



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

30 December 2010

The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) criticises the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”):

- (1) Walker Group Holdings Limited (the “Company”) (stock code: 1386);**
- (2) Ms Chan Mei Sheung, an executive director and the Chairman of the Company (“Ms Chan”);**
- (3) Mr Kiu Wai Ming, an executive director of the Company (“Mr Kiu”);**
- (4) Mr Chu Yin Man, an executive director of the Company (“Mr Chu”);**
- (5) Mr Sze Tsai Ping Michael, an independent non-executive director of the Company (“Mr Sze”);**
- (6) Dr Fan Yiu Kwan, an independent non-executive director of the Company (“Dr Fan”); and**
- (7) Mr Tsang Link Carl Brian, an independent non-executive director of the Company (“Mr Tsang”).**

(Ms Chan, Mr Kiu, Mr Chu, Mr Sze, Dr Fan and Mr Tsang together “Relevant Directors”)

On 30 November 2010, the Listing Committee conducted a hearing into the conduct of the Company and the Relevant Directors in relation to their obligations under the Exchange Listing Rules and the Director’s Declaration and Undertaking given by each of the Relevant Directors to the Exchange in the form set out in Appendix 5 Form B to the Exchange Listing Rules (“**Director’s Undertaking**”).

Facts

In financial periods prior to the six months ended 30 September 2008 (“**Interim Period**”), the Company had been profit-making. The Company and its subsidiaries (“**Group**”) recorded a profit of \$60 million for the six months ended 30 September 2007 and \$94.7 million for the year ended 31 March 2008.

In April 2008, the first month in the Interim Period, the Group's monthly management accounts recorded a loss caused mainly by deterioration in the Group's core business, and the loss continued to increase during the remainder of the Interim Period. The executive directors, who were aware of such deterioration and loss, expected however that sales would pick up during the Beijing Olympics in August 2008 to improve the overall results for the Interim Period.

By 22 September 2008, the executive directors became aware from the Group's management accounts for the five months ended 31 August 2008 ("**August Accounts**") that the Group had an accumulated loss from its business operations of \$32.5 million, and concluded that it was unlikely that the Group's results for the Interim Period would improve substantially. The executive directors also noted on 22 September 2008 that the Group's investment portfolio had suffered a loss of \$15 million.

On 29 September 2008, the independent non-executive directors received the August Accounts in readiness for a Board meeting scheduled for 2 October 2008.

At the Board meeting on 2 October 2008, all directors noted the Group's significant deterioration in business and investment performance but did not raise or discuss whether an announcement was required to be published to inform the market of the significant deterioration in the Group's performance under Rule 13.09 of the Exchange Listing Rules.

On 8 October 2008, (1) the Group's sales figures for September 2008 were available to the executive directors, which were lower than as had been expected by the executive directors; and (2) investment information available to the executive directors showed that the Group's investment portfolio recorded a loss of \$19 million.

By 14 October 2008, the executive directors envisaged that the Company "might" need to issue a profit warning announcement.

On 24 October 2008, following review of six-month management accounts, the executive directors decided to publish a profit warning. The Company did not issue its profit warning announcement ("**Profit Warning Announcement**") until 31 October 2008 after trading hours, disclosing that a "substantial loss" for the Interim Period was expected. On 3 November 2008, the next trading day, the closing price of the Company's shares dropped approximately 28.9 per cent (maximum drop 35.6 per cent) compared to the closing price on 31 October 2008.

On 18 December 2008, the Company published its results announcement for the Interim Period that the Group recorded a loss of \$57.5 million during the period.

Assertions made by the Listing Division

Rule 13.09 requires issuers to disclose, as soon as reasonably practicable, any information which (a) is necessary to enable shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the Company's securities; or (c) which might be reasonably expected materially to affect market activity in and the price of its securities.

Note 11(ii) to Rule 13.09 states that the obligation must be discharged without delay where there is such a change in the Company's financial condition or the performance of its business or the expectation of its performance that knowledge of the change is likely to lead to substantial price movement.

The Division alleged that the Company was obliged to disclose the significant deterioration in the Group's business and financial performance by 22 September 2008, and in any event no later than 14 October 2008. Publication of the Profit Warning Announcement on 31 October 2008 was not publication "*as soon as reasonably practicable*" as required by Rule 13.09(1).

The Division was therefore of the view that the Company has breached Rule 13.09(1) of the Exchange Listing Rules.

The Division also alleged that:

- (1) Ms Chan, Mr Kiu and Mr Chu, being executive directors having knowledge of a significant deterioration in the Group's business and investment performance at all material times, had failed to ensure the Company's timely disclosure of such deterioration under Rule 13.09(1); and
- (2) Mr Sze, Dr Fan and Mr Tsang, being the independent non-executive directors having knowledge on 2 October 2008 (at the latest) of a substantial deterioration in the Group's business and investment performance during the Interim Period, had failed to ensure the Company's timely disclosure of such deterioration under Rule 13.09(1),

and each of the Relevant Directors therefore breached his/her Director's Undertaking to the Exchange to use his/her best endeavours to procure the Company's compliance with the Exchange Listing Rules.

Decision

The Listing Committee concluded that the Company's obligation to disclose the significant deterioration in the Group's business and financial performance arose on 22 September 2008. Such disclosure obligation was only discharged on 31 October 2008. Ms Chan, Mr Kiu and Mr Chu had therefore failed to use their respective best endeavours to procure the Company's compliance with Rule 13.09(1) in that such disclosure of information had not been made "without delay" or "as soon as reasonably practicable".

Further, on 2 October 2008, Mr Sze, Dr Fan and Mr Tsang became aware of the Group's significant deterioration in business and investment performance but did not raise or discuss whether an announcement was required to be published under Rule 13.09. The Company only discharged its obligation to disclose the relevant information on 31 October 2008. Mr Sze, Dr Fan and Mr Tsang had thereby failed to use their respective best endeavours to procure the Company's compliance with Rule 13.09(1) in that such disclosure of information had again not been made "without delay" or "as soon as reasonably practicable".

The Listing Committee concluded that:

1. the Company breached Rule 13.09(1) of the Exchange Listing Rules regarding the delay in publishing the Profit Warning Announcement; and
2. each of Ms Chan, Mr Kiu, Mr Chu, Mr Sze, Dr Fan and Mr Tsang breached the Director's Undertaking to use his/her best endeavours to procure the Company's compliance with Rule 13.09(1).

The Listing Committee decided to:

1. impose a public statement which involves criticism on the Company for its breaches of Rule 13.09(1); and
2. impose a public statement which involves criticism on Ms Chan, Mr Kiu, Mr Chu, Mr Sze, Dr Fan and Mr Tsang for their respective breaches of the Director's Undertaking for failing to use best endeavours to procure the Company's compliance with Rule 13.09(1).

For the avoidance of doubt, the Exchange confirms that this public statement which involves criticism applies only to the Company and the Relevant Directors and not to any other past or present member of the Company's Board of Directors.