



Walker Group Holdings Limited

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



www.walkershop.com.hk

Interim Report
2010

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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*)
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
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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

Haitong International Capital Limited

INTERNET ADDRESS

www.walkershop.com.hk

STOCK CODE

1386

CHAIRMAN'S STATEMENT

On behalf of the board of directors (“**Board**”) of Walker Group Holdings Limited (“**Company**”), I am pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (“**Group**”) for the six months ended 30 September 2010 (“**Period**”). The interim financial information has been reviewed and approved by the audit committee of the Company (“**Audit Committee**”).

REVIEW AND PROSPECTS

For the Period, the Group had a net increase of 63 self-managed shops and 12 franchised sales points in the PRC, one self-managed shop in Hong Kong and one self-managed shop in Taiwan, bringing the total number of sales points/outlets to 790 in the PRC, 50 in Hong Kong and 27 in Taiwan. Out of the total, there were 34 ACUPUNCTURE specialty shops, comprising 15 in the PRC, 12 in Hong Kong and seven in Taiwan.

The favourable economic conditions in the PRC enabled the Group's business to achieve sustained and steady growth as turnover rose by approximately 15.8% to roughly HK\$551 million for the Period. In Hong Kong and Taiwan, both markets benefited from policies passed by the PRC government, the most notable policy being relaxed travel restrictions on the PRC citizens. As a result the Group's business in Hong Kong grew during the October Golden Week holiday and this effect is expected to extend to Taiwan. The upcoming festivals in the second half of the financial year, most notably Christmas and Lunar New Year, are traditional seasons that contribute to a surge in turnover in the Greater China Region, hence will further benefit Hong Kong, Taiwan and Macau.

In terms of future business development, the Group recognizes that the promotion of ACUPUNCTURE can lead to further revenue growth as it is a brand originated in London and recognized in many parts of the world. Towards this end, most importantly, we have a licensee in Japan and operation in Korea to enlarge ACUPUNCTURE's customer base to enhance revenue.

CHAIRMAN'S STATEMENT

Aside from leveraging key brands, the Group sees the PRC as essential for realizing growth. The PRC economy is expected to continue to thrive which will be beneficial to other countries and territories in the Greater China Region. Since the PRC market contributes the majority of revenue for the Group and is more economically viable when compared with Hong Kong, the Group intends to open approximately 50 new sales points in the country during the second half of the financial year.

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

CHAN Mei Sheung

Chairman

25 November 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 30 September 2010, the Group operated a total number of 867 outlets comprising 701 self-managed and 89 franchised sales points in the PRC, 50 self-managed in Hong Kong, and 27 self-managed sales points in Taiwan.

For the six months ended 30 September 2010, the Group's turnover rose by approximately 15.8% to approximately HK\$551 million (2009: HK\$476 million). Due to the surge in turnover and higher gross profit margin, a net income of approximately HK\$344,000 (2009: net loss of approximately HK\$29 million) was recorded for the six months ended 30 September 2010.

Average daily sales of footwear products of the Group for the six months ended 30 September 2010 were approximately 9,500 pairs (2009: 9,000 pairs) at an average selling price of approximately HK\$300 (2009: HK\$280). Same-store-sales rose by approximately 12.0% (2009: 4.1%) in the PRC and 7.7% (2009: dropped by 5.9%) in Hong Kong for the Period.

During the Period, the PRC, Hong Kong and Taiwan operations respectively contributed approximately 73.6%, 24.4% and 2.0% to the Group total revenue.

PRC

During the Period, the Group added 43 self-managed sales points for Walker Shop, 17 for COUBER.G, four for OXOX and two for Walker One, and reduced one ARTEMIS and two ACUPUNCTURE sales points bringing the total number to 701 sales points as at 30 September 2010 (31 March 2010: 638).

Regarding the franchised Walker Shop, the Group added 12 sales points during the Period, bringing the total to 89 as at 30 September 2010 (31 March 2010: 77). Total revenue derived from the PRC operation amounted to approximately HK\$406 million (2009: HK\$337 million), representing a rise of approximately 20.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

During the Period, the Group added two ACUPUNCTURE self-managed sales points and reduced one self-managed sales point for Walker Shop in Hong Kong, bringing the total to 50 sales points as at 30 September 2010 (31 March 2010: 49).

Total revenue derived from the Hong Kong operation amounted to approximately HK\$134 million (2009: HK\$130 million), representing a rise of approximately 3.1%.

Taiwan

During the Period, the Group added two flagship stores for ACUPUNCTURE and reduced one Walker Shop sales point bringing the total number of sales points to 27 as at 30 September 2010 (31 March 2010: 26).

For the Period, the total revenue derived from the Taiwan operation amounted to approximately HK\$11 million (2009: HK\$8 million), representing an increase of approximately 37.5%.

FINANCIAL REVIEW

Turnover

Turnover for the Period surged by approximately HK\$75 million, or approximately 15.8%, from approximately HK\$476 million for the six months ended 30 September 2009 to approximately HK\$551 million for the six months ended 30 September 2010. This increase was mainly attributed to the addition of sales points and rise in same-store-sales in the PRC, rendering rise in turnover of approximately HK\$69 million for the Period. Contributions from Hong Kong and Taiwan to the Group's total turnover increment for the period were approximately HK\$4 million and HK\$2 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales increased by approximately HK\$16 million, from approximately HK\$209 million for the six months ended 30 September 2009 to approximately HK\$225 million for the six months ended 30 September 2010, representing a rise of approximately 7.7%. As a percentage of total sales, cost of sales slipped for the Period from approximately 43.9% for the six months ended 30 September 2009 to approximately 40.9% for the six months ended 30 September 2010 due to effective control of costs relating to inventories.

Gross profit

Due to the reduction in cost of sales, the Group's gross profit soared by approximately HK\$59 million, from approximately HK\$267 million for the six months ended 30 September 2009 to approximately HK\$326 million for the six months ended 30 September 2010, climbing approximately 22.0%. Gross profit margin was also up from approximately 56.1% for the six months ended 30 September 2009 to approximately 59.1% for the six months ended 30 September 2010.

Operating expenses

Operating expenses increased by approximately HK\$23 million, from approximately HK\$303 million for the six months ended 30 September 2009 to approximately HK\$326 million for the six months ended 30 September 2010, representing a slight increase of approximately 7.6%. This was due to effective control of costs and more efficient use of resources.

Investment gain

During the Period, the Group realized a gain on disposal of financial assets in the income statement amounting to approximately HK\$1 million in financial assets. In addition, the Group had a fair value gain on financial assets in the income statement amounting to approximately HK\$2 million in relation to financial assets acquired at a cost of approximately HK\$48 million and a fair value gain in reserve of approximately HK\$3 million on listed securities investment acquired at a cost of approximately HK\$55 million. The fair value of financial investment of the Group subsequent to 30 September 2010 is subject to adjustment depending on market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

Due to the increased revenue, gross profit margin, and fair value gain on financial assets at fair value through profit and loss as aforementioned, the Group recorded an operating profit of approximately HK\$9 million for the six months ended 30 September 2010 against the operating loss of approximately HK\$26 million for the six months ended 30 September 2009. With regard to the operating margin (expressed as a percentage of operating profit/(loss) to turnover) of the Group, it was approximately 1.6% for the six months ended 30 September 2010 against approximately -5.4% for the six months ended 30 September 2009.

Profit attributable to equity holders

In consequence, profit attributable to equity holders of the Company of approximately HK\$1 million was recorded for the six months ended 30 September 2010 against the loss attributable to equity holders of the Company of approximately HK\$28 million for the six months ended 30 September 2009.

Outlook

The Group's business for the Period has shown improvements when compared with same period last year for reasons discussed above. However, economic conditions in most developing countries in Asia, including those in the Greater China Region are still susceptible to effects arising from quantitative easing ("QE"), which are monetary policies adopted and deemed necessary by western countries, in particular the US, to overcome internal economic problems and regulate international trade and currency exchanges. Since the Hong Kong dollar is pegged to the US dollar, Hong Kong has suffered most from the ongoing depreciation of the greenback against other major currencies, including the Renminbi ("RMB"). Recent implementation of QE2 in the US has fueled inflationary spirals, placing further pressure to pass rising costs to consumers, thus affecting citizens from all walks of life. Fortunately, benefiting from continued economic growth in the PRC and capitalizing on opportunities brought about by the PRC government to stimulate domestic consumption, the management expects that the Group will deliver positive results. Other factors to support this belief including the Group's own ability to entice higher spending customers in the PRC to purchase coupled with its strength in developing strategies for marketing different brands.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's 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 2010, the Group had working capital of approximately HK\$528 million (31 March 2010: HK\$520 million) and the current ratio at approximately 3.0 times (31 March 2010: 4.5 times).

As at 30 September 2010, the Group had cash and cash equivalents of approximately HK\$172 million deposited in banks in Hong Kong dollars, US dollars and RMB (31 March 2010: HK\$171 million). The Group had no outstanding bank borrowings as at 30 September 2010 (31 March 2010: nil). As at 30 September 2010 and 31 March 2010, the gearing ratio of the Group was nil (calculated by total loans divided by total assets).

As at 30 September 2010, the Group had aggregate banking facilities of approximately HK\$150 million for overdrafts, bank loans and trade financing and bank guarantee for rental deposit (31 March 2010: HK\$160 million) of which approximately HK\$3 million was used for trade financing and bank guarantee for rental deposit as at 30 September 2010 (31 March 2010: HK\$3 million). As at 30 September 2010 and 31 March 2010, 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 Period, inventory turnover days decreased to approximately 264 days (2009: 282 days) and inventory amounted to approximately HK\$376 million as at 30 September 2010 (31 March 2010: HK\$275 million) due to effective control on stock level.

Foreign Exchange Management

The Group operates principally in the PRC and Hong Kong. Transactions are mainly denominated in the functional currency of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 September 2010, the Group was not exposed to any significant contingent liabilities (31 March 2010: nil). As at 30 September 2010, there were no other significant changes in the Group's financial position.

HUMAN RESOURCES

As at 30 September 2010, the Group had a total of 3,813 employees (31 March 2010: 3,740) and the total staff cost for the six months ended 30 September 2010 was approximately HK\$97,844,000 (2009: approximately HK\$88,983,000). Training courses on sales skills and product knowledge are organized for employees of the Group from time to time. Staff remuneration is determined with reference to qualifications, experience, performance and contribution of individual employee to the Group and competitive remuneration packages including basic salary, allowance, share options, insurance and bonus are also offered. Commissions are also rewarded to sales personnel based on goal-oriented schemes.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30 SEPTEMBER 2010

	Note	Unaudited 30 September 2010 HK\$'000	(Restated) Audited 31 March 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	59,111	56,632
Investment property	5	1,094	1,111
Intangible assets	5	72,099	73,341
Deferred income tax assets		13,032	12,417
Available-for-sale financial assets		51,295	48,233
Rental deposits		15,044	14,542
		211,675	206,276
Current assets			
Inventories		375,963	274,844
Trade receivables	6	112,307	119,267
Deposits, prepayments and other receivables		84,803	62,079
Financial assets at fair value through profit or loss		41,708	41,870
Tax recoverable		127	544
Cash and cash equivalents		171,841	170,628
		786,749	669,232
Total assets		998,424	875,508

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 SEPTEMBER 2010

	Note	Unaudited 30 September 2010 HK\$'000	(Restated) Audited 31 March 2010 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	7	62,250	62,250
Share premium	7	562,070	562,070
Other reserves		113,749	100,941
		738,069	725,261
Non-controlling interests		720	825
Total equity		738,789	726,086
LIABILITIES			
Non-current liabilities			
Obligation under finance lease		211	369
Deferred income tax liabilities		222	222
		433	591
Current liabilities			
Trade payables	9	199,982	89,966
Accruals and other payables		54,164	55,584
Obligation under finance lease		316	316
Tax payable		4,740	2,965
		259,202	148,831
Total liabilities		259,635	149,422
Total equity and liabilities		998,424	875,508
Net current assets		527,547	520,401
Total assets less current liabilities		739,222	726,677

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Note	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Turnover	4	551,319	476,257
Cost of sales	10	(225,225)	(209,036)
Gross profit		326,094	267,221
Selling and distribution costs	10	(276,067)	(258,714)
Administrative expenses	10	(49,980)	(44,169)
Other gains – net	11	2,611	4,266
Other income	12	6,092	5,767
Operating profit/(loss)		8,750	(25,629)
Finance income	13	393	335
Finance costs	13	(24)	(71)
Finance income – net		369	264
Profit/(loss) before income tax		9,119	(25,365)
Income tax expenses	14	(8,775)	(3,288)
Profit/(loss) for the period		344	(28,653)
Attributable to:			
Equity holders of the Company		1,296	(27,972)
Non-controlling interests		(952)	(681)
		344	(28,653)
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company (HK cent per share)			
– basic	15	0.21	(4.5)
– diluted	15	0.20	(4.5)

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Profit/(loss) for the period	344	(28,653)
Other comprehensive income		
Fair value gains on available-for-sale financial assets	3,062	20,577
Currency translation difference	6,736	2,052
Other comprehensive income for the period, net of tax	9,798	22,629
Total comprehensive income/(loss) for the period	10,142	(6,024)
Attributable to:		
Equity holders of the Company	11,122	(5,329)
Non-controlling interests	(980)	(695)
	10,142	(6,024)

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital and premium (Note 7)	Other reserves (Note 8)	Retained earnings	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 non-controlling interests	–	–	–	–	2,625	2,625
Balance at 30 September 2009	624,320	66,239	(3,224)	687,335	1,272	688,607
Balance at 1 April 2010	624,320	76,121	24,820	725,261	825	726,086
Profit/(loss) for the period	–	–	1,296	1,296	(952)	344
Other comprehensive income						
Fair value gains of available-for-sale financial assets	–	3,062	–	3,062	–	3,062
Currency translation differences	–	6,764	–	6,764	(28)	6,736
Total comprehensive income	–	9,826	1,296	11,122	(980)	10,142
Share option scheme-value of employee services	–	1,101	–	1,101	–	1,101
Share award	–	585	–	585	–	585
Funding from non-controlling interests	–	–	–	–	875	875
Balance at 30 September 2010	624,320	87,633	26,116	738,069	720	738,789

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Net cash generated from operating activities	15,010	14,510
Net cash used in investing activities	(16,328)	(10,272)
Net cash generated from/(used in) financing activities	717	(20,270)
Net decrease in cash and cash equivalents	(601)	(16,032)
Cash and cash equivalents at the beginning of the period	170,628	177,975
Effect of foreign exchange	1,814	(1,024)
Cash and cash equivalents at the end of the period	171,841	160,919

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 (“HKSE”) on 7 June 2007 (“Listing Date”).

This condensed consolidated interim financial information for the six months ended 30 September 2010 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 25 November 2010.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2010 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 2010, 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 2010, except as mentioned below.

The following new amendments and interpretations are mandatory for the financial year ending 31 March 2011.

HKAS 17 (amendment), ‘Leases’, removes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating leases using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “leasehold land”, and amortised over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

HKAS 17 (amendment) has been applied retrospectively for annual periods ending 31 March 2011 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land as finance lease retrospectively. As a result of the assessment, the Group has reclassified the leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

If the property interest is held for earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and is depreciated from the land interest available for its intended use over the shorter of the useful life of the assets and the lease term.

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Increase in property, plant and equipment	16,948	17,182
Increase in investment property	710	720
Decrease in leasehold land	(17,658)	(17,902)

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 24 (revised)	Related party disclosures
HKAS 32 (amendment)	Classification of rights issues
HKAS 39 (amendment)	Financial instruments: recognition and measurement
HKFRS 1 (amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 9	Financial instruments
HK(IFRIC) – Int 14 (amendment)	Prepayment of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Third improvement to HKFRS (2010)	

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 perspective. The executive directors assess the performance of the operating segments based on a measure of segment profit/(loss) without allocation of finance income/(costs), which is consistent with that in financial statements.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment results are as follows:

	Unaudited Six months ended 30 September 2010			
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Total HK\$'000
Revenue from sales of footwear, fashion wears and accessories	134,325	405,998	10,996	551,319
Segment profit/(loss)	(2,566)	53,652	(1,059)	50,027
Unallocated income and expenses				(41,277)
Finance income				393
Finance costs				(24)
Income tax expense				(8,775)
Profit for the period				344

Other segment items are as follows:

Capital expenditure	4,988	13,654	917	19,559
Depreciation of property, plant and equipment	3,568	10,358	719	14,645
Amortisation of intangible assets	2,882	23	—	2,905
Impairment of property, plant and equipment	268	—	—	268
(Net write-back of provision)/provision for inventories	(150)	1,019	428	1,297

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

	Unaudited			
	Six months ended 30 September 2009			
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Total HK\$'000
Revenue from sales of footwear, fashion wears and accessories	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)
Other segment items are as follows:				
Capital expenditure	2,005	9,526	195	11,726
Depreciation of property, plant and equipment	4,194	9,517	603	14,314
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)/provision for inventories	(2,839)	3,863	—	1,024

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

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

	Unaudited As at 30 September 2010			Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	
Segment assets	272,471	602,421	17,370	892,262
Unallocated assets				93,003
Deferred income tax assets				13,032
Tax recoverable				127
				998,424
Segment liabilities	20,101	229,755	4,290	254,146
Unallocated liabilities				527
Deferred income tax liabilities				222
Tax payable				4,740
				259,635

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

	Hong Kong HK\$'000	Audited As at 31 March 2010		Total HK\$'000
		Mainland China HK\$'000	Taiwan HK\$'000	
Segment assets	308,538	446,566	17,340	772,444
Unallocated assets				90,103
Deferred income tax assets				12,417
Tax recoverable				544
				875,508
Segment liabilities	30,835	110,750	3,965	145,550
Unallocated liabilities				685
Deferred income tax liabilities				222
Tax payable				2,965
				149,422

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Capital expenditure

	Property, plant and equipment	Unaudited Investment property	Intangible assets
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 September 2010			
Opening net book amount as at			
1 April 2010, as previously reported	39,450	391	73,341
Adjustment for adoption of amendment to HKAS 17	17,182	720	—
Opening net book amount as at			
1 April 2010, as restated	56,632	1,111	73,341
Exchange differences	281	—	2
Additions	17,894	—	1,665
Disposals	(783)	—	(4)
Depreciation and amortisation	(14,645)	(17)	(2,905)
Impairment	(268)	—	—
Closing net book amount as at			
30 September 2010	59,111	1,094	72,099
Six months ended 30 September 2009			
Opening net book amount as at			
1 April 2009, as previously reported	44,875	404	71,350
Adjustment for adoption of amendment to HKAS 17	17,650	740	—
Opening net book amount as at			
1 April 2009, as restated	62,525	1,144	71,350
Exchange differences	201	—	1
Additions	11,556	—	170
Disposals	(951)	—	(3)
Depreciation and amortisation	(14,314)	(17)	(2,274)
Impairment	(1,346)	—	—
Closing net book amount as at			
30 September 2009, as restated	57,671	1,127	69,244

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Trade receivables

Ageing analysis of third party trade receivables is as follows:

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
0 – 30 days	98,470	105,029
31 – 60 days	4,814	6,851
61 – 90 days	3,431	2,436
Over 90 days	5,592	4,951
	112,307	119,267

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 and 31 March 2010, ordinary shares of HK\$0.1 each	9,000,000,000	900,000	—	900,000
Issued and fully paid				
At 30 September and 31 March 2010, 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

	Merger reserve (Note a) HK\$'000	Statutory reserves (Note b) HK\$'000	Unaudited		Share-based compensation reserve HK\$'000	Total other reserves HK\$'000
			Foreign currency translation reserve HK\$'000	Available- for-sale investment reserve HK\$'000		
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
Balance at 1 April 2010	22,002	19,043	19,436	(6,705)	22,345	76,121
Fair value gains of available- for-sale financial assets	–	–	–	3,062	–	3,062
Currency translation differences	–	–	6,764	–	–	6,764
Share option scheme						
– value of employee services	–	–	–	–	1,101	1,101
Share award	–	–	–	–	585	585
Balance at 30 September 2010	22,002	19,043	26,200	(3,643)	24,031	87,633

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 2010 HK\$'000	Audited 31 March 2010 HK\$'000
0 – 30 days	149,126	73,447
31 – 60 days	47,170	10,061
61 – 90 days	811	3,473
Over 90 days	2,875	2,985
	199,982	89,966

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

10. Expenses by nature

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Purchase of and changes in inventories	223,879	208,012
Advertising and promotion expenses	8,787	8,015
Auditor's remuneration	776	1,120
Depreciation of property, plant and equipment	14,645	14,314
Depreciation of investment property	17	17
Amortisation of intangible assets	2,905	2,274
Impairment of property, plant and equipment	268	1,346
Operating lease rental in respect of leasehold land and buildings		
– minimum leases payments	34,284	42,636
– turnover rental expenses	123,337	104,305
Provision for obsolete inventories	1,297	1,024
Employee benefit expenses	97,844	88,983
Other expenses	43,233	39,873
Total cost of sales, selling and distribution costs and administrative expenses	551,272	511,919

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. Other gains – net

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Loss on disposal of property, plant and equipment	(783)	(949)
Loss on disposal of intangible assets	(4)	—
Gain on disposal of financial assets at fair value through profit or loss	921	—
Fair value gains on financial assets at fair value through profit or loss	2,023	4,106
Net foreign exchange gains	454	1,109
	2,611	4,266

12. Other income

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Government subsidies	2,656	1,645
Licence fee income	274	193
Dividend income on available-for-sale financial assets	653	2,033
Dividend income on financial assets at fair value through profit or loss	1,093	—
Interest income on financial assets at fair value through profit or loss	—	312
Royalty income	215	99
Others	1,201	1,485
	6,092	5,767

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Finance income and costs

	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Finance income:		
– Interest income on bank deposits	393	244
– Net foreign exchange gains	—	91
	393	335
Finance costs:		
– Interest on bank borrowings and overdrafts	—	(48)
– Interest on obligation under finance lease	(24)	(23)
	(24)	(71)
Finance income, net	369	264

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 2010 HK\$'000	Unaudited 2009 HK\$'000
Current income tax:		
– Hong Kong profits tax	—	—
– PRC enterprise income tax	9,179	2,021
– Under-provision in prior year	183	—
	9,362	2,021
Deferred income tax	(587)	1,267
	8,775	3,288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Income tax expenses (Continued)

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 a rate of 10% for other foreign investors. Deferred income tax liabilities of HK\$3,777,000 (2009: HK\$2,424,000) for the withholding tax have not been recognised in respect of the unremitted earnings of certain PRC subsidiaries since the Group plans to reinvest such profits to expand sales network in the PRC and has no plan to distribute such profits in the foreseeable future.

15. Earnings/(losses) per share

(a) Basic

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

	Unaudited 2010	Unaudited 2009
Profit/(loss) for the period (HK\$'000)	1,296	(27,972)
Weighted average number of ordinary shares in issue (thousands)	622,500	622,500
Earnings/(losses) per share (HK cent per share)	0.21	(4.5)

(b) Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share for the period is based on 622,500,000 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 11,208,000 shares deemed to be issued at no consideration under the Group's share option schemes. There was no dilutive share outstanding at 30 September 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. Earnings/(losses) per share (Continued)

(b) Diluted (Continued)

	Unaudited 2010	Unaudited 2009
Profit/(loss) for the period (HK\$'000)	1,296	(27,972)
Weighted average number of ordinary shares in issue (thousands)	622,500	622,500
Adjustments for share options (thousands)	11,208	—
Weighted average number of ordinary shares for diluted earnings/(losses) per share (thousands)	633,708	622,500
Earnings/(losses) per share (HK cent per share)	0.20	(4.5)

16. Dividend

The Board has resolved not to declare interim dividend for the period (2009: nil).

17. Capital commitments

The Group did not have any significant capital commitments at 30 September 2010 (31 March 2010: nil).

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 2010 HK\$'000	Unaudited 2009 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	6,465	5,057
Contributions to pension plans	72	60
Share option expenses	1,365	1,549
	7,902	6,666

DISCLOSURE OF INTERESTS

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

As at 30 September 2010, 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 Part XV 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”)

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

Notes:

1. Mr. HUANG Wen Yi (“Mr. Huang”), who was a director of the Company, passed away in Hong Kong on 10 February 2008. Mr. Huang’s estate is taken to be interested in the 449,950,000 shares held by Smart Presto Holdings Limited, owned as to 90% by estate of Mr. Huang and 10% by Ms CHAN Mei Sheung (“Ms Chan”). Ms Chan, spouse of the late Mr. Huang, 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.
2. 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 option scheme adopted by the company on 21 May 2007 and share purchase scheme adopted by the Company on 5 August 2009.

DISCLOSURE OF INTERESTS

3. 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.
4. Calculated as a percentage of the entire issued share capital of the Company as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, none of the Directors or the 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 Part XV 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 2010, the interests or short positions of the persons, other than a Director or the Chief Executive of the Company as recorded in the register required to be kept under Section 336 of Part XV 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	68,650,000	Interest held jointly with NG Chee Yin Susie Linda	11.03

DISCLOSURE OF INTERESTS

Note:

1. Smart Presto Holdings Limited, which is owned as to 90% by the 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 2010, 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 Part XV 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 for the six months ended 30 September 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct of Directors' securities transactions. All Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2010.

INTERNAL CONTROL

The Board had reviewed the findings of the internal control review performed by the internal auditors together with the Audit Committee and, after discussion with management, was satisfied that the Group's internal control system was sound and adequate for the Period. The Board would continue to review and improve the Group's internal control system, taken into account the prevailing regulatory requirements, business development needs and the interests of shareholders.

AUDIT COMMITTEE

The major functions of the Audit Committee were revision and supervision of the Group's financial reporting and internal control procedures of the Group, revision of the financial information of the Group and its relationship with the external auditors. For the Period, the Audit Committee was provided with sufficient resources to discharge its duties and had access to independent professional advice if required according to the Company's policy and made relevant recommendations to the Board.

For the Period, the Audit Committee comprised three members, namely, Mr. SZE Tsai Ping, Michael, a professional accountant and presided as the chair, Dr. FAN Yiu Kwan, JP and Mr. TSANG Link Carl, Brian, who were and remain current independent non-executive Directors of the Company.

CORPORATE GOVERNANCE

The Audit Committee had 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 Period.

The terms of reference of the Audit Committee regarding its role and delegated authorities to it by the Board can be found on the Company's website: <http://www.walkershop.com.hk> and can be provided upon request.

NOMINATION COMMITTEE

The fundamental duties of the nomination committee of the Company ("**Nomination Committee**") were to identify and recommend suitable candidates to the Board for selection from amongst those who were nominated for appointment or reappointment to directorships. It also carried out duties 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 including, among the set of criteria, consideration of appropriate qualifications, experiences, and commitments.

For the Period, the Nomination Committee comprised three members, namely, Mr. SZE Tsai Ping, Michael, presided as the chair, Dr. FAN Yiu Kwan, *JP* and Mr. TSANG Link Carl, Brian, who were and remain current independent non-executive Directors of the Company.

The Nomination Committee had considered the size and composition of the Board for the Period.

The terms of reference of the Nomination Committee regarding its role and delegated authorities to it by the Board can be found on the Company's website: <http://www.walkershop.com.hk> and can be provided upon request.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The principal functions of the remuneration committee of the Company (“**Remuneration Committee**”) included 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 on a regular basis.

For the Period, the Remuneration Committee comprised four members, namely, Dr. FAN Yiu Kwan, *JP*, presided as the chair, Ms CHAN Mei Sheung, Mr. SZE Tsai Ping, Michael and Mr. TSANG Link Carl, Brian. Except Ms CHAN Mei Sheung, an executive director, all the other three members of the Remuneration Committee were and remain current independent non-executive Directors of the Company.

The Remuneration Committee had reviewed the performance bonus scheme for executive Directors and senior management of the Company for the Period.

The terms of reference of the Remuneration Committee regarding its role and delegated authorities to it by the Board can be found on the Company’s website: <http://www.walkershop.com.hk> and can be provided upon request.

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INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2010 (2009: 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 have 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, representing 2.5% of its 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 (“**Listing**”) were granted under the Pre-IPO Scheme.

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

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None of the Pre-IPO Share Options was lapsed or exercised during the six months ended 30 September 2010. A summary of the movements for the six months ended 30 September 2010 of the Pre-IPO Share Options is as follows:

Name or Category of participant	Number of Pre-IPO Share Options					Percentage of issued share capital as at 30 September 2010
	Balance as at 1 April 2010	Granted during the six months ended 30 September 2010	Exercised during the six months ended 30 September 2010	Lapsed during the six months ended 30 September 2010	Balance as at 30 September 2010	
Directors						
CHAN Mei Sheung	3,550,000	–	–	–	3,550,000	0.57
KIU Wai Ming	2,000,000	–	–	–	2,000,000	0.32
CHU Yin Man	1,200,000	–	–	–	1,200,000	0.19
Employees						
Continuous contract employees	2,630,000	–	–	–	2,630,000	0.42

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

HK\$

Directors

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
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Measurement date of the Share Option was 6 June 2007. The value of all 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 were

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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 ranging from 4.01% to 4.08% and expected annualized stock volatility of 33.18%. The binomial lattice model is to estimate the market value of options by incorporating the effects from factors including risk-free rate and 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 a Pre-IPO Share Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a Pre-IPO Share option.

As at 30 September 2010, Pre-IPO Share Options in respect of 9,380,000 Shares were outstanding. The exercise in full of such Pre-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK\$28,046,000.

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

SHARE OPTION SCHEME

A share option scheme ("**Share Option Scheme**") was adopted by the shareholders' written resolution of the Company dated 21 May 2007. Summary of 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.

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

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executive or non-executive Director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors.

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

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

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

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

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the exercise of the Post-IPO Share Options granted but yet to be exercised, a total of 35,400,000 Shares, representing approximately 5.7% of the issued share capital of the Company as at the date of this report, are available for issue under the Share Option Scheme.

The total number of the Company's Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) 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 a general meeting.

On 5 August 2009, Post-IPO Share Options to subscribe for a total of 24,900,000 Shares, representing 4.0% of the Company's issued share capital, at the exercise price of HK\$0.60 per Share was granted under the Share Option Scheme. The closing price of Shares on 4 August 2009 was HK\$0.58.

On acceptance of the Post-IPO Share Options, the grantee would pay HK\$1.00 by way of consideration for the grant to the Company. Each Post-IPO Share Options 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).

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None of the Share Options was lapsed, cancelled or exercised during the six months ended 30 September 2010. A summary of the movements for the six months ended 30 September 2010 of the Post-IPO Share Options is as follows:

Name or Category of participant	Number of Post-IPO Share Options					Percentage of issued share capital as at 30 September 2010 %
	Balance as at 1 April 2010	Granted during the six months ended 30 September 2010	Exercised during the six months ended 30 September 2010	Lapsed during the six months ended 30 September 2010	Balance as at 30 September 2010	
Director						
CHAN Mei Sheung	6,000,000	–	–	–	6,000,000	0.96
Employees						
Continuous contract employees	18,600,000	–	–	–	18,600,000	2.99

The value of the options granted to respective parties is as follows:

HK\$

Director

Ms CHAN Mei Sheung 1,815,904

Employees

Continuous contract employees 5,474,574

Measurement date of the Post-IPO Share Options was 5 August 2009. The value of the Post-IPO Share Options granted is based on the binomial lattice model. The significant inputs into the model were share price as at 5 August 2009 of HK\$0.57, exercise price of HK\$0.60 and expected life of Post-IPO Share Options of 8 years, annual risk-free interest rates at the valuation date of 2.344%, expected annualized stock volatility of 66.368% and the dividend yield of 2.59%. The binomial lattice model is to estimate the market value of options by incorporating the effects from factors including risk-free rate and annualize stock price volatility. The fair values calculated are inherently subjective and

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uncertain due to the assumptions made and the limitations of the model used. The value of a Post-IPO Share Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a Post-IPO Share Option.

As at 30 September 2010, Post-IPO Share Options in respect of 24,600,000 Shares were outstanding. The exercise in full of such Post-IPO Share Options would, under the present capital structure of the Company, result in the issue of additional Shares at a premium of approximately HK\$12,300,000.

The Share Option Scheme shall expire on 21 May 2017.

SHARE PURCHASE SCHEME

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

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

On 5 August 2009, Share Options to subscribe for a total of 10,000,000 Shares, representing 1.6% of the Company's 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 grantee would pay HK\$1.00 by way of consideration for the grant to the Company. Each Share Option is exercisable during the following option periods: (a) in relation to 20% of the Shares comprised in the Share Option, the period commencing on 5 August

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2010 and ending on 4 August 2017 (both dates inclusive); (b) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2011 and ending on 4 August 2017 (both dates inclusive); (c) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2012 and ending on 4 August 2017 (both dates inclusive); (d) in relation to another 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2013 and ending on 4 August 2017 (both dates inclusive); and (e) in relation to the remaining 20% of the Shares comprised in the Share Option, the period commencing on 5 August 2014 and ending on 4 August 2017 (both dates inclusive).

None of the Share Options was lapsed or exercised during the six months ended 30 September 2010. A summary of the movements for the six months ended 30 September 2010 of the Share Options is as follows:

Name or Category of participant	Number of Share Options					Balance as at 30 September 2010	Percentage of issued share capital as at 30 September 2010 %
	Balance as at 1 April 2010	Granted during the six months ended 30 September 2010	Exercised during the six months ended 30 September 2010	Lapsed during the six months ended 30 September 2010			
Directors							
KIU Wai Ming	6,000,000	-	-	-	6,000,000	0.96	
CHU Yin Man	4,000,000	-	-	-	4,000,000	0.64	

As at 30 September 2010, Share Options in respect of 10,000,000 Shares were outstanding.

The Share Purchase Scheme shall expire on 5 August 2019.

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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 2010.