Walker GROUP

Walker Group Holdings Limited

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

Interim Report 09

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent non-executive Directors
SZE Tsai Ping, Michael
Dr. FAN Yiu Kwan, *JP*
TSANG Link Carl, Brian

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP (Chairman)*
CHAN Mei Sheung
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

PRINCIPAL BANKERS

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

AUDITORS

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 Street
Kowloon Bay, Kowloon
Hong Kong

REGISTRAR IN HONG KONG

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

REGISTRAR IN THE CAYMAN ISLANDS

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

COMPLIANCE ADVISER

Taifook Capital Limited

INTERNET ADDRESS

www.walkershop.com.hk

STOCK CODE

1386

CHAIRMAN'S STATEMENT

The board ("Board") of directors ("Directors") of Walker Group Holdings Limited ("Company") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries ("Group") for the six months ended 30 September 2009. The interim financial information has been reviewed and approved by the audit committee of the Company ("Audit Committee").

For the period under review, there were positive signs of economic and financial stabilization from global financial turmoil and economic downturn. Hong Kong had been benefiting from the various policies promulgated by the PRC government to safeguard the Hong Kong economy and their positive effects had shown. To some extent, consumers' confidence to consume has regained to the benefit of retail businesses. We have every confidence that our Group's business would continue to grow and develop as the local and global economy progress in the positive direction.

PROSPECTS

The Group's business continued to grow steadily with turnover up by approximately 8.7% to approximately HK$476 million for the period under review. For the period, the Group had a net increase of 9 self-managed shops and 10 franchised sales points in the PRC, and 3 self-managed shops in Hong Kong, bringing the total number of sales points to 681 in the PRC and 52 in Hong Kong. In Taiwan, the total number of self-managed sales points was 25.

The Board sees that the Group's increasing sales in the PRC and Hong Kong for the period under review and signals from other sources as indication that the Hong Kong economy has begun on the track of a recovery. The Group intends to open approximately 50 new sales points in the PRC in the second half of the financial year. The Group will strengthen and renovate existing self-managed shops to ensure they are trendy and appealing. It has opened a flagship store in Causeway Bay, Hong Kong in November 2009 adopting the 'shop-in-shop' concept of Walker One mega store in Beijing. In the multi-brands footwear shop, customers can find all brands the Group carries including ACUPUNCTURE, OX-OX and Couber.G. The concept has proven to be successful in the PRC and is expected to be well-received by consumers

CHAIRMAN'S STATEMENT

in Hong Kong. More shops may be opened in Hong Kong, depending on the economy and sentiment of retail market. In Taiwan, the Taiwan branch office set up in February 2009 has served to consolidate self-managed sales points operation and to exploit future business opportunities there.

As regards Acupuncture, the total number of Acupuncture sales points as at 30 September 2009 was 17 in the PRC, 12 in Hong Kong and 3 in Taiwan. To enlarge Acupuncture's customer base, revenue sources and to enhance its long-term growth, we will put more efforts in identifying potential licensees and wholesalers in other countries, for example, the Philippines and other Southeast Asia countries. For the period under review, Korea has joined to become one of Acupuncture licensees.

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

CHAN Mei Sheung
Chairman

15 December 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 30 September 2009, the Group operated 600 self-managed and 81 franchised outlets in the PRC, 52 self-managed shops in Hong Kong, and 25 sales points in Taiwan, bringing the total number of outlets to 758.

For the six months ended 30 September 2009, turnover of the Group rose by approximately 8.7% to approximately HK$476 million (2008: HK$438 million). However, a net loss of approximately HK$29 million (2008: net loss of approximately HK$57 million) was incurred for the six months ended 30 September 2009. The reduction of net loss was due to a fair value gain on financial assets of the Group during the period under review and higher gross profit margin comparative to corresponding period last year reflecting an improvement in the overall retail business environment.

Average daily sales of footwear products of the Group for the six months ended 30 September 2009 was approximately 9,000 pairs (2008: 8,500 pairs) at an average selling price of approximately HK$280 (2008: HK$270). Same-store-sales increased by approximately 4.1% (2008: decreased by 19.5%) in the PRC, but decreased by approximately 5.9% (2008: decreased by 12.3%) in Hong Kong for the period under review.

During the period under review, the Group derived revenue from the PRC, Hong Kong and Taiwan which accounted for approximately 70.9%, 27.4% and 1.7% of the total turnover of the Group respectively.

PRC

During the period under review, the Group added 21 self-managed sales points for Walker Shop and 7 for ARTEMIS in the PRC, but closed 4 self-managed sales points for COUBER.G, 5 for ACUPUNCTURE and 10 for OXOX. For Walker One, the number of self-managed shops remained unchanged. The total number of self-managed sales points in the PRC as at 30 September 2009 was 600 (31 March 2009: 591). Regarding Walker Shop franchised shops, the Group also added 10 franchised shops during the period under review, bringing the total number of franchised shops as at 30 September 2009 to 81 in the PRC (31 March 2009: 71). The total revenue derived in the PRC amounted to approximately HK$337 million (2008: HK$295 million), representing an approximately 14.5% jump.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

During the period under review, the Group added 3 self-managed sales points for Walker Shop and the number of shops for ACUPUNCTURE remained unchanged, bringing the total number of self-managed sales points in Hong Kong as at 30 September 2009 to 52 (31 March 2009: 49). The total revenue derived in Hong Kong amounted to approximately HK$130 million (2008: HK$143 million), representing an approximately 9.1% drop.

Taiwan

During the period under review, the Group added 1 flagship store for ACUPUNCTURE and closed 3 Walker Shop sales points bringing the total number of sales points in Taiwan as at 30 September 2009 to 25 (31 March 2009: 27). The total revenue derived in Taiwan amounted to approximately HK$9 million for the period under review.

FINANCIAL REVIEW

Turnover

Turnover for the period increased by approximately HK$38 million, or approximately 8.7%, to approximately HK$476 million from approximately HK$438 million for the six months ended 30 September 2009. This increase was mainly attributable to the increase in sales points in the PRC, which generated an increase in turnover of approximately HK$43 million during the six months ended 30 September 2009. In addition, Taiwan contributed approximately HK$9 million in turnover, whereas turnover from Hong Kong declined by approximately HK$13 million.

The overall turnover of the Group for the six months ended 30 September 2009 thus increased slightly against the previous corresponding period. Same-store-sales increased by approximately 4.1% (2008: decreased by approximately 19.5%) in the PRC, but decreased by approximately 5.9% (2008: decreased by approximately 12.3%) in Hong Kong for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales increased by approximately HK$7 million to approximately HK$209 million for the six months ended 30 September 2009 from approximately HK$202 million for the six months ended 30 September 2008, representing a rise of approximately 3.5% which was behind the increase turnover of 8.7% for the period under review. The reasons were reduction of provision for obsolete inventories charged to the period and decrease of royalty payment following the acquisition of Acupuncture Brand in October 2008.

Gross profit

With the relatively slight increase in cost of sales as compared to the increase in turnover, the Group's gross profit increased by approximately HK$31 million to approximately HK$267 million for six months ended 30 September 2009 from approximately HK$236 million for the six months ended 30 September 2008, representing an increase of approximately 13.2%. Gross profit margin was also boosted, from approximately 53.9% for the six months ended 30 September 2008 to approximately 56.1% for the six months ended 30 September 2009.

Operating expenses

Operating expenses increased by approximately HK$15 million from approximately HK$288 million for the six months ended 30 September 2008 to approximately HK$303 million for the six months ended 30 September 2009, representing a slight increase of approximately 5.1% which was behind the turnover growth rate of approximately 8.7% due to effective cost control.

Investment gain

The income statement showed that during the six months ended 30 September 2009 the Group made a fair value gain on the financial assets amounting to approximately HK$8 million on unlisted equity linked notes acquired at cost of approximately HK$30 million and a fair value loss on the financial assets amounting to approximately HK$4 million on a listed security from conversion during the period under review of an unlisted equity

MANAGEMENT DISCUSSION AND ANALYSIS

linked note, acquired at cost of approximately HK$20 million. In addition, a fair value gain in reserve of approximately HK$21 million on the listed securities investment acquired at cost of approximately HK$55 million. As at 30 September 2009, the fair value of financial investments of the Group amounted to approximately HK$88 million, of which approximately HK$26 million was unlisted equity linked notes, approximately HK$46 million was listed securities held for long term and approximately HK$16 million was a listed security held for short term. The fair value of financial investment of the Group subsequent to 30 September 2009 would be subject to adjustment depending on market situations.

Loss for the period

The Group recorded a loss of approximately HK$29 million for the six months ended 30 September 2009 against the loss of approximately HK$57 million for the six months ended 30 September 2008. The reduction of net loss was attributable to higher gross profit margin comparative to corresponding period last year and a fair value gain on financial assets of the Group during the period under review.

Outlook

Apart from fortifying our brands in the Greater China Region, we will keep expanding our own brands and ACUPUNCTURE business to other countries, such as Korea and the Philippines, to broaden our customer base and enlarge revenue sources.

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 FINANCIAL RESOURCES

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2009, the Group had working capital of approximately HK$482 million (31 March 2009: HK$491 million) and current ratio at approximately 3.5 times (31 March 2009: 3.4 times). The Group believes there is sufficient balance of net proceeds from the Company's initial public offering for future business expansion.

As at 30 September 2009, the Group had cash and cash equivalents of approximately HK$161 million deposited in banks in Hong Kong dollars, US dollars and Renminbi (31 March 2009: HK$178 million). The Group had no outstanding bank borrowings as at 30 September 2009 (31 March 2009: HK$23 million). During the period under review, the Group did not enter into any forward contract to hedge its foreign exchange risk. Working capital for business operations in the PRC will be financed through local bank loans, denominated in Renminbi, if required. As at 30 September 2009, the gearing ratio of the Group, calculated by the total bank loans divided by total assets, was nil (31 March 2009: 2.5%).

As at 30 September 2009, the Group had aggregate banking facilities of approximately HK$168 million for overdrafts, bank loans and trade financing and bank guarantee for rental deposit (31 March 2009: HK$228 million), of which approximately HK$29 million was used for trade financing and bank guarantee for rental deposit as at 30 September 2009 (31 March 2009: HK$49 million). As at 30 September 2009 and 31 March 2009, the Group had no charge on its assets.

The Group continued to keep sufficient inventory to meet the need of its expanding retail network. During the year under review, inventory turnover days increased to approximately 282 days (year ended 31 March 2009: 204 days) and inventory amounted to approximately HK$327 million as at 30 September 2009 (31 March 2009: HK$316 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 Renminbi into foreign currencies is regulated under foreign exchange control rules of the PRC government.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 September 2009 and 31 March 2009, the Group was not exposed to any significant contingent liabilities.

HUMAN RESOURCES

As at 30 September 2009, the Group had a total of 3,547 employees and total staff cost for the period was approximately HK$88,983,000. The Group has been organizing training courses on sales skills for employees and to update their product knowledge regularly. 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 merits, sales personnel also receive commissions based on several goal-oriented schemes.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2009

	Note	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land	*5*	**18,146**	18,390
Property, plant and equipment	*5*	**40,255**	44,875
Investment property	*5*	**397**	404
Intangible assets	*5*	**69,244**	71,350
Deferred income tax assets		**17,563**	18,826
Available-for-sale financial assets		**45,642**	25,065
Rental deposits		**16,366**	20,260
		207,613	199,170
Current assets			
Inventories		**327,212**	316,275
Trade receivables	*6*	**93,937**	109,576
Deposits, prepayments and other receivables		**48,911**	52,549
Financial assets at fair value through profit or loss		**41,761**	37,658
Tax recoverable		**86**	86
Cash and cash equivalents		**160,919**	177,975
		672,826	694,119
Total assets		**880,439**	893,289

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

	Note	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*7*	62,250	62,250
Share premium	*7*	562,070	562,070
Reserves		63,015	65,742
		687,335	690,062
Minority interests		1,272	(658)
Total equity		688,607	689,404
LIABILITIES			
Non-current liabilities			
Obligation under finance lease		527	685
Deferred income tax liabilities		260	260
		787	945
Current liabilities			
Borrowing		—	22,525
Trade payables	*9*	139,573	116,559
Accruals and other payables		49,701	56,587
Obligation under finance lease		316	316
Tax payable		1,455	6,953
		191,045	202,940
Total liabilities		191,832	203,885
Total equity and liabilities		880,439	893,289
Net current assets		481,781	491,179
Total assets less current liabilities		689,394	690,349

The accompany notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Note	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Turnover	*4*	476,257	438,084
Cost of sales	*10*	(209,036)	(201,942)
Gross profit		267,221	236,142
Selling and distribution costs	*10*	(258,714)	(240,062)
Administrative expenses	*10*	(44,169)	(48,187)
Other gains/(losses) — net	*11*	5,911	(7,919)
Other income	*12*	4,122	3,569
Operating loss		(25,629)	(56,457)
Finance income	*13*	335	3,795
Finance costs	*13*	(71)	(24)
Finance income — net		264	3,771
Share of loss of joint venture		—	(1,196)
Loss before income tax		(25,365)	(53,882)
Income tax expenses	*14*	(3,288)	(3,585)
Loss for the period		(28,653)	(57,467)
Attributable to:			
Equity holders of the Company		(27,972)	(57,467)
Minority interests		(681)	—
		(28,653)	(57,467)
Loss per share for loss attributable to the equity holders of the Company (HK cent per share)			
— basic	*15*	(4.5)	(9.2)
— diluted	*15*	(4.5)	(9.2)

The accompany notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Loss for the period	(28,653)	(57,467)
Other comprehensive income		
Fair value gains/(losses) on available-for-sale financial assets	20,577	(13,496)
Share of exchange reserve of joint venture	—	6
Currency translation differences	2,052	4,395
Other comprehensive income	22,629	(9,095)
Total comprehensive income	(6,024)	(66,562)
Attributable to:		
Equity holders of the Company	(5,329)	(66,562)
Minority interests	(695)	—
	(6,024)	(66,562)

The accompany notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2009

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital and premium *(Note 7)* *HK$'000*	Other reserves *(Note 8)* *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2008	624,320	59,329	128,896	812,545	–	812,545
Loss for the period	–	–	(57,467)	(57,467)	–	(57,467)
Other comprehensive income						
Fair value losses of available-for-sale financial assets	–	(13,496)	–	(13,496)	–	(13,496)
Share of exchange reserve of joint venture	–	6	–	6	–	6
Currency translation differences	–	4,395	–	4,395	–	4,395
Total comprehensive income	–	(9,095)	(57,467)	(66,562)	–	(66,562)
Share option scheme – value of employee services	–	2,790	–	2,790	–	2,790
Share award	–	751	–	751	–	751
Dividends *(Note 16)*	–	–	(9,338)	(9,338)	–	(9,338)
Balance at 30 September 2008	624,320	53,775	62,091	740,186	–	740,186
Balance at 1 April 2009	624,320	40,994	24,748	690,062	(658)	689,404
Loss for the period	–	–	(27,972)	(27,972)	(681)	(28,653)
Other comprehensive income						
Fair value gains of available-for-sale financial assets	–	20,577	–	20,577	–	20,577
Currency translation differences	–	2,066	–	2,066	(14)	2,052
Total comprehensive income	–	22,643	(27,972)	(5,329)	(695)	(6,024)
Share option scheme – value of employee services	–	1,981	–	1,981	–	1,981
Share award	–	621	–	621	–	621
Funding from minority interests	–	–	–	–	2,625	2,625
Balance at 30 September 2009	**624,320**	**66,239**	**(3,224)**	**687,335**	**1,272**	**688,607**

The accompany notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Net cash generated from/(used in) operating activities	14,510	(52,812)
Net cash used in investing activities	(10,272)	(98,278)
Net cash used in financing activities	(20,270)	(9,496)
Net decrease in cash and cash equivalents	(16,032)	(160,586)
Cash and cash equivalents at the beginning of the period	177,975	452,231
Effect of foreign exchange	(1,024)	1,596
Cash and cash equivalents at the end of the period	160,919	293,241

The accompany notes are an integral part of these 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, Mainland China and Taiwan.

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 7 June 2007.

This condensed consolidated interim financial information for the six months ended 30 September 2009 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 15 December 2009.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2009 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2009, except as mentioned below.

The following new standards and amendments to standards are mandatory for the financial year ending 31 March 2010.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

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

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

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

The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 April 2009, but are not currently relevant for the Group.

HKAS 23 (revised)	Borrowing costs
HKAS 32 (amendment)	Financial instruments: Presentation
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HKFRS 2 (amendment)	Share-based payment
HK(IFRIC) — Int 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 15	Agreements for the construction of real estate
HKAS 32 and HKAS 1 (amendment)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 and HKAS 27 (amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been early adopted.

HKAS 7 (amendment)	Statement of cash flows
HKAS 17 (amendment)	Leases
HKAS 27 (amendment)	Consolidated and separate financial statements
HKAS 36 (amendment)	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKAS 39 (amendment)	Eligible hedged items
HKFRS 3 (revised)	Business combinations
HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations
HK(IFRIC) — Int 16 (amendment)	Hedges of a net investment in a foreign operation
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK(IFRIC) — Int 18	Transfers of assets from customers
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information

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

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

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

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

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

The segment results are as follows:

	Unaudited Six months ended 30 September 2009			
	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Revenue from external customer	130,272	337,482	8,503	476,257
Segment profit/(loss)	(4,745)	14,031	(779)	8,507
Unallocated income and expenses				(34,136)
Finance income				335
Finance costs				(71)
Income tax expense				(3,288)
Loss for the period				(28,653)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information *(Continued)*

	Unaudited			
	Six months ended 30 September 2009			
	Hong Kong	**Mainland China**	**Taiwan**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Other segment items are as follows:				
Capital expenditure	**2,005**	**9,526**	**195**	**11,726**
Depreciation of property, plant and equipment	**3,960**	**9,517**	**603**	**14,080**
Amortisation of leasehold land	**244**	**—**	**—**	**244**
Amortisation of intangible assets	**2,258**	**16**	**—**	**2,274**
Impairment of property, plant and equipment	**250**	**1,096**	**—**	**1,346**
Net (write-back of)/ provision for inventories	**(2,839)**	**3,863**	**—**	**1,024**

	Unaudited			
	Six months ended 30 September 2008			
	Hong Kong	Mainland China	Taiwan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customer	143,327	294,757	—	438,084
Segment profit/(loss)	(16,400)	12,480	—	(3,920)
Unallocated income and expenses				(52,537)
Finance income				3,795
Finance costs				(24)
Share of loss of joint venture				(1,196)
Income tax expense				(3,585)
Loss for the period				(57,467)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information *(Continued)*

	Unaudited Six months ended 30 September 2008			
	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Other segment items are as follows:				
Capital expenditure	13,609	29,794	—	43,403
Depreciation of property, plant and equipment	4,881	16,247	—	21,128
Amortisation of leasehold land	244	—	—	244
Amortisation of intangible assets	2,136	14	—	2,150
Net provision for inventories	7,675	284	—	7,959

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

	Unaudited As at 30 September 2009			
	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Taiwan** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**314,049**	**442,442**	**18,896**	**775,387**
Unallocated assets				**87,403**
Deferred income tax assets				**17,563**
Tax recoverable				**86**
				880,439
Segment liabilities	**43,510**	**140,508**	**5,256**	**189,274**
Unallocated liabilities				**843**
Deferred income tax liabilities				**260**
Tax payable				**1,455**
				191,832

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information *(Continued)*

	Audited As at 31 March 2009			
	Hong Kong *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
Segment assets	323,511	471,833	15,702	811,046
Unallocated assets				63,331
Deferred income tax assets				18,826
Tax recoverable				86
				893,289
Segment liabilities	35,813	148,565	11,293	195,671
Unallocated liabilities				1,001
Deferred income tax liabilities				260
Tax payable				6,953
				203,885

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Capital expenditure

	Unaudited			
	Leasehold land	Property, plant and equipment	Investment property	Intangible assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 September 2009				
Opening net book amount as at 1 April 2009	18,390	44,875	404	71,350
Exchange differences	—	201	—	1
Additions	—	11,556	—	170
Disposals	—	(951)	—	(3)
Depreciation and amortisation	(244)	(14,080)	(7)	(2,274)
Impairment	—	(1,346)	—	—
Closing net book amount as at 30 September 2009	**18,146**	**40,255**	**397**	**69,244**
Six months ended 30 September 2008				
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)
Closing net book amount as at 30 September 2008	18,633	59,338	—	13,746

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Trade receivables

Ageing analysis of third party trade receivables is as follows:

	Unaudited 30 September 2009 HK$'000	Audited 31 March 2009 HK$'000
0 — 30 days	80,863	96,927
31 — 60 days	4,386	4,071
61 — 90 days	2,312	2,724
Over 90 days	6,376	5,854
	93,937	109,576

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.

7. Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
Authorised				
At 30 September 2008 and 2009, ordinary shares of HK$0.1 each	9,000,000,000	900,000	–	900,000
Issued and fully paid				
At 30 September 2008 and 2009, ordinary shares of HK$0.1 each	622,500,000	62,250	562,070	624,320

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Other reserves

	Unaudited					
	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$'000	Total other reserves HK$'000
Balance at 1 April 2008	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 venture	–	–	6	–	–	6
Currency translation differences	–	–	4,395	–	–	4,395
Share option scheme – value of employee services	–	–	–	–	2,790	2,790
Share award	–	–	–	–	751	751
Balance at 30 September 2008	22,002	10,770	20,721	(13,455)	13,737	53,775
Balance at 1 April 2009	22,002	16,197	16,434	(29,873)	16,234	40,994
Fair value gains of available-for-sale financial assets	–	–	–	20,577	–	20,577
Currency translation differences	–	–	2,066	–	–	2,066
Share option scheme – value of employee services	–	–	–	–	1,981	1,981
Share award	–	–	–	–	621	621
Balance at 30 September 2009	**22,002**	**16,197**	**18,500**	**(9,296)**	**18,836**	**66,239**

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
0 — 30 days	**135,291**	112,574
31 — 60 days	**1,846**	2,918
61 — 90 days	**1,153**	180
Over 90 days	**1,283**	887
	139,573	116,559

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

10. Expenses by nature

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Purchase of and changes in inventories	**208,012**	193,983
Advertising and promotion expenses	**8,015**	11,324
Auditor's remuneration		
— current period	**1,120**	1,002
— under-provision in prior period	**—**	231
Amortisation of leasehold land	**244**	244
Depreciation of property, plant and equipment	**14,080**	21,128
Depreciation of investment property	**7**	—
Amortisation of intangible assets	**2,274**	2,150
Impairment of property, plant and equipment	**1,346**	—
Operating lease rental in respect of leasehold land and buildings		
— minimum leases payments	**42,636**	34,269
— turnover rental expenses	**104,305**	97,496
Provision for obsolete inventories	**1,024**	7,959
Employee benefit expenses	**88,983**	82,880
Other expenses	**39,873**	37,525
Total cost of sales, selling and distribution costs and administrative expenses	**511,919**	490,191

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. Other gains/(losses) — net

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Government subsidies	**1,645**	820
Loss on disposal of property, plant and equipment	**(949)**	(494)
Fair value gains/(losses) on financial assets at fair value through profit or loss	**4,106**	(8,245)
Net foreign exchange gains	**1,109**	—
	5,911	(7,919)

Government subsidies represent incentives received from the PRC tax authority for investment in Waigaoqiao Bonded Area of Shanghai in the PRC.

12. Other income

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Licence fee income	**193**	636
Dividend income on available-for-sale financial assets	**2,033**	867
Interest income on financial assets at fair value through profit or loss	**312**	1,869
Royalty income	**99**	—
Others	**1,485**	197
	4,122	3,569

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Finance income — net

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Finance income:		
— Interest income on bank deposits	244	3,015
— Net foreign exchange gains	91	780
	335	3,795
Finance costs:		
— Interest on bank borrowings and overdrafts	(48)	—
— Interest on obligation under finance lease	(23)	(24)
	(71)	(24)
Finance income, net	264	3,771

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.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC is unified at 25%, with certain grandfathering provisions and preferential provisions.

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

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Current income tax:		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	2,021	5,771
— Under-provision in prior year	—	379
	2,021	6,150
Deferred income tax	1,267	(2,565)
	3,288	3,585

According to the New Tax Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits of foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the period ended 30 September 2009 since the Group plans to reinvest such profits to expand sales network in the PRC and has no plan to distribute such profits in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. Loss per share

(a) Basic

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

	Unaudited 2009	Unaudited 2008
Loss for the period attributable to equity holders of the Company *(HK$'000)*	**(27,972)**	(57,467)
Weighted average number of ordinary shares in issue *(thousands)*	**622,500**	622,500
Loss per share attributable to equity holders of the Company *(HK cent per share)*	**(4.5)**	(9.2)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There was no dilutive share outstanding at 30 September 2009.

16. Dividends

On 10 July 2008, the directors declared a final dividend of HK1.5 cents per ordinary share, totalling HK$9,337,500 which was paid on 11 September 2008.

The Board has resolved not to declare interim dividend for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Capital commitments

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Property, plant and equipment		
— Contracted but not provided for	**171**	171
— Authorised but not contracted for	**—**	—
	171	171
Intangible assets		
— Contracted but not provided for	**1,908**	3,456

18. Significant related party transactions

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

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

Key management compensation:

	Unaudited 2009 *HK$'000*	Unaudited 2008 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**5,057**	5,244
Contributions to pension plans	**60**	145
Share option expenses	**1,549**	2,141
	6,666	7,530

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 30 September 2009, the interests and short positions 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 ("SFO")) as recorded in the register required to be kept under 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 ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

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

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

Notes:

1. Mr. HUANG Wen Yi ("Mr. Huang"), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang's estate is taken to be interested in the 449,950,000 shares held by Smart Presto Holdings Limited, owned as to 90% by estate of Mr. Huang and 10% by Ms. CHAN Mei Sheung ("Ms. Chan").

2. Ms. Chan was the wife of the late Mr. Huang and is taken to be interested in the 449,950,000 shares held by Smart Presto Holdings Limited. 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.

DISCLOSURE OF INTERESTS

3. These represent the number of shares which will be allotted and issued to such Ms. Chan upon the exercise of the option granted to her under the pre-IPO share option scheme and share option scheme both adopted by the Company on 21 May 2007.

4. 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 and share purchase scheme adopted by the Company on 21 May 2007 and 5 August 2009 respectively.

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

Save as disclosed above, as at 30 September 2009, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in any shares, share options, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 30 September 2009, the interests or short positions of the persons, other than a Director or chief executive of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long position in the Shares

Name of Substantial Shareholder	Number of Shares Held	Capacity	Approximate percentage of shareholding *(%)*
Smart Presto Holdings Limited *(note 1)*	449,950,000	Beneficial Owner	72.28
HUI Wan Hon	43,918,000	Beneficial Owner	7.06

DISCLOSURE OF INTERESTS

Notes:

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

Save as disclosed above, as at 30 September 2009, no other persons (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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2009.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as its code of conduct of the Company for Directors' securities transactions. Having made specific enquiry, each of the Directors confirmed compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2009.

INTERNAL CONTROL

The Board has reviewed the findings of the internal control review performed by the internal auditors together with the audit committee ("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, taken into account the prevailing regulatory requirements, business development needs and the interests of shareholders.

AUDIT COMMITTEE

The primary roles of the Audit Committee are to review the Group's financial reporting 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 principal duties of the Audit Committee include 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.

CORPORATE GOVERNANCE

The Audit Committee shall comprise not less than three members with the majority being independent non-executive Directors. Currently, it consists of 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. He has professional qualification in accountancy.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information for the six months ended 30 September 2009.

NOMINATION COMMITTEE

The primary duties of the nomination committee ("Nomination Committee") are to identify suitable candidates and make recommendations to the Board on selection of candidates so nominated for directorships and to make recommendations to the Board concerning appointment or re-appointment of directors; and to review the size, structure and composition of the Board on a regular basis.

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. 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.

The majority of members of the Nomination Committee shall be independent non-executive Directors. It 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.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The principal functions of the remuneration committee ("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.

The majority of members of the Remuneration Committee shall be independent non-executive Directors. It currently comprises four members, namely Dr. FAN Yiu Kwan, *JP*, Ms. CHAN Mei Sheung, Mr. SZE Tsai Ping, Michael and Mr. TSANG Link Carl, Brian. Dr. FAN Yiu Kwan, *JP* is the chairman of the Remuneration Committee.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2009 (2008: nil).

PRE-IPO SHARE OPTION SCHEME

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

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

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

OTHER INFORMATION

None of the Pre-IPO Share Option was lapsed or exercised during the six months ended 30 September 2009. A summary of the movements for the six months ended 30 September 2009 of the Pre-IPO Share Options is as follows:

	No. of Pre-IPO Share Options					
Name or Category of participant	Balance as at 1 April 2009	Granted during the period ended 30 September 2009	Exercised during the period ended 30 September 2009	Lapsed during the period ended 30 September 2009	Balance as at 30 September 2009	Percentage of issued share capital %
Directors						
CHAN Mei Sheung	3,550,000	–	–	–	3,550,000	0.57
KIU Wai Ming	2,000,000	–	–	–	2,000,000	0.32
CHU Yin Man	1,200,000	–	–	–	1,200,000	0.19
Employees						
Continuous contract employees	2,630,000	–	–	–	2,630,000	0.42

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

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

Measurement date of the Pre-IPO Share Options was 6 June 2007. The value of the Pre-IPO Share Options granted during the period is HK$26,100,000, based on the binomial lattice model. The significant inputs into the model

OTHER INFORMATION

were share price as at 7 June 2007 of HK$3.86, exercise price of HK$3.09 and expected life of Pre-IPO Share Options of 6 years, 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 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.

As at 30 September 2009, Pre-IPO Share Options in respect of 9,380,000 Shares were outstanding. The exercise in full of such Pre-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK$28,046,000.

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

SHARE OPTION SCHEME

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

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, office, agent, consultant or representative of any member of the Group (including any

OTHER INFORMATION

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 15 days from the date of offer. The amount payable on acceptance of an option is HK$1.00. The full amount of the subscription price for the Company's shares has to be paid upon exercise of an option. The subscription price shall be such price solely determined by the Board at the time of offer of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option.

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

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

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

OTHER INFORMATION

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.

On 5 August 2009, Post-IPO Share Options to subscribe for a total of 24,900,000 Shares, representing 4.0% of its issued share capital, at the exercise price of HK$0.60 per share was granted under the Share Option Scheme.

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

OTHER INFORMATION

None of the Post-IPO Share Options was lapsed or exercised during the six months ended 30 September 2009. A summary of the movements for the six months ended 30 September 2009 of the Post-IPO Share Options is as follows:

	No. of Post-IPO Share Options					
Name or Category of participant	Balance as at 1 April 2009	Granted during the period ended 30 September 2009	Exercised during the period ended 30 September 2009	Lapsed during the period ended 30 September 2009	Balance as at 30 September 2009	Percentage of issued share capital %
Directors						
CHAN Mei Sheung	–	6,000,000	–	–	6,000,000	0.96
Employees						
Continuous contract employees	–	18,900,000	–	–	18,900,000	3.04

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

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

Measurement date of the Post-IPO Share Option was 5 August 2009. The value of the Post-IPO Share Options granted during the period is HK$0.60, based on the binomial lattice model. The significant inputs into the model were share price as at 5 August 2009 of HK$0.57, exercise price of HK$0.60 and expected life of Post-IPO Share Options of 8 years, risk-free interest rates at the valuation date 2.344% and expected annualized stock volatility of 66.368%. 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

OTHER INFORMATION

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.

As at 30 September 2009, Post-IPO Share Options in respect of 24,900,000 Shares were outstanding. The exercise in full of such Post-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK$12,450,000.

The Share Option Scheme shall expire on 21 May 2017.

SHARE PURCHASE SCHEME

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

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

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

OTHER INFORMATION

None of the Share Option was lapsed or exercised during the six months ended 30 September 2009. A summary of the movements for the six months ended 30 September 2009 of the Share Options is as follows:

	No. of Share Options					
Name or Category of participant	Balance as at 1 April 2009	Granted during the period ended 30 September 2009	Exercised during the period ended 30 September 2009	Lapsed during the period ended 30 September 2009	Balance as at 30 September 2009	Percentage of issued share capital %
Directors						
KIU Wai Ming	–	6,000,000	–	–	6,000,000	0.96
CHU Yin Man	–	4,000,000	–	–	4,000,000	0.64

As at 30 September 2009, Share Options in respect of 10,000,000 Shares were outstanding.

The Share Purchase Scheme shall expire on 5 August 2019.

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 2009.