comprises three independent non-executive directors, namely, Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian. Mr. SZE Tsai Ping, Michael is the Chairman of the Audit Committee. The principal duties of the Audit Committee included review and supervision of the financial reporting system and internal control procedures of the Group, review of the financial information of the Group and relationship of the Group with the external auditors.

The Group’s interim results for the six months ended 30 September 2008 have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE

### REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established in May 2007. It currently comprises three members, including Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian, all of whom are independent non-executive Directors. Dr. FAN Yiu Kwan, *JP* is the Chairman of the Remuneration Committee.

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

### NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established in May 2007 and currently consists of three members, including Mr. SZE Tsai Ping, Michael, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian, all of whom are independent non-executive Directors. Mr. SZE Tsai Ping, Michael is the Chairman of the Nomination Committee.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for selection and recommendation of candidates for directorship of the Company. Appropriate experience, personal skills and time commitment are among the set of criteria used by the Nomination Committee to identify and recommend candidates to the Board.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or its subsidiaries during the six months ended 30 September 2008.

### PRE-IPO SHARE OPTION SCHEME

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

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

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

Share Options relating to a total of 120,000 Shares held by a continuous contract employee of the Group had lapsed during the six months ended 30 September 2008 following the resignation of such employee. None of the Share Options was exercised during the six months ended 30 September 2008.

## OTHER INFORMATION

A summary of the movements for the six months ended 30 September 2008 of the Share Options is as follows:

Name or category of participant	Number of Share Options			Balance as at 30 September 2008	Percentage of issued share capital %	
	Granted during the six months ended 30 September 2008	Exercised during the six months ended 30 September 2008	Lapsed during the six months ended 30 September 2008			
<b>Directors (note)</b>						
Chan Mei Sheung	3,550,000	–	–	3,550,000	0.57	
Kiu Wai Ming	2,000,000	–	–	2,000,000	0.32	
Chu Yin Man	1,200,000	–	–	1,200,000	0.19	
<b>Employees</b>						
Continuous contract employees	2,750,000	–	–	120,000	2,630,000	0.42

*Note:*

Mr. Huang Wen Yi (“Mr. Huang”), a former director of the Company, was granted a Share Option to subscribe for 4,380,000 Shares on 21 May 2007. Mr. Huang passed away on 10 February 2008. Pursuant to the terms of the Pre-IPO Scheme, Mr. Huang’s legal personal representative shall be entitled after commencement of the option period until the last day of the period of 12 months from 10 February 2008 (or such longer period as the Board may determine) to exercise his Share Option. Since the option periods in respect of 70% of the Shares comprised in Mr. Huang’s Share Option would not commence by the last day of such 12-month period and that no determination has been made by the Board to extend such 12-month period as of 30 September 2008, Mr. Huang’s legal personal representative was only entitled to exercise his Share Option in respect of 30% of the Shares comprised therein, i.e. 1,314,000 Shares, as of 30 September 2008.

## OTHER INFORMATION

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

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

Measurement date of the Share Options was 6 June 2007. The value of the Share 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 Share Options of 6 years, risk-free interest rates range from 4.01% to 4.08% and expected annualized stock volatility of 33.18%. The binomial lattice model is to estimate the market value of Share Options by incorporating the effects from factors including risk-free rate and annualized stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a Share Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a Share Option.

As at 30 September 2008, Share Options in respect of 10,694,000 Shares were outstanding. The exercise in full of such Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK\$31,975,000.

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

## OTHER INFORMATION

### SHARE OPTION SCHEME

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

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

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

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

## OTHER INFORMATION

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

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

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

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

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

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	Note	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land	5	18,633	18,877
Property, plant and equipment	5	59,338	42,411
Intangible assets	5	13,746	10,866
Interests in joint ventures		118	1,318
Deferred income tax assets		10,697	8,129
Available-for-sale financial assets		46,482	1,211
Rental deposits		21,899	20,378
		170,913	103,190
<b>Current assets</b>			
Inventories		300,187	217,281
Trade receivables	6	88,969	97,107
Amounts due from joint ventures		621	—
Deposits, prepayments and other receivables		42,431	41,076
Financial assets at fair value through profit or loss		41,674	19,779
Tax recoverable		3,731	3,395
Restricted cash		—	10,000
Cash and cash equivalents		293,241	452,231
		770,854	840,869
<b>Total assets</b>		<b>941,767</b>	<b>944,059</b>



## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

	Note	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	7	62,250	62,250
Share premium	7	562,070	562,070
Other reserves	8	53,775	59,329
Retained earnings		62,091	128,896
<b>Total equity</b>		<b>740,186</b>	<b>812,545</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
License fees payable		5,873	5,889
Obligation under finance lease		890	1,001
Deferred income tax liabilities		340	340
		<b>7,103</b>	<b>7,230</b>
<b>Current liabilities</b>			
Trade payables	9	135,309	85,589
Accruals and other payables		51,052	30,363
License fees payable		3,677	3,752
Obligation under finance lease		269	316
Tax payable		4,171	4,264
		<b>194,478</b>	<b>124,284</b>
<b>Total liabilities</b>		<b>201,581</b>	<b>131,514</b>
<b>Total equity and liabilities</b>		<b>941,767</b>	<b>944,059</b>
<b>Net current assets</b>		<b>576,376</b>	<b>716,585</b>
<b>Total assets less current liabilities</b>		<b>747,289</b>	<b>819,775</b>

The notes on pages 28 to 44 are an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Note	Unaudited Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000
Turnover	4	438,084	411,061
Cost of sales	10	(201,942)	(161,851)
<b>Gross profit</b>		<b>236,142</b>	249,210
Selling and distribution costs	10	(240,062)	(174,679)
Administrative expenses	10	(48,187)	(34,699)
Other (losses)/gains — net	11	(7,919)	4,016
Other income	12	3,569	1,348
<b>Operating (loss)/profit</b>		<b>(56,457)</b>	45,196
Finance income	13	3,795	26,580
Finance costs	13	(24)	(2,696)
Finance income — net		<b>3,771</b>	23,884
Share of loss of joint ventures		(1,196)	—
<b>(Loss)/profit before income tax</b>		<b>(53,882)</b>	69,080
Income tax expenses	14	(3,585)	(9,059)
<b>(Loss)/profit for the period</b>		<b>(57,467)</b>	60,021
(Loss)/earnings per share (HK cent per share)			
— basic	15	(9.2)	10.8
— diluted	15	(9.2)	10.7
Dividend	16	—	60,499

The notes on pages 28 to 44 are an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Share capital and premium (Note 7) HK\$'000	Other reserves (Note 8) HK\$'000	Retained earnings (Note 8) HK\$'000	Total HK\$'000
<b>Balance at 1 April 2007</b>	10,000	29,941	100,078	140,019
Fair value gains of available-for-sale financial assets	—	22	—	22
Currency translation differences	—	3,547	—	3,547
Profit for the period	—	—	60,021	60,021
<b>Total recognised income and expenses</b>	—	3,569	60,021	63,590
Issue of shares	665,850	—	—	665,850
Listing expenses	(51,530)	—	—	(51,530)
Transfer	—	958	(958)	—
Share option scheme — value of employee services	—	4,540	—	4,540
Share award	—	965	—	965
Dividends (Note 16)	—	—	(51,161)	(51,161)
<b>Balance at 30 September 2007</b>	<b>624,320</b>	<b>39,973</b>	<b>107,980</b>	<b>772,273</b>
<b>Balance at 1 April 2008</b>	<b>624,320</b>	<b>59,329</b>	<b>128,896</b>	<b>812,545</b>
Fair value losses of available-for-sale financial assets	—	(13,496)	—	(13,496)
Share of exchange reserve of joint ventures	—	6	—	6
Currency translation differences	—	4,395	—	4,395
Loss for the period	—	—	(57,467)	(57,467)
<b>Total recognised income and expenses</b>	—	(9,095)	(57,467)	(66,562)
Share option scheme — value of employee services	—	2,790	—	2,790
Share award	—	751	—	751
Dividends (Note 16)	—	—	(9,338)	(9,338)
<b>Balance at 30 September 2008</b>	<b>624,320</b>	<b>53,775</b>	<b>62,091</b>	<b>740,186</b>

The notes on pages 28 to 44 are an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Net cash used in operating activities	(52,812)	(62,942)
Net cash (used in)/generated from investing activities	(98,278)	15,886
Net cash (used in)/generated from financing activities	(9,496)	533,688
Net (decrease)/increase in cash and cash equivalents	(160,586)	486,632
Cash and cash equivalents at the beginning of the period	452,231	47,823
Effect of foreign exchange	1,596	697
Cash and cash equivalents at the end of the period	293,241	535,152

The notes on pages 28 to 44 are an integral part of this condensed interim financial information.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 and Mainland China.

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

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

This condensed consolidated interim financial information for the six months ended 30 September 2008 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 18 December 2008.

#### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2008 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 2008, except as mentioned below.

#### (a) *Effect of adopting new amendments and interpretations*

The following new amendments and interpretations are mandatory for the financial year ending 31 March 2009.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and interpretations has no 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 2008 and have not been early adopted. The Group anticipates that the adoption of these new standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 Accounting policies *(Continued)*

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

HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1 July 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)

### 4 Segment information

**(a) Primary reporting format — business segments**

The Group is organised into two main business segments operating in Hong Kong and Mainland China:

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

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

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise tax payable, deferred income tax liabilities and obligation under finance lease.

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

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 Segment information (Continued)

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

The segment results for the six months ended 30 September 2008:

	Retail HK\$'000	Wholesales HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Turnover				
Sales of goods	427,853	10,231	—	438,084
Segment results	(4,746)	1,984	—	(2,762)
Unallocated				(53,695)
Finance income				(56,457)
Finance costs				3,795
Share of loss of joint ventures				(24)
Income tax expense				(1,196)
Loss for the period				(3,585)
				(57,467)

Other segment items are as follows:

	Retail HK\$'000	Wholesales HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	43,403	—	—	43,403
Depreciation of property, plant and equipment	21,128	—	—	21,128
Amortisation of leasehold land	244	—	—	244
Amortisation of intangible assets	2,150	—	—	2,150
Net provision for inventories	7,959	—	—	7,959



## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 Segment information (Continued)

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

The segment assets and liabilities at 30 September 2008:

	Retail HK\$'000	Wholesales HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	836,612	1,832	88,895	927,339
Deferred income tax assets				10,697
Tax recoverable				3,731
<b>Total assets</b>				<b>941,767</b>
Segment liabilities	195,856	55	1,159	197,070
Deferred income tax liabilities				340
Tax payable				4,171
<b>Total liabilities</b>				<b>201,581</b>

The segment results for the six months ended 30 September 2007:

	Retail HK\$'000	Wholesales HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Turnover				
Sales of goods	401,759	9,302	—	411,061
Segment results	76,711	3,184	—	79,895
Unallocated				(34,699)
				45,196
Finance income				26,580
Finance costs				(2,696)
Income tax expense				(9,059)
<b>Profit for the period</b>				<b>60,021</b>

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**4 Segment information (Continued)**

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

Other segment items are as follows:

	Retail HK\$'000	Wholesales HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	10,471	—	—	10,471
Depreciation of property, plant and equipment	9,739	—	—	9,739
Amortisation of leasehold land	275	—	—	275
Amortisation of intangible assets	1,581	—	—	1,581
Net write-back of provision for inventories	(1,403)	—	—	(1,403)

The segment assets and liabilities at 31 March 2008:

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

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Revenue:		
Hong Kong	142,616	170,005
Mainland China	294,757	236,433
Others	711	4,623
	<b>438,084</b>	<b>411,061</b>

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

	<b>Unaudited 30 September 2008 HK\$'000</b>	<b>Audited 31 March 2008 HK\$'000</b>
Segment assets:		
Hong Kong	480,866	629,554
Mainland China	395,201	303,228
	<b>876,067</b>	<b>932,782</b>
Unallocated assets	65,700	11,277
	<b>941,767</b>	<b>944,059</b>

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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	
	2008 HK\$'000	2007 HK\$'000
Hong Kong	13,609	6,731
Mainland China	29,794	3,740
	<b>43,403</b>	<b>10,471</b>

### 5 Capital expenditure

	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
<b>Six months ended 30 September 2008</b>			
Opening net book amount as at			
1 April 2008	18,877	42,411	10,866
Exchange differences	—	175	1
Additions	—	38,374	5,029
Disposals	—	(494)	—
Depreciation and amortisation	(244)	(21,128)	(2,150)
<b>Closing net book amount as at 30 September 2008</b>	<b>18,633</b>	<b>59,338</b>	<b>13,746</b>
<b>Six months ended 30 September 2007</b>			
Opening net book amount as at			
1 April 2007	35,196	41,061	14,039
Exchange differences	—	275	2
Additions	—	10,176	295
Disposals	(15,801)	(2,074)	—
Depreciation and amortisation	(275)	(9,739)	(1,581)
<b>Closing net book amount as at 30 September 2007</b>	<b>19,120</b>	<b>39,699</b>	<b>12,755</b>

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 Trade receivables

Ageing analysis of trade receivables:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
0 – 30 days	75,773	85,840
31 – 60 days	6,071	5,667
61 – 90 days	2,374	2,819
Over 90 days	4,751	2,781
	88,969	97,107

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

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

### 7 Share capital and premium

Note	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>Authorised</b>				
At 1 April 2007, ordinary shares of HK\$0.1 each	3,900,000	390	–	390
Increase in authorised share capital (a)	8,996,100,000	899,610	–	899,610
At 30 September 2007 and 2008	9,000,000,000	900,000	–	900,000
<b>Issued and fully paid</b>				
At 1 April 2007, ordinary share of HK\$0.1	1	–	–	–
Issue of shares arising from reorganisation (b)	99,999,999	10,000	–	10,000
Capitalisation of share premium account (c)	350,000,000	35,000	(35,000)	–
Issue of shares in connection with the listing (d)	172,500,000	17,250	648,600	665,850
Listing expenses	–	–	(51,530)	(51,530)
At 30 September 2007 and 2008	622,500,000	62,250	562,070	624,320

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 Share capital and premium *(Continued)*

*Notes:*

- (a) 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 additional of 8,996,100,000 shares of HK\$0.10 each.
- (b) 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.
- (c) On 6 June 2007, pursuant to the written resolutions 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 registered of members of the Company on 21 May 2007 in proportion to their then existing shareholdings 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.
- (d) 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.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8 Other reserves

	Merger reserve (Note a) HK\$'000	Statutory reserves (Note b) HK\$'000	Foreign currency translation reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Share-based compensation reserve HK\$'000	Total HK\$'000
<b>Balance at 1 April 2007</b>	22,002	5,412	2,529	(2)	–	29,941
Fair value gains of available-for-sale financial assets	–	–	–	22	–	22
Currency translation differences	–	–	3,547	–	–	3,547
Transfer	–	958	–	–	–	958
Share option scheme – value of employee services	–	–	–	–	4,540	4,540
Share award	–	–	–	–	965	965
<b>Balance at 30 September 2007</b>	22,002	6,370	6,076	20	5,505	39,973
<b>Balance at 1 April 2008</b>	22,002	10,770	16,320	41	10,196	59,329
Fair value losses of available-for-sale financial assets	–	–	–	(13,496)	–	(13,496)
Share of exchange reserve of joint ventures	–	–	6	–	–	6
Currency translation differences	–	–	4,395	–	–	4,395
Share option scheme – value of employee services	–	–	–	–	2,790	2,790
Share award	–	–	–	–	751	751
<b>Balance at 30 September 2008</b>	22,002	10,770	20,721	(13,455)	13,737	53,775

## 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 Company's shares on the Stock Exchange.
- (b) Companies which are established in the Mainland China 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 Mainland China or at the discretion of the board of the respective companies. Such statutory reserves can only be used to offset accumulated losses, to increase capital, or for special bonus or collective welfare of employees. These statutory reserves cannot be distributed to equity holders of the Company.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9 Trade payables

The ageing analysis of trade payables:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
0 – 30 days	128,143	79,325
31 – 60 days	516	2,733
61 – 90 days	1,542	1,489
Over 90 days	5,108	2,042
	135,309	85,589

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

### 10 Expenses by nature

	Unaudited Six months ended 30 September 2008 HK\$'000	2007 HK\$'000
Purchase of and changes in inventories	193,983	163,254
Advertising and promotion expenses	11,324	7,075
Auditor's remuneration		
– current period	1,002	649
– under/(over)-provision in prior period	231	(690)
Amortisation of leasehold land	244	275
Depreciation of property, plant and equipment	21,128	9,739
Amortisation of intangible assets	2,150	1,581
Operating lease rental in respect of leasehold land and buildings	131,765	101,835
– including turnover rental expenses	97,496	82,454
Net provision/(write-back) of obsolete inventories	7,959	(1,403)
Employee benefit expenses	82,880	61,649
Other expenses	37,525	27,265
	490,191	371,229



**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**11 Other (losses)/gains – net**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Tax refund	820	1,110
(Loss)/gain on disposal of property, plant and equipment	(494)	2,906
Gain on disposal of financial assets at fair value through profit or loss	221	–
Fair value losses on financial assets at fair value through profit or loss	(8,466)	–
	<b>(7,919)</b>	<b>4,016</b>

**12 Other income**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Licence fee income	636	866
Interest income on available-for-sale financial assets	867	–
Interest income on financial assets at fair value through profit or loss	1,869	–
Others	197	482
	<b>3,569</b>	<b>1,348</b>

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Finance income and costs

	<b>Unaudited Six months ended 30 September</b>	
	2008 HK\$'000	2007 HK\$'000
Finance income:		
– Interest income from deposits relating to share subscription under the new listing	—	18,690
– Interest income on bank deposits	3,015	7,667
– Net foreign exchange gains	780	223
	<b>3,795</b>	<b>26,580</b>
Finance costs:		
– Interest on bank borrowings and overdrafts	(24)	(2,696)
Finance income – net	<b>3,771</b>	<b>23,884</b>

14 Income tax expenses

Hong Kong profits tax has not been provided as the Hong Kong subsidiaries did not generate assessable profit during the current period. Hong Kong profits tax for the period ended 30 September 2007 was provided at a rate of 17.5%.

PRC corporate income tax has been provided at the rates of taxation prevailing in the PRC where the subsidiaries operate.

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

	<b>Unaudited Six months ended 30 September</b>	
	2008 HK\$'000	2007 HK\$'000
Current income tax:		
– Hong Kong profits tax	—	945
– PRC corporate income tax	5,771	8,892
– Under-provision in prior year	379	—
	<b>6,150</b>	<b>9,837</b>
Deferred income tax	<b>(2,565)</b>	<b>(778)</b>
	<b>3,585</b>	<b>9,059</b>

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 (Loss)/earnings per share

(a) *Basic*

Basic earnings per share is calculated by dividing the (loss)/profit for the period by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008</b>	2007
(Loss)/profit for the period (HK\$'000)	<b>(57,467)</b>	60,021
Weighted average number of ordinary shares in issue (thousands)	<b>622,500</b>	556,885
(Loss)/earnings per share (HK cent per share)	<b>(9.2)</b>	10.8

(b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares granted under the Company's Pre-IPO Scheme.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008</b>	2007
(Loss)/profit for the period (HK\$'000)	<b>(57,467)</b>	60,021
Weighted average number of ordinary shares in issue (thousands)	<b>622,500</b>	556,885
Adjusted for share options (thousands)	<b>—</b>	3,958
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>622,500</b>	560,843
(Loss)/earnings per share (HK cent per share)	<b>(9.2)</b>	10.7

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 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 Group's reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange.

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

On 11 December 2007, the Directors declared an interim dividend of HK 1.5 cents per share, totalling HK\$9,337,500 which was paid on 29 January 2008.

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

## 17 Capital commitments

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Property, plant and equipment		
– Contracted but not provided for	22	214
– Authorised but not contracted for	—	3,020
	22	3,234
Intangible assets		
– Contracted but not provided for	3,479	—
– Authorised but not contracted for	—	2,950
	3,479	2,950

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 Significant related party transactions

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

Except for key management compensation as disclosed below, the Group does not have any significant transactions with related parties.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Basic salaries, housing allowances, other allowances and benefits-in-kind	5,244	3,592
Contributions to pension plans	145	97
Share option expenses	2,141	4,396
	<b>7,530</b>	<b>8,085</b>

### 19 Event subsequent to the balance sheet date

In October 2008, Surplus Jet Investments Limited, a wholly-owned subsidiary of the Company, acquired the trademarks of "ACUPUNCTURE" through acquiring the entire issued share capital of Vervestone Limited from third parties at a total consideration of approximately US\$7.5 million (equivalent to approximately HK\$58.2 million) in cash. In addition, the Group assumed liabilities of Vervestone Limited and its subsidiaries of approximately £0.8 million (equivalent to approximately HK\$10.3 million). "ACUPUNCTURE" is a British footwear brand originated from London.