



Walker Group Holdings Limited

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

Interim Report
2011



Walker
GROUP

ARTEMIS

CONTENTS

2	Corporate Information
3	Chairman's Statement
7	Management Discussion and Analysis
11	Condensed Consolidated Balance Sheet
13	Condensed Consolidated Income Statement
14	Condensed Consolidated Statement of Comprehensive Income
15	Condensed Consolidated Statement of Changes in Equity
16	Condensed Consolidated Cash Flow Statement
17	Notes to the Condensed Consolidated Interim Financial Information
33	Disclosure of Interests
36	Corporate Governance
39	Other Information

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*
LEE Kwan Hung

AUDIT COMMITTEE

SZE Tsai Ping, Michael (*Chairman*)
Dr. FAN Yiu Kwan, *JP*
LEE Kwan Hung

REMUNERATION COMMITTEE

Dr. FAN Yiu Kwan, *JP* (*Chairman*)
CHAN Mei Sheung
SZE Tsai Ping, Michael
LEE Kwan Hung

NOMINATION COMMITTEE

SZE Tsai Ping, Michael (*Chairman*)
Dr. FAN Yiu Kwan, *JP*
LEE Kwan Hung

COMPANY SECRETARY

CHU Yin Man

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

COMPLIANCE ADVISER

Haitong International Capital Limited

WEBSITE

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 2011 ("**Period**"). The interim financial information has been reviewed and approved by the audit committee of the Company ("**Audit Committee**").

REVIEW AND PROSPECTS

During the Period, the growth of the world economy was still restricted by the slow pace of economic recovery in the U.S.A. and further complicated by the sovereign debt crises of some European countries necessitated to be salvaged by other countries from within and outside the European Union. Hong Kong was and is still fortunate in having a relatively economically stable hinterland to the north enabling the territory to continue to enjoy and sustain economic growth. During the Period, the Group's business sustained a steady rise in turnover of around 16.6% to approximately HK\$643 million but the extent was insufficient to absorb escalating operating costs such as rentals and salary brought by inflationary spiral resulting in recorded loss attributable to equity holders of the Company of approximately HK\$5 million for the Period. The Group, however, is cautiously optimistic that the Group's business performance can be improved by the upcoming Christmas and Chinese New Year events which are traditional high sale festive seasons coupled with the Group's recent developments as hereinafter discussed.

ARTEMIS

The Group has repackaged and launched one of its brands ARTEMIS in the People's Republic of China ("**PRC**") to aim at upmarket formal office/dress footwear incorporating exceptionally attractive product attributes in terms of style, design, function and comfort. The mode of operation would be in the style of a boutique with trendy decorations to bring out and match the style of the products. During the Period, the Group has added 13 ARTEMIS self-managed shops in the PRC bringing the total to 57.

CHAIRMAN'S STATEMENT

New Sales Channels

To exploit the sales potential in the PRC, the Group continues to diversify its sales channels to enhance market penetration. The Group has embarked on online sales and TV home shopping via TV channels in Shanghai which has been satisfactory both in terms of interaction with customers and sales performance. During the Period, the Group recorded a rise in on-line sales of approximately 51% compared to the corresponding period last year.

Sales Network

The Group is cautiously optimistic in the PRC economy and has continued to fine-tune its sales network with steady expansion in reasonably priced locations including without limitation setting up new shops in third and fourth-tier cities to further enhance the Group's presence in the rapidly growing footwear market.

ACUPUNCTURE

Apart from extensive advertising in various media to sustain cultivation and promotion of a cool yet bold and rebellious product image for ACUPUNCTURE, the Group had in late September 2011 successfully organised a large scale on-site promotional activity at Langham Place, Mongkok, Hong Kong. The event featured an avant-garde rock band and celebrities to match the "Rock Rebellion" slogan of the event relating to the launch of a new series of ACUPUNCTURE footwear and apparel products embossed with a cross-over logo with a renowned international automobile brand. Market reaction has been positive with a satisfactory turnover.

Mega Store – WALKER ONE

Following the successful concept of the Walker One multi-brand footwear megastore in Beijing in operation since 2008, the Company has opened three additional Walker One based on the original model in first and second-tier cities in the PRC occupying areas of 3,000 to 5,000 sq. ft. The new stores offer myriad fashionable and comfortable footwear, apparel and accessories for all occasions to satisfy every need of customers. The Group has determined to bring in the concept to Hong Kong and a new Walker One flagship store of

CHAIRMAN'S STATEMENT

more than 5,000 sq. ft. located at the shopping mall basement of Langham Place, Mongkok, had a soft opening on 12 November 2011 and the official opening will be on 6 December 2011. The Group is cautiously optimistic of its future business since Langham Place occupies a convenient location with pathways leading to Mongkok MTR station which would help bringing heavy pedestrian traffic to the store.

Brand Image Building & Fortification

The Group would on the one hand continue its efforts to build up and fortify the images of all its brands through extensive promotion and product development in order to attract new customers and expand its market to wider segments whilst on the other hand would continue to reinforce and foster customers' loyalty to maintain income streams for the Group.

Upgrading Information Systems to Enhance Operational Efficiency

To enhance operational efficiency, the Group has been implementing its enterprise resource planning ("ERP") systems which integrate including without limitation internal and external management information across the entire organization of the Group, embracing finance/accounting, warehouse, shops and concessions in the PRC and Hong Kong. ERP systems for Hong Kong have been in operation for about 1 1/2 years. Implementation of the ERP systems in the PRC was launched last year and the progress is on track. It is envisaged that the systems would not only enhance control over inventory and points of sale but also bolster efficiency across different operations including without limitation distribution, marketing and finance which are beneficial to attaining cost effectiveness.

OUTLOOK

The Company remains cautiously optimistic towards the outlook of this fiscal year and expects the turnover will be improved by the upcoming festivals in the second half of the financial year.

The Group intends to open approximately 50 new sales points in the PRC including 13 ARTEMIS sales points in the second half of the financial year in anticipation that the PRC economy continues to be stable insofar as its retail business is concerned and the PRC segment will still be the main income contributor for the Group.

CHAIRMAN'S STATEMENT

Leveraging our strong brand recognition and comprehensive sale networks, we will continue to develop aggressively in all of our geographic and segment markets. Towards this end, the Group will also optimise its product portfolio and enhance operational efficiency so as to enhance shareholders' value.

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

CHAN Mei Sheung

Chairman

25 November 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's main business is sale of footwear and apparel products under its own brands ACUPUNCTURE, COUBER.G, FORLERIA, OXOX, TRU-NARI, ARTEMIS and WALACI.

As at 30 September 2011, the Group operated 870 self-managed sales points (52 in Hong Kong, 794 in the PRC and 24 in Taiwan) and 125 franchised shops in the PRC.

Average daily sales of footwear products of the Group for the six months ended 30 September 2011 was approximately 10,300 pairs (2010: 9,500 pairs) at an average selling price of approximately HK\$320 (2010: HK\$300). Same-store-sales rose by around 13.1% (2010: 12.0%) and 7.8% (2010: 7.7%) in the PRC and Hong Kong respectively.

During the Period, the PRC, Hong Kong and Taiwan accounted for about 76.8%, 21.2% and 2.0% of the Group's total revenue respectively.

PRC

During the Period, the Group added 76 self-managed sales points in the PRC, bringing the total number of self-managed sales points in the PRC to 794 (31 March 2011: 718). The Group also increased the number of franchised shops by 28 to 125 (31 March 2011: 97). Total revenue derived from business activities in the PRC amounted to approximately HK\$494 million for the Period (2010: HK\$406 million), a jump of around 21.6% when compared to the same period last year.

Hong Kong

As at 30 September 2011, the Group reduced the number of sales points in Hong Kong by one, bringing the total to 52 (31 March 2011: 53). Total revenue generated in Hong Kong was approximately HK\$137 million (2010: HK\$134 million), representing a slight rise of about 1.6%.

Taiwan

During the Period, the Group was running a total of 24 shops (31 March 2011: 25 shops) comprising 5 Walker Shop, 4 Acupuncture and 15 Genuine. Total revenue derived from Taiwan operations amounted to approximately HK\$12 million (2010: HK\$11 million), representing a rise of around 14.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Turnover increased by approximately HK\$92 million, or around 16.6%, to approximately HK\$643 million for the Period (2010: HK\$551 million) which was mainly due to the rise in turnover in the PRC by approximately HK\$88 million which was attributable to, among others, the addition of sales points in the PRC. Turnover of operations in Hong Kong and Taiwan also rose slightly by approximately HK\$3 million and HK\$1 million respectively as compared with the same period last year.

Overall turnover of the Group for the Period climbed modestly compared with the same period last year and same-store-sales rose by around 13.1% (2010: 12.0%) and 7.8% (2010: 7.7%) in the PRC and Hong Kong respectively.

Gross Profit

Due to the increase of turnover, the Group's gross profit climbed by approximately HK\$49 million from HK\$326 million for the six months ended 30 September 2010 to HK\$375 million for the Period, representing a rise of about 14.9%. Gross profit margin dropped slightly from approximately 59.1% for the six months ended 30 September 2010 to around 58.3% for the Period.

Operating Expenses

During the Period, operating expenses increased by approximately HK\$62 million to approximately HK\$388 million, a period-on-period rise of around 18.9% (2010: HK\$326 million) mainly due to increase in rentals and staff expenses.

Fair Value Change on Financial Assets

During the Period, the Group had a fair value gain on financial assets in the income statement amounting to approximately HK\$3 million on financial assets acquired at a cost of approximately HK\$38 million whilst a fair value loss in reserve of approximately HK\$9 million on listed securities investment acquired at a cost of approximately HK\$55 million. The fair value of the Group's financial investment subsequent to 30 September 2011 is subject to adjustment depending on market conditions.

Operating Results

Due to the increase in operating expenses, the Group recorded an operating loss of approximately HK\$2 million for the Period (2010: operating profit of HK\$9 million). With regards to the operating margin (expressed as a percentage of operating loss/profit to turnover) of the Group, it was around -0.3% for the Period against around +1.6% for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Attributable to Equity Holders

In consequence, loss attributable to equity holders of the Company of approximately HK\$5 million was recorded for the Period, as compared to profit attributable to equity holders of the Company of approximately HK\$1 million recorded for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group had working capital of approximately HK\$554 million as at 30 September 2011 (31 March 2011: HK\$565 million), and a current ratio of about 2.8 times (31 March 2011: 3.4 times).

The Group had cash and cash equivalents of approximately HK\$77 million deposited in banks in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars as at 30 September 2011 (31 March 2011: HK\$136 million). During the Period, the Group borrowed new short-term bank loans of approximately HK\$15 million for financing working capital and the Group repaid bank loan of approximately HK\$12 million. The Group had outstanding bank borrowing of approximately HK\$3 million as at 30 September 2011 with maturity date falling within one year (31 March 2011: nil). The bank loan was in New Taiwan dollars and on a floating rate basis. As at 30 September 2011, the gearing ratio of the Group was approximately 0.3% (31 March 2011: nil) (calculated by total borrowings divided by total assets).

As at 30 September 2011, the Group had aggregate banking facilities of approximately HK\$117 million for overdrafts, bank loans and trade financing and bank guarantee for rental deposit (31 March 2011: HK\$124 million) of which approximately HK\$14 million was used for trade financing and bank guarantee for rental deposit (31 March 2011: HK\$27 million). The Group had no charges on its assets as at 31 March 2011 and 30 September 2011.

The Group continued to keep sufficient inventory to meet the need of its expanding retail network. During the Period, inventory turnover days increased to approximately 310 days (2010: 264 days) and as at 30 September 2011, inventory amounted to approximately HK\$503 million (31 March 2011: HK\$406 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policies

The Group continued to adopt a prudent approach to liquidity risk management with no significant borrowing during the Period. The Group did not enter into any forward contract to hedge its foreign exchange risk during the Period.

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 Renminbi into foreign currencies is regulated under foreign exchange control rules of the PRC government.

Contingent Liabilities

As at 30 September 2011 and 31 March 2011, the Group was not exposed to any significant contingent liabilities.

Capital Commitments

As at 30 September 2011 and 31 March 2011, the Group had no significant capital commitment.

HUMAN RESOURCES

As at 30 September 2011, the Group had a total of 4,107 employees (31 March 2011: 3,998 employees) and during the Period, total staff cost was approximately HK\$119,963,000 (2010: approximately HK\$97,844,000). Training courses on sales skills and product knowledge are regularly organised for employees of the Group. Staff remuneration is determined with reference to qualifications, experience, performance and contribution of an employee to the Group. Competitive remuneration packages, including basic salaries, allowances, share options, insurance and bonuses are also offered to employees. Regarding share options, details of the two share option schemes and a share purchase scheme are set out in pages 40 to 47 under the heading "Other Information". Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel receive commissions based on several incentive-oriented schemes.

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

AS AT 30 SEPTEMBER 2011

	Note	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	58,076	55,625
Investment property	7	1,062	1,078
Intangible assets	7	68,246	69,411
Deferred income tax assets		16,479	17,486
Available-for-sale financial assets		43,322	52,421
Rental deposits	9	16,397	15,462
		203,582	211,483
Current assets			
Inventories		502,917	405,553
Trade receivables	8	151,048	132,928
Deposits, prepayments and other receivables	9	91,294	85,779
Financial assets at fair value through profit or loss		32,290	39,732
Tax recoverable		172	149
Cash and cash equivalents		77,461	135,927
		855,182	800,068
Total assets		1,058,764	1,011,551

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 SEPTEMBER 2011

	Note	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	62,356	62,356
Share premium	10	562,600	562,600
Reserves		132,553	149,664
		757,509	774,620
Non-controlling interests		(1,181)	89
Total equity		756,328	774,709
LIABILITIES			
Non-current liabilities			
Obligation under finance lease		—	53
Deferred income tax liabilities		1,445	1,413
		1,445	1,466
Current liabilities			
Borrowing	12	3,313	—
Trade payables	13	227,591	160,129
Accruals and other payables		66,880	72,383
Obligation under finance lease		211	316
Tax payable		2,996	2,548
		300,991	235,376
Total liabilities		302,436	236,842
Total equity and liabilities		1,058,764	1,011,551
Net current assets		554,191	564,692
Total assets less current liabilities		757,773	776,175

The accompanying 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 2011

	Note	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Revenue	6	642,886	551,319
Cost of sales	14	(268,145)	(225,225)
Gross profit		374,741	326,094
Selling and distribution costs	14	(327,034)	(276,067)
Administrative expenses	14	(60,618)	(49,980)
Other gains — net	15	3,022	2,611
Other income	16	7,961	6,092
Operating (loss)/profit		(1,928)	8,750
Finance income	17	174	393
Finance costs	17	(95)	(24)
Finance income — net		79	369
(Loss)/profit before income tax		(1,849)	9,119
Income tax expenses	18	(3,736)	(8,775)
(Loss)/profit for the period		(5,585)	344
Attributable to:			
Equity holders of the Company		(4,715)	1,296
Non-controlling interests		(870)	(952)
		(5,585)	344
(Loss)/earnings per share for (loss)/ profit attributable to the equity holders of the Company (HK cent per share)			
— basic	19	(0.76)	0.21
— diluted	19	(0.76)	0.20

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 2011

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
(Loss)/profit for the period	(5,585)	344
Other comprehensive income		
Fair value (losses)/gains on available-for-sale financial assets	(9,099)	3,062
Currency translation difference	10,939	6,736
Other comprehensive income	1,840	9,798
Total comprehensive (loss)/income	(3,745)	10,142
Attributable to:		
Equity holders of the Company	(2,475)	11,122
Non-controlling interests	(1,270)	(980)
	(3,745)	10,142

The accompanying 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 2011

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital and premium (Note 10) HK\$'000	Other reserves (Note 11) HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2011	624,956	101,291	48,373	774,620	89	774,709
Loss for the period	–	–	(4,715)	(4,715)	(870)	(5,585)
Other comprehensive income						
Fair value losses of available-for-sale financial assets	–	(9,099)	–	(9,099)	–	(9,099)
Currency translation differences	–	11,339	–	11,339	(400)	10,939
Total comprehensive income	–	2,240	(4,715)	(2,475)	(1,270)	(3,745)
Share option scheme-value of employee services	–	662	–	662	–	662
Share award	–	291	–	291	–	291
Dividend paid	–	–	(15,589)	(15,589)	–	(15,589)
Balance at 30 September 2011	624,956	104,484	28,069	757,509	(1,181)	756,328
Balance at 1 April 2010	624,320	76,121	24,820	725,261	825	726,086
Profit 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
Capital injection from non-controlling interests	–	–	–	–	875	875
Balance at 30 September 2010	624,320	87,633	26,116	738,069	720	738,789

The accompanying 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 2011

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Net cash (used in)/generated from operating activities	(38,907)	15,010
Net cash used in investing activities	(8,651)	(16,328)
Net cash (used in)/generated from financing activities	(12,434)	717
Net decrease in cash and cash equivalents	(59,992)	(601)
Cash and cash equivalents at the beginning of the period	135,927	170,628
Effect of foreign exchange	1,526	1,814
Cash and cash equivalents at the end of the period	77,461	171,841

The accompanying 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.

This condensed consolidated interim financial information for the six months ended 30 September 2011 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 2011.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2011 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2011, except as mentioned below.

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

The following new amendments and interpretations are mandatory for the financial year ending 31 March 2012.

- Amendment to HKAS 34, “Interim Financial Reporting” is effective for annual periods beginning on or after 1 April 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2011 and have not been early adopted.

HKAS 1 (amendment)	Presentation of financial statements ³
HKAS 12 (amendment)	Deferred tax: recovery of underlying assets ²
HKAS 19 (amendment)	Employee benefits ⁴
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters ¹
HKFRS 7 (amendment)	Disclosures — transfers of financial assets ¹
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ⁴
HKFRS 11	Joint arrangements ⁴
HKFRS 12	Disclosures of interests in other entities ⁴
HKFRS 13	Fair value measurement ⁴

¹ Changes effective for annual periods beginning on or after 1 July 2011

² Changes effective for annual periods beginning on or after 1 January 2012

³ Changes effective for annual periods beginning on or after 1 July 2012

⁴ Changes effective for annual periods beginning on or after 1 January 2013

4. Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 March 2011.

5. Financial risk management

5.1 *Financial risk factors*

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2011.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except for new bank borrowings drawn during the period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	Total HK\$'000
As at 30 September 2011			
Borrowing	3,331	—	3,331
Trade payables	227,591	—	227,591
Other payables, accruals and other liabilities	67,122	—	67,122
	298,044	—	298,044
	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	Total HK\$'000
As at 31 March 2011			
Trade payables	160,129	—	160,129
Other payables, accruals and other liabilities	72,746	61	72,807
	232,875	61	232,936

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.3 Capital risk management

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

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

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

During the period, the Group's strategy was to maintain a gearing ratio within 5%. The gearing ratios at 30 September 2011 and 31 March 2011 were as follows:

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Total borrowings	3,313	—
Total assets	1,058,764	1,011,551
Gearing ratio	0.3%	—

Note: the calculation of gearing ratio is based on the total borrowings divided by total assets as at balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at 30 September 2011			As at 31 March 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Financial assets at fair value through profit or loss	32,290	—	—	30,099	—	9,633
Available-for-sale financial assets	43,322	—	—	52,421	—	—
Total assets	75,612	—	—	82,520	—	9,633

The movement during the period in the balance of level 3 fair value measurement is as follows:

	Unlisted equity linked notes HK\$'000
At 1 April 2011	9,633
Fair value gains of financial assets at fair value through profit or loss recognised in the consolidated income statement	507
Disposal	(10,140)
At 30 September 2011	—
At 1 April 2010	9,594
Fair value gains of financial assets at fair value through profit or loss recognised in the consolidated income statement	109
At 30 September 2010	9,703

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. 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, other income and finance income/(costs), which is consistent with that in the financial information.

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.

The segment results are as follows:

	Unaudited Six months ended 30 September 2011			
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Total HK\$'000
Revenue from sales of footwear, fashion wears and accessories	136,512	493,829	12,545	642,886
Segment profit/(loss)	(3,277)	52,025	(1,041)	47,707
Unallocated income and expenses				(49,635)
Finance income				174
Finance costs				(95)
Income tax expenses				(3,736)
Loss for the period				(5,585)
Other segment items are as follows:				
Capital expenditure	2,077	17,268	1,028	20,373
Depreciation of property, plant and equipment	3,859	11,471	683	16,013
Depreciation of investment property	16	—	—	16
Amortisation of intangible assets	3,012	110	—	3,122
Net provision for inventories	1,674	953	174	2,801

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information (Continued)

The segment results are as follows: (Continued)

	Unaudited			Total HK\$'000
	Six months ended 30 September 2010			
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan 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 expenses				(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
Depreciation of investment property	17	—	—	17
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

6. Segment information (Continued)

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

	Unaudited As at 30 September 2011			Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	
Segment assets	240,872	704,579	21,050	966,501
Unallocated assets				92,263
				<u>1,058,764</u>
Segment liabilities	24,237	265,341	8,206	297,784
Unallocated liabilities				4,652
				<u>302,436</u>

	Audited As at 31 March 2011			Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	
Segment assets	256,497	625,609	19,657	901,763
Unallocated assets				109,788
				<u>1,011,551</u>
Segment liabilities	25,508	203,379	3,625	232,512
Unallocated liabilities				4,330
				<u>236,842</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. 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 2011			
Opening net book amount as at			
1 April 2011	55,625	1,078	69,411
Additions	18,439	—	1,934
Disposals	(254)	—	(1)
Depreciation and amortisation	(16,013)	(16)	(3,122)
Exchange differences	279	—	24
Closing net book amount as at 30 September 2011	58,076	1,062	68,246
Six months ended 30 September 2010			
Opening net book amount as at			
1 April 2010	56,632	1,111	73,341
Additions	17,894	—	1,665
Disposals	(783)	—	(4)
Depreciation and amortisation	(14,645)	(17)	(2,905)
Impairment	(268)	—	—
Exchange differences	281	—	2
Closing net book amount as at 30 September 2010	59,111	1,094	72,099

8. Trade receivables

Ageing analysis of third party trade receivables is as follows:

	Unaudited 30 September 2011	Audited 31 March 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	109,830	114,624
31 – 60 days	11,927	6,999
61 – 90 days	8,328	3,530
Over 90 days	20,963	7,775
	151,048	132,928

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Trade receivables (Continued)

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.

9. Deposits, prepayments and other receivables

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Deposits	42,166	36,795
Prepayments	8,900	3,422
Other receivables	4,962	4,307
Value-added tax recoverable	51,663	56,717
	107,691	101,241
Less: Long-term rental deposits	(16,397)	(15,462)
	91,294	85,779

10. Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised				
At 31 March and 30 September 2011, ordinary shares of HK\$0.1 each	9,000,000,000	900,000	—	900,000
Issued and fully paid				
At 31 March and 30 September 2011, ordinary shares of HK\$0.1 each	623,560,000	62,356	562,600	624,956

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. 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 2011	22,002	20,621	35,174	(2,517)	26,011	101,291
Fair value losses of available-for-sale financial assets	-	-	-	(9,099)	-	(9,099)
Currency translation differences	-	-	11,339	-	-	11,339
Share option scheme-value of employee services	-	-	-	-	662	662
Share award	-	-	-	-	291	291
Balance at 30 September 2011	22,002	20,621	46,513	(11,616)	26,964	104,484
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

12. Borrowing

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Short-term bank loan – secured	3,313	–

The bank borrowing is secured by the Group's standby letter of credit amounting to US\$1,000,000 and a promissory note of New Taiwan dollar 28 million co-made by the Group and a non-controlling shareholder. The carrying amount is denominated in New Taiwan dollar, repayable in 90 days from the date of issuance and is interest bearing at 2.75% per annum.

Movement of bank borrowing are analysed as below:

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Opening balance as at 1 April	–	–
Additions	15,035	–
Repayments	(11,722)	–
Closing balance as at 30 September	3,313	–

13. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
0 – 30 days	125,695	63,698
31 – 60 days	76,934	22,237
61 – 90 days	23,827	52,408
Over 90 days	1,135	21,786
	227,591	160,129

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Expenses by nature

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Purchase of and changes in inventories	265,261	223,879
Advertising and promotion expenses	9,711	8,787
Auditor's remuneration	1,007	776
Depreciation of property, plant and equipment	16,013	14,645
Depreciation of investment property	16	17
Amortisation of intangible assets	3,122	2,905
Provision for impairment of property, plant and equipment	—	268
Operating lease rental in respect of leasehold land and buildings		
— minimum leases payments	32,791	34,284
— turnover rental expenses	153,190	123,337
Provision for obsolete inventories	2,801	1,297
Employee benefit expenses	119,963	97,844
Other expenses	51,922	43,233
Total cost of sales, selling and distribution costs and administrative expenses	655,797	551,272

15. Other gains — net

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Loss on disposal of property, plant and equipment	(253)	(783)
Loss on disposal of intangible assets	(1)	(4)
Gain on disposal of financial assets at fair value through profit or loss	17	921
Fair value gains on financial assets at fair value through profit or loss	2,820	2,023
Net foreign exchange gains	439	454
	3,022	2,611

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Other income

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Government subsidies	2,292	2,656
Licence fee income	572	274
Interest income on available-for-sale financial assets	1,268	653
Dividend income on financial assets at fair value through profit or loss	1,199	1,093
Royalty income	236	215
Others	2,394	1,201
	7,961	6,092

17. Finance income and costs

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Finance income:		
— Interest income on bank deposits	174	393
Finance costs:		
— Interest on bank borrowings and overdrafts	(71)	—
— Interest on obligation under finance lease	(24)	(24)
	(95)	(24)
Finance income, net	79	369

18. 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 PRC approved the Corporate Income Tax Law of the PRC ("**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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. Income tax expenses (Continued)

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

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Current income tax:		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	2,281	9,179
Under-provision in prior year	7	183
	2,288	9,362
Deferred income tax	1,448	(587)
	3,736	8,775

19. (Loss)/earnings per share

(a) Basic

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

	Unaudited 2011	Unaudited 2010
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(4,715)	1,296
Weighted average number of ordinary shares in issue (thousands)	623,560	622,500
Basic (loss)/earnings per share (HK cent per share)	(0.76)	0.21

(b) Diluted

Diluted loss per share is the same as basic loss per share for the period ended 30 September 2011 as there were no dilutive share options for this period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. (Loss)/earnings per share (Continued)

(b) Diluted (Continued)

For the period ended 30 September 2010, the diluted earnings per share was based on 622,500,000 shares which was the weighted average number of shares of the Company in issue during the period plus the weighted average number of 11,208,000 shares of the Company deemed to be issued at no consideration.

	Unaudited 2011	Unaudited 2010
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(4,715)	1,296
Weighted average number of ordinary shares in issue (thousands)	623,560	622,500
Adjustments for share options (thousands)	—	11,208
Weighted average number of ordinary shares for diluted earnings per share (thousands)	623,560	633,708
Diluted (loss)/earnings per share (HK cent per share)	(0.76)	0.20

20. Dividend

On 28 June 2011, the directors declared a final dividend of 2.5 HK cents per ordinary share, totalling HK\$15,589,000, which was paid on 6 September 2011.

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

21. Capital commitments

The Group did not have any significant capital commitments at 30 September 2011 (31 March 2011: nil).

22. Significant related party transactions

The Group is controlled by Smart Presto Holdings Limited (incorporated in the British Virgin Islands).

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

Key management compensation:

	Unaudited 2011 HK\$'000	Unaudited 2010 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	7,154	6,465
Contributions to pension plans	60	72
Share based payments	705	1,365
	7,919	7,902

DISCLOSURE OF INTERESTS

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

As at 30 September 2011, 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 of Hong Kong Limited (“**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**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

Beneficial interests in the ordinary shares of HK\$0.10 each in the capital of the Company (“**Shares**”)

Name of Director	Capacity and number of Shares held			Number of share options held		Approximate percentage of shareholding as at 30 September 2011 (Note 3)
	Personal interest	Family interest	Corporate interest	Personal interest (Note 2)	Total	
CHAN Mei Sheung	–	449,150,000 (Note 1)	–	8,485,000	457,635,000	73.39%
KIU Wai Ming	3,500,000	–	–	7,400,000	10,900,000	1.75%
CHU Yin Man	671,000	–	–	4,040,000	4,711,000	0.76%

Notes:

- 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 was taken to be interested in the 449,950,000 Shares held by Smart Presto Holdings Limited, owned as to 90% by estate of the late Mr. Huang and 10% by Ms CHAN Mei Sheung (“**Ms Chan**”). Of the 44,995,000 shares interest held by Ms Chan, 10,000,000 Shares were available for purchase on the exercise of options granted to certain directors of the Company under the Share Purchase Scheme adopted on 5 August 2009. Subsequent to Mr. CHU Yin Man (“**Mr. Chu**”), an executive director of the Company, exercised the share purchase right on 18 March 2011 to acquire 800,000 Shares under the Share Purchase Scheme, Ms Chan was taken to be interested in the 449,150,000 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

2. These represent the number of Shares which will be transferred to such Directors upon the exercise of the options granted to each of them under the Pre-IPO Share Option Scheme adopted on 21 May 2007 by the Company and/or the Share Option Scheme adopted on 21 May 2007 by the Company and/or the Share Purchase Scheme adopted on 5 August 2009 by Smart Presto Holdings Limited, where applicable.
3. Calculated as a percentage of the entire issued share capital of the Company as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, none of the Directors or chief executives of the Company 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 by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, as at 30 September 2011, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Position

Name of substantial shareholder	Number of Shares held	Capacity	Approximate percentage of shareholding as at 30 September 2011
Smart Presto Holdings Limited (<i>Note</i>)	449,150,000	Beneficial owner	72.03%
HUI Wan Hon	68,650,000	Interests held jointly with Ng Chee Yin Susie Linda	11.01%

DISCLOSURE OF INTERESTS

Note: Smart Presto Holdings Limited, which was owned as to 90% by estate of the late Mr. Huang and 10% by Ms Chan, was the registered owner of 449,150,000 Shares.

As at 30 September 2011, save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) who as at 30 September 2011 had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as the shareholders as disclosed herein, the Directors are not aware of any persons who were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2011.

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 2011.

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 include reviewing the Group's financial reporting and internal control procedures of the Group, and reviewing the financial information of the Group and its relationship with the external auditors. During 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.

CORPORATE GOVERNANCE

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. LEE Kwan Hung, who were and remain current independent non-executive Directors (individually “**INED**”, collectively “**INEDs**”).

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**”) are 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 carries 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, without limitation, 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. LEE Kwan Hung, who were and remain current INEDs.

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**”) 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 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. LEE Kwan Hung. Except Ms CHAN Mei Sheung, an executive director, all the other three members of the Remuneration Committee were and remain current INEDs.

The Remuneration Committee had reviewed the performance bonus and salary revision 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2011 (2010: nil).

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of directors' information required to be disclosed after the reporting period of the Company's Annual Report 2011 pursuant to Rule 13.51B(1) of the Listing Rules:

Directors' Information Update

Mr. SZE Tsai Ping, Michael, a current INED, resigned with effect from 1 October 2011 as a non-executive director of Burwill Holdings Limited, a company listed on the Stock Exchange.

Mr. LEE Kwan Hung, a current INED of the Company, has respectively been appointed on 15 December 2010 and 4 August 2011 as an independent non-executive director of two companies, namely, Newton Resources Limited and Tenfu (Cayman) Holdings Company Limited, both of which were respectively listed on the Stock Exchange on 4 July 2011 and 26 September 2011.

Directors' Emoluments

Upon review and recommendation of the Remuneration Committee, the Board has approved the adjustment of remuneration of the executive Directors under their respective service contracts with the Group that with effect from 1 April 2011 the basic monthly salary payable to the executive Directors Ms CHAN Mei Sheung, Mr. KIU Wai Ming and Mr. CHU Yin Man be HK\$178,340, HK\$141,340 and HK\$122,500 respectively.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

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 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, during 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, during the period commencing on the expiration of 36 months, and ending on the expiration of 72 months, after the date of Listing.

During the six months ended 30 September 2011, none of the Pre-IPO Share Options was exercised or cancelled and a total of 2,814,000 Pre-IPO Share Options were lapsed. A summary of the movements of the Pre-IPO Share Options for the six months ended 30 September 2011 is shown below:

OTHER INFORMATION

Name or category of participant	Number of Pre-IPO Share Options						Approximate percentage of the total issued share capital of the Company as at 30 September 2011 %
	Balance as at 1 April 2011	Granted during the six months ended 30 September 2011	Exercised during the six months ended 30 September 2011	Cancelled during the six months ended 30 September 2011	Lapsed during the six months ended 30 September 2011	Balance as at 30 September 2011	
Directors							
CHAN Mei Sheung	3,550,000	-	-	-	1,065,000	2,485,000	0.40
KIU Wai Ming	2,000,000	-	-	-	600,000	1,400,000	0.22
CHU Yin Man	1,200,000	-	-	-	360,000	840,000	0.13
Employees							
Continuous contract employees	2,630,000	-	-	-	789,000	1,841,000	0.30

The offer price of the Shares upon Listing on 7 June 2007 was HK\$3.86. The value of the Pre-IPO Share Options granted to the respective parties as at grant date is shown below:

HK\$

Directors

Late Mr. HUANG Wen Yi	7,621,200
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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Subsequent to the grant date of the Pre-IPO Share Options and up to 30 September 2011, the Pre-IPO Share Options of the late Mr. HUANG Wen Yi and 4,054,000 Pre-IPO Share Options held by the executive Directors and continuous contract employees have lapsed.

OTHER INFORMATION

Measurement date of the Pre-IPO Share Options was 6 June 2007. The value of all the Pre-IPO Share Options granted was HK\$26,100,000, based on the binomial lattice model. The significant inputs into the model were share price as at 7 June 2007 of HK\$3.86, exercise price of HK\$3.09 and expected life of Pre-IPO Share Options of 6 years, annual 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 annualized stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a 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 2011, Pre-IPO Share Options in respect of 6,566,000 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 total premium of HK\$19,632,340.

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 the principal terms of the Share Option Scheme is set out below. A total of 24,900,000 options ("**Post-IPO Share Options**") were granted on 5 August 2009.

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 but any options then outstanding will continue to be exercisable in accordance with their terms of issue.

OTHER INFORMATION

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

OTHER INFORMATION

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 the exercise of the options granted but yet to be exercised, a total of 37,160,000 Shares, representing approximately 6.0% 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) under the Share Option Scheme and any other share option scheme(s) of the Company 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 approximately 4% of the existing total issued share capital of the Company, at the exercise price of HK\$0.60 per Share were 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 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 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).

OTHER INFORMATION

None of the Post-IPO Share Options was exercised or cancelled or lapsed during the six months ended 30 September 2011. A summary of the movements of the Post-IPO Share Options for the six months ended 30 September 2011 is shown below:

Name or Category of participant	Number of Post-IPO Share Options						Approximate percentage of the total issued share capital of the Company as at 30 September 2011 %
	Balance as at 1 April 2011	Granted during the six months ended 30 September 2011	Exercised during the six months ended 30 September 2011	Cancelled during the six months ended 30 September 2011	Lapsed during the six months ended 30 September 2011	Balance as at 30 September 2011	
Director							
CHAN Mei Sheung	6,000,000	-	-	-	-	6,000,000	0.96
Employees							
Continuous contract employees	15,780,000	-	-	-	-	15,780,000	2.53

The value of the Post-IPO Share Options granted to respective parties as at grant date is shown below:

HK\$

Director

Ms CHAN Mei Sheung 1,815,904

Employees

Continuous contract employees 5,474,574

Subsequent to the date of Post-IPO Share Options and up to 30 September 2011, 2,060,000 Post-IPO Share Options have been lapsed and 1,060,000 Post-IPO Share Options have been exercised.

Measurement date of the Post-IPO Share Options was 5 August 2009. The value of the Post-IPO Share Options granted was 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

OTHER INFORMATION

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 annualized stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a 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 2011, Post-IPO Share Options in respect of 21,780,000 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 total premium of approximately HK\$10,890,000.

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 the 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 purchase a total of 10,000,000 Shares, representing approximately 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 Option, the grantee 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 Option, 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 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

OTHER INFORMATION

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 exercised or lapsed or cancelled during the six months ended 30 September 2011. A summary of the movements of the Share Options for the six months ended 30 September 2011 is shown below:

Name or category of participant	Number of Share Options						Approximate percentage of the total issued share capital of the Company as at 30 September 2011
	Balance as at 1 April 2011	Granted during the six months ended 30 September 2011	Exercised during the six months ended 30 September 2011	Cancelled during the six months ended 30 September 2011	Lapsed during the six months ended 30 September 2011	Balance as at 30 September 2011	
Directors							
KIU Wai Ming	6,000,000	–	–	–	–	6,000,000	0.96
CHU Yin Man	3,200,000	–	–	–	–	3,200,000	0.51

As at 30 September 2011, Share Options in respect of 9,200,000 Shares under the Share Purchase Scheme were outstanding.

The Share Purchase Scheme shall expire on 5 August 2019.

Further details of the Share Purchase Scheme are set out in the announcement of the Company dated 5 August 2009.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Except as mentioned above under the Pre-IPO Scheme, Share Option Scheme and Share Purchase Scheme, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares or any other body corporate.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Company has as at the latest practicable date prior to the issue of this interim report maintained the prescribed public float under the Listing Rules on the Stock Exchange. In this regard, the Company had on 4 November 2011 published an announcement stating that the public float of the Company was restored to above 25% of the total issued share capital of the Company by reference to information set out in the Disclosure of Interests notice filed with the Stock Exchange by HUI Wan Hon ("**Mr. Hui**") on 31 October 2011 whereby the shareholding interest in the Company held by Mr. Hui jointly with NG Chee Yin Susie Linda had as at 27 October 2011 dropped to below 10% from approximately 10.92% to approximately 9.89%. In addition, to the best of the Directors' knowledge, Mr. Hui and NG Chee Yin Susie Linda were and are independent of the Company, the Directors and the controlling shareholder of the Company. By reason of the aforesaid, Mr. Hui and the said joint owner have ceased to be connected persons of the Company under the Listing Rules and both have been regarded as public shareholders of the Company.

As at 27 October 2011, the shareholding interest of the controlling shareholder of the Company and the Directors were approximately 72.70% in aggregate and the public float of the Company was approximately 27.30%. Accordingly, the Company has fulfilled the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules of having at least 25% of total issued share capital being held by the public. Further details are contained in the announcement of the Company dated 4 November 2011.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's interim financial information for the Period and the Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.