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KINGMAKER FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		Change
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	
Revenue	1,373,676	1,189,649	+15.5%
Gross profit	184,832	156,140	+18.4%
Gross profit margin	13.5%	13.1%	+0.4 points
Profit for the period attributable to equity holders of the Company	52,151	39,464	+32.1%
Net profit margin	3.8%	3.3%	+0.5 points
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic earnings per share	7.56	5.71	+32.4%
Proposed interim dividend per share	3.8	2.8	+35.7%

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingmaker Footwear Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		For the six months ended	
		30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	2	1,373,676	1,189,649
Cost of sales		<u>(1,188,844)</u>	<u>(1,033,509)</u>
Gross profit		184,832	156,140
Other income and gains, net		2,496	7,800
Distribution and selling expenses		(41,956)	(41,422)
Administrative expenses		(85,231)	(78,277)
Finance costs	3	<u>(10)</u>	<u>(9)</u>
PROFIT BEFORE TAX	4	60,131	44,232
Income tax expense	5	<u>(6,490)</u>	<u>(6,066)</u>
PROFIT FOR THE PERIOD		<u>53,641</u>	<u>38,166</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		52,151	39,464
Non-controlling interests		<u>1,490</u>	<u>(1,298)</u>
		<u>53,641</u>	<u>38,166</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic (<i>HK cents</i>)	7	<u>7.56</u>	<u>5.71</u>
– Diluted (<i>HK cents</i>)		<u>7.54</u>	<u>5.69</u>

Details of the dividends are disclosed in note 6 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>53,641</u>	<u>38,166</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment revaluation reserve:		
Changes in fair value	(192)	149
Exchange differences on translation of foreign operations	<u>(22,616)</u>	<u>794</u>
Net other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods	<u>(22,808)</u>	<u>943</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	<u>(22,808)</u>	<u>943</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>30,833</u>	<u>39,109</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	29,560	40,367
Non-controlling interests	<u>1,273</u>	<u>(1,258)</u>
	<u>30,833</u>	<u>39,109</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		As at 30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	527,452	522,949
Prepaid land lease payments		87,924	78,159
Investment properties		132,731	115,692
Deposits		11,681	24,793
Investments in club memberships		892	906
Available-for-sale investments		700	892
		<hr/>	<hr/>
Total non-current assets		761,380	743,391
CURRENT ASSETS			
Inventories		294,133	320,800
Accounts and bills receivable	9	254,263	240,773
Prepayments, deposits and other receivables		15,252	15,799
Tax recoverable		162	162
Restricted bank balance		12	1,695
Cash and cash equivalents		543,707	436,407
		<hr/>	<hr/>
Total current assets		1,107,529	1,015,636
CURRENT LIABILITIES			
Accounts and bills payable	10	322,430	269,544
Accrued liabilities and other payables		231,683	173,805
Tax payable		183,230	176,321
Due to non-controlling interests		1,475	1,334
Derivative financial instruments	11	856	1,277
		<hr/>	<hr/>
Total current liabilities		739,674	622,281
NET CURRENT ASSETS		<hr/>	<hr/>
		367,855	393,355
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		1,129,235	1,136,746
NON-CURRENT LIABILITIES			
Deferred tax liabilities		19,937	20,228
		<hr/>	<hr/>
Net assets		1,109,298	1,116,518
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		69,153	68,849
Reserves		1,019,320	1,028,334
		<hr/>	<hr/>
Non-controlling interests		1,088,473	1,097,183
		20,825	19,335
		<hr/>	<hr/>
Total equity		1,109,298	1,116,518
		<hr/>	<hr/>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 March 2015 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and method of computation used in the preparation of these condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2015, except for adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting period beginning on 1 April 2015 as disclosed below.

In the current period, the Group has applied, for the first time, the following amendments issued by HKICPA which are effective for the Group’s financial year beginning on 1 April 2015.

Amendment to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The Group has assessed the adoption of the amendments and considered that there had no significant financial effect on the results and financial position of the Group for the current and prior accounting periods.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business activities and has two reportable operating segments as follows:

- (a) manufacturing and sale of footwear products; and
- (b) retailing and wholesaling business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that interest income, finance costs and other unallocated income and gains, net and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's operating segments for the periods under review:

	Manufacturing and sale of footwear products For the six months ended 30 September		Retailing and wholesaling business For the six months ended 30 September		Consolidated For the six months ended 30 September	
	2015	2014	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	1,354,617	1,162,621	19,059	27,028	1,373,676	1,189,649
Intersegment sales	4,260	5,165	–	–	4,260	5,165
Other income	4,124	3,607	–	–	4,124	3,607
Total	<u>1,363,001</u>	<u>1,171,393</u>	<u>19,059</u>	<u>27,028</u>	<u>1,382,060</u>	<u>1,198,421</u>
Elimination of intersegment sales					(4,260)	(5,165)
Total					<u>1,377,800</u>	<u>1,193,256</u>
Segment results	<u>73,654</u>	<u>58,239</u>	<u>(11,315)</u>	<u>(11,621)</u>	<u>62,339</u>	<u>46,618</u>
Unallocated income and gains, net					(224)	(680)
Interest income					4,275	3,985
Unallocated expenses					(6,249)	(5,682)
Finance costs					(10)	(9)
Profit before tax					60,131	44,232
Income tax expense					(6,490)	(6,066)
Profit for the period					<u>53,641</u>	<u>38,166</u>
	Manufacturing and sale of footwear products 30 September		Retailing and wholesaling business 30 September		Consolidated 30 September	
	2015	31 March 2015	2015	31 March 2015	2015	2015
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Assets and liabilities						
Segment assets	1,232,281	1,214,193	18,750	27,623	1,251,031	1,241,816
Unallocated assets					617,878	517,211
Total assets					<u>1,868,909</u>	<u>1,759,027</u>
Segment liabilities	550,136	438,718	2,251	2,804	552,387	441,522
Unallocated liabilities					207,224	200,987
Total liabilities					<u>759,611</u>	<u>642,509</u>

3. FINANCE COSTS

	For the six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	10	9

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	751,692	641,573
Depreciation	30,304	27,091
Amortisation of prepaid land lease payments	1,340	866
Amortisation of a club membership	5	7
Fair value loss on derivative financial instruments	64	317
Fair value loss on revaluation of investment properties	1,168	473
Bank interest income	(3,730)	(3,176)
Interest income from accounts receivable	(545)	(809)
Dividend income	(21)	(17)
Net rental income	(3,460)	(2,974)

5. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
– Hong Kong	288	275
– Elsewhere	6,471	5,909
Deferred	(269)	(118)
Total tax charge	6,490	6,066

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDENDS

	For the six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2015 – HK4.2 cents per ordinary share (2014: final in respect of the financial year ended 31 March 2014 – HK2.2 cents per ordinary share)	29,088	15,201
Special in respect of the financial year ended 31 March 2015 – HK2.0 cents (2014: HK1.0 cent) per ordinary share	13,852	6,910
	42,940	22,111
Proposed interim dividend		
Interim – HK3.8 cents (2014: HK2.8 cents) per ordinary share	26,304	19,275

The interim dividend was declared after the period ended 30 September 2015, and therefore has not been included as a liability in the condensed consolidated statement of financial position. The interim dividend will be paid to the shareholders whose names appear in the register of members on 31 December 2015.

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share is based on the following data:

	For the six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (unaudited profit for the period attributable to equity holders of the Company)	52,151	39,464
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	690,143	690,598
Effect of dilutive share options	1,421	2,681
Weighted average number of ordinary shares for the purpose of diluted earnings per share	691,564	693,279

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2015, the Group acquired property, plant and equipment with a cost of HK\$77,286,000 (2014: HK\$71,171,000). Property, plant and equipment with a net book value of HK\$2,293,000 were disposed of by the Group during the period (2014: HK\$647,000).

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts and bills receivable mainly related to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management. Accounts receivable are non-interest-bearing, except for a balance due from a customer of HK\$66,927,000 at 30 September 2015 (31 March 2015: HK\$50,536,000) which bear interest at a rate of 0.25% (31 March 2015: 0.25% to 0.5%) for a fixed period of 60 days.

An aged analysis of the accounts and bills receivable as at the end of reporting period, based on the date of goods delivered, is as follows:

	As at	
	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 90 days	253,726	239,066
Between 91 and 180 days	439	1,340
Between 181 and 365 days	–	261
Over 365 days	98	106
	254,263	240,773

10. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the end of reporting period, based on the date of goods received, is as follows:

	As at	
	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 90 days	320,674	265,681
Between 91 and 180 days	–	2,146
Between 181 and 365 days	960	830
Over 365 days	796	887
	322,430	269,544

The accounts payable are non-interest-bearing and are normally settled on 90-day terms.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	30 September 2015 (Unaudited)		31 March 2015 (Audited)	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Forward currency contracts	–	856	–	1,277

The carrying amounts of forward currency contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy banks with no recent history of default.

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Net fair value loss on non-hedging currency derivatives amounting to HK\$64,000 was charged to the statement of profit or loss during the period (2015: HK\$317,000) (Note 4).

The fair values of derivative financial instruments are based on quoted prices.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group continued its market and clientele expansion initiatives on increased capacities in its Southeast Asian production hub, and achieved a robust performance at the first half of fiscal year 2016. During the six months ended 30 September 2015, turnover increased approximately 15.5% period-to-period to approximately HK\$1,374 million (2014: approximately HK\$1,190 million). The increase in turnover was matched with an approximately 9.1% growth in business volume, to approximately 11 million pairs, as well as an approximately 6.1% increase in the average selling price (“ASP”) during the period.

Despite the incurring of additional research-and-development (“R&D”) costs for the development of samples for new customers, the Group was able to lift its gross profit margin slightly to approximately 13.5% (2014: approximately 13.1%). This was mainly attributable to a significant efficiency enhancement achieved by the Southeast Asian production center.

Despite the continuing trend of labor wage rate increment, the manufacturing segment has benefited from the depreciation of Asian currencies, including the Renminbi (“RMB”) and Vietnamese Dong (“VND”), against the United States dollar (“US\$”) during the period. This, together with the efficiency improvement achieved in the central Vietnam production center, has helped reduce the manufacturing segment’s labor and salaries costs, including allowances and other benefits, to approximately 26.5% (2014: approximately 27.6%) of the total manufacturing turnover.

Material costs went up slightly during the period as a result of the development of more samples for new customers, but the Group has furthered its efforts on achieving higher efficiency in material usage. This efficiency enhancement is expected to continue as the new central Vietnam facilities begin to mature. Transportation expenses, on the other hand, were reduced.

The manufacturing segment posted a profit for the period of approximately HK\$64.9 million (2014: approximately HK\$49.8 million), while the retailing unit was able to slightly narrow its operating loss to approximately HK\$11.3 million (2014: approximately HK\$11.6 million) amid a generally soft retail market.

Having taken into account a loss on revaluation of investment properties in the People’s Republic of China (the “PRC”) amounting to approximately HK\$1.2 million (2014: approximately HK\$0.5 million), as well as an exchange loss of HK\$5.7 million (2014: approximately HK\$0.5 million) incurred from the depreciation of the currencies RMB and VND, net profit attributable to equity holders of the Company still rose by approximately 32.1% period-to-period to approximately HK\$52.1 million (2014: approximately HK\$39.5 million).

Earnings per share for the period were HK7.56 cents (2014: HK5.71 cents), up approximately 32.4% period-to-period. In anticipation of ongoing strong cash generation from the manufacturing segment and the Group's healthy financial position, the Group pledges to continue its dividend policy of sharing results with shareholders. Accordingly, the Board is pleased to declare an interim dividend of HK3.8 cents (2014: HK2.8 cents).

The Group continued to record healthy financial ratios during the period:

- Debtors' turnover was reduced from 44 days for the six months ended 30 September 2014 to 33 days for the six months ended 30 September 2015;
- Creditors' turnover was increased from 65 days to 80 days;
- Stock turnover was maintained at 74 days (30 September 2014: 74 days) despite an increase in production scale;
- Strong liquidity with net cash in hand of approximately HK\$544 million as at 30 September 2015;
- Quick ratio changed from 1.20 as at 30 September 2014 to 1.10 as at 30 September 2015.

Business Strategies

The Group has undergone numerous economic and industry cycles over its past decades of operation. It has demonstrated strong resilience amid market fluctuations, and capability to ride out challenges to consistently deliver profitability and growth. This proven track record is built on business plans that are carefully thought out, effectively implemented and market driven.

Manufacturing Business: New business and market developments backed by a diversified and efficient production base

In view of the adverse cost environment of the PRC, the Group has taken a multi-year initiative to diversify its production base to Vietnam and Cambodia. Maintaining a broadened production platform in the PRC, Vietnam and Cambodia also promises better risk assurance for customers. Orders can be reallocated in case of any extraordinary circumstances, and favorable duties and advantages are beneficial to our multinational customer base.

Backed by this efficient multi-country production base, the Group continues to move forward its new business and market development plans.

Retailing Business: A pragmatic, prudent development strategy to navigate a soft retail environment

The retailing business continues to adopt a prudent approach to the management of its sales network, which is vital to the performance of the unit. Continuous upgrading and optimization of the network will take place, while management will actively seek to accelerate the development of online sales channels.

Tight control is applied to limit the financial exposure of the retailing operation. Management remains highly focused on improving the long-term profitability and competitiveness of the business.

Operational Performance

The Group continued to deliver revenue growth on the back of its core strengths and leadership position in niche research-and-development-based manufacturing, while achieving a more balanced market mix for its business. Net profit growth was posted on higher production efficiency and a slight reduction of the loss incurred by the retailing business.

Manufacturing Business

As at the period-end date, the Group had a total of 44 production lines: 20 in southern Vietnam, 3 in central Vietnam, 10 in Cambodia, and 11 in southern PRC including Zhongshan and Zhuhai. These facilities, aggregating to an annual capacity of around 25 million pairs, were approximately 87.0% utilized (2014: approximately 80.0%). R&D centers are in operation in southern Vietnam, Cambodia and southern PRC. Two outsole factories have been established in southern Vietnam and Cambodia.

Focused expansion in Vietnam has received strong support from customers. The southern Vietnam center has therefore become the core manufacturing base in terms of its contribution to Group turnover and output. It contributed approximately 60.7% of total production (2014: approximately 52.6%) in terms of pairs of footwear, representing a 28.8% increase period-to-period.

The facilities in central Vietnam commenced production in July 2015 and management is still working to smoothen and improve the unit's operation. Despite the generally unfavorable environment for the manufacturing sector, this new unit was able to increase turnover and broaden the range of its output.

Production in Cambodia also picked up and accounted for approximately 12.1% of total output (2014: approximately 10.5%), validating the Group's diversification strategy in coping with the changing market environment. Management believes the strong growth momentum of its Vietnam and Cambodia centers will be sustained and add further value to shareholders over the long term.

In the course of the reallocation of production activities from the PRC to Southeast Asia, the facilities in this production centre have been further scaled down, while the Jiangxi factory has suspended its production recently. The premises in Jiangxi are now held as an investment property and have been rented out since then.

The PRC facilities' contribution to total turnover continued to drop to approximately 25.7% of manufacturing turnover, compared to approximately 38.0% in the last corresponding period. Management considers that there would not be further significant scale reduction in the PRC in view of the present demand for output in the existing facilities.

Having achieved success in broadening the customer portfolio and in penetrating the Asian market, reliance on the United States (the “US”) market was reduced. For the manufacturing segment, turnover to the US dropped significantly to approximately 21.8% (2014: approximately 36.9%). The European segment remained stable and contributed approximately 33.0% (2014: approximately 31.5%) of segment turnover. Shipments to other markets, including Asia, showed a remarkable growth to drive this geographical segment’s contribution to approximately 45.2% (2014: approximately 31.6%).

Premium casual footwear contributed the major portion of the Group’s production, accounting for approximately 53.4% of total turnover (2014: approximately 55.9%). Babies’ and children’s footwear and rugged products generated approximately 25.8% (2014: approximately 37.1%) and 9.3% (2014: approximately 5.5%) of turnover respectively.

The Group has also gained orders from new customers and a broader product range has resulted. New products for the ath-leisure footwear category were developed to meet the trend for comfortable shoes that provide a relaxed look and lightweight functionality. The ath-leisure category generated approximately 11.5% of total turnover (2014: approximately 1.5%).

The partnership outsole operations in Vietnam and Cambodia have integrated well into the production centers, and become a part of the Group’s quality and tailored services for customers. Customers have given a positive response to this addition and the Group believes that they will help strengthen its relationship with existing customers.

The Group’s major customers for the period included New Balance, Wolverine, Skechers, Clarks and ASICS, which in aggregate contributed approximately 92.2% (2014: approximately 83.3%) of total turnover. With further expansion plans in Vietnam underway, and the development of athletic and ath-leisure product categories, the Group is confident that business with newly engaged customers will grow into key growth drivers in the next couple of years.

Retailing and Wholesaling Business

The business unit, comprising mainly the house brand Fiona’s Prince, incurred a loss of approximately HK\$11.3 million (2014: approximately HK\$11.6 million), amid weak retail markets in the PRC and Hong Kong during the period. Retailing turnover dropped 29.5% period-to-period to approximately HK\$19.1 million (2014: approximately HK\$27.0 million).

Same-store sales were lowered by about 13.3% and 17.8% respectively in the PRC and Hong Kong despite continuing efforts to upgrade the existing shops. Fiona’s Prince maintained a total of 25 shops in the PRC and 5 shops in Hong Kong as at the reporting date.

In view of the market’s increasing acceptance of e-commerce, online sales have been launched, albeit at an early stage of development.

Management will continue to cautiously review the operations of this business unit and form further suitable strategy for its ongoing development.

FUTURE PLANS AND PROSPECTS

We hold confidence in the prospects for our business in the second half of the financial year, especially in light of the steadily recovering US economy since the latter part of 2015. The pick-up in orders experienced in the past months is expected to continue through to the end of this financial year, barring a sudden drop in consumer sentiment as a result of more recent geopolitical issues.

In view of the smooth commencement of commercial operation of the southern Vietnam production center and the gradual maturity of the central Vietnam factory, overall production efficiency will continue to be enhanced over the next few quarters. The Group looks forward to further improvement in the gross profit margin in future.

Potential risks for the second half include an over-reaction to a US interest rates rise, the impact from a possible Greek exit from the Eurozone, and a further drop in consumer sentiment in the PRC in response to the corrections of the Shanghai and Shenzhen stock markets. Labor costs and supply will also remain a key challenge for the Group.

We will continue to closely monitor any risks arising from such events in order to minimize their impact on our operations.

Manufacturing Business

Short-term goal – Improving operating efficiency and facilities utilization

A higher order volume is anticipated in year 2016 as demand continues to strengthen. Business growth will be supported by the additional capacity in central Vietnam, as well as the efficiency and utilization improvements at all manufacturing facilities.

PRC-based manufacturers will inevitably be faced with an increasingly difficult production environment amid rising labor and welfare costs. To meet this huge challenge, continued improvement of operating efficiency and strengthening of production capability will be the way forward. The Group will also continue to implement strict cost control measures in the year ahead to further lift margins and sustain growth.

The Group believes that the current tough operating environment presents a window of opportunity for enterprises possessing a compelling competitive edge to capture more market share as industry consolidation continues.

Long-term goals – Continued capacity expansion and diversification

Over the longer term, constant review and adjustment of the geographical distribution of its manufacturing activities is crucial to sustaining the Group's competitiveness.

In view of Vietnam's cost advantage over the PRC, and the prospects associated with the recent conclusion of the Trans-Pacific Strategic Economic Partnership Agreement ("TPP") negotiations, Vietnam is expected to remain a key target for the footwear industry for overseas expansion.

The Group will continue to take forward its expansion plans in southern and central Vietnam. This overseas expansion move will not only bring improved profitability but also help to secure labor supply to support the Group's growing production scale. Furthermore, this multi-country industrial layout will provide flexibility to the Group when coping with differing treatments by different trading countries.

The first phase of the central Vietnam plant started trial production on 3-4 lines in the second quarter of fiscal 2015/16 as scheduled. A team of manufacturing staff with hands-on experience in setting up the southern Vietnam center was designated to the new site to help ramp up its production. As it will take some time for the new center to gradually gain efficiency, it is expected that the capacity of the central Vietnam plant will rise in coming years.

As part of its ongoing efforts, the Group will further enhance its production efficiency and modernize the facilities to secure its core competence, and will seek to synchronize capacity expansion with the pace of development of its branded customers.

As planned, the acquisition of a parcel of land adjacent to the existing southern Vietnam plant was completed during the first half of fiscal 2015/2016. Construction of new facilities on this site commenced in the second half of fiscal 2015/16, and is expected to be completed by second quarter of 2016. The new plant is scheduled to start trial production in the third quarter of 2016.

Retailing and Wholesaling Business

The retail business was established in line with the Group's long-term diversification strategy. Its operations mainly comprise the retailing of babies' and children's footwear and other products under its house brand Fiona's Prince.

As the sales network plays a vital role in the retail sector, it needs to be constantly upgraded and optimized. After evaluating the market environment, the Group has decided to adopt a more conservative strategy in respect of store establishment and to continue closing down underperforming stores.

As such, the number of retail outlets will likely decrease further in the second half of 2015/16, whereas the efficiency of the remaining stores will continue to be improved. In view of the rapid development of online sales in the PRC, the Group has reviewed its internal resources and facilities, and has subsequently formulated concrete plans to accelerate the development of online shopping business.

The Board is confident that the segment will be able to improve its performance by continuing with the sound and pragmatic development strategy it has adopted for years. The segment will also continue to optimize the sales network and enrich its product portfolio through constant innovation based on thorough evaluation of market conditions.

The segment will actively defend its position of being a premier-quality children's footwear brand in the PRC's retail market in order to foster steady long-term business growth and to generate satisfactory returns for shareholders.

Appreciation

While the Group anticipates another successful year ahead, the Board wishes to thank all its shareholders, customers and business partners for their continued support. We are also grateful to all colleagues who have helped the Group adhere to its core values during the course of active business development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 September 2015, the Group's cash and cash equivalents were approximately HK\$544 million (as at 31 March 2015: approximately HK\$436 million).

As at 30 September 2015, the Group had banking facilities amounted to an aggregate sum of approximately HK\$99 million (as at 31 March 2015: approximately HK\$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$99 million (as at 31 March 2015: approximately HK\$99 million), approximately HK\$0.7 million (as at 31 March 2015: approximately HK\$3 million)) had been utilised as at 30 September 2015.

As at 30 September 2015, the current ratio was approximately 1.50 (as at 31 March 2015: approximately 1.63) based on current assets of approximately HK\$1,108 million and current liabilities of approximately HK\$740 million and the quick ratio was approximately 1.10 (as at 31 March 2015: approximately 1.12).

As at 30 September 2015, the Group did not have any interest-bearing bank borrowings.

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Vietnam and Cambodia in the next two to three years, the Directors are of the opinion that the Group has adequate liquidity to meet its current and future working capital requirements on its operations and expansion.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the RMB, the VND and the US dollars ("US\$"). It is the Group's policy to adopt a conservative approach on foreign exchange exposure management.

However, the Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finances its operation with internal resources and bank facilities provided by banks in Hong Kong. Interest rates of borrowings are determined by reference to the Hong Kong Inter-Bank Offered Rate or the London Inter-Bank Offered Rate.

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. As a measure of additional prudence, the Group cautiously uses derivatives, principally forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's receivables and payables.

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC and Vietnam subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if considered necessary. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

CAPITAL STRUCTURE

Shareholders' equity decreased to approximately HK\$1,088 million as at 30 September 2015 (as at 31 March 2015: approximately HK\$1,097 million). As at 30 September 2015, the Group did not have any interest-bearing bank borrowings (as at 31 March 2015: nil), resulting nil% (as at 31 March 2015: nil%) of the shareholders equity.

CONTINGENT LIABILITIES

As at 30 September 2015, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$725,000 (as at 31 March 2015: approximately HK\$2,665,000) as at the end of the reporting period.

INTERIM DIVIDEND

On 26 November 2015, the Board has resolved to declare the payment of an interim dividend of HK3.8 cents per ordinary share in respect of the six months ended 30 September 2015 to shareholders registered on the register of members on 31 December 2015, resulting in an appropriation of approximately HK\$26,304,000. The interim dividend will be payable on or about 15 January 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 December 2015 to Thursday, 31 December 2015, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 December 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2015, the Company repurchased 1,956,000 of its ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK\$2,696,000 excluding transaction cost and 1,956,000 repurchased ordinary shares were cancelled during the period. The repurchase of the Company's shares during the period was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Details of the shares repurchase during the period under review are as follows:

Month/year	Number of shares repurchased	Highest price per share <i>HK\$</i>	Lowest price per share <i>HK\$</i>	Aggregated consideration (excluding transaction cost) <i>HK\$'000</i>
July 2015	540,000	1.49	1.33	746
September 2015	<u>1,416,000</u>	1.45	1.32	<u>1,950</u>
Total	<u><u>1,956,000</u></u>			<u><u>2,696</u></u>

The premium paid on the repurchased and cancelled shares of approximately HK\$2,500,000 has been debited to the share premium account during the six months ended 30 September 2015. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau, Taiwan, the PRC, Vietnam and Cambodia had a total number of employees of approximately 18,000 as at 30 September 2015 (2014: approximately 18,000). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options and awarded shares may also be granted in accordance to the terms of the Group's approved share option scheme and share award scheme, respectively.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2015, in compliance with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except the deviation from provision A.2.1 as explained below.

Under provision A.2.1 of the Code, the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Board believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high calibre individuals with a substantial number thereof being non-executive directors. The Board would still consider segregation of the roles of Chairman and CEO if and when appropriate.

AUDIT COMMITTEE

The audit committee of the Company (the “Committee”) comprises three independent non-executive Directors and one non-executive Director. The primary duties of the Committee are to review and supervise the Group’s financial reporting process and internal control systems.

The Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the Group’s auditing, internal control and financial reporting matters during the period. The Group’s unaudited consolidated results for the six months ended 30 September 2015 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 September 2015.

PUBLICATION OF INTERIM REPORT

The interim report containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Stock Exchange at <http://www.hkex.com.hk> and the Company at <http://www.irasia.com/listco/hk/kingmaker/interim/index.htm> in due course.

On behalf of the Board
Chen Ming-hsiung, Mickey
Chairman

Hong Kong, 26 November 2015

As of the date of this announcement, the Board consists of four executive Directors, namely Mr. Chen Ming-hsiung, Mickey, Mdm. Huang Hsiu-duan, Helen, Mr. Kimmel, Phillip Brian and Mr. Wong Hei-chiu; two non-executive Directors, namely Mr. Chow Wing-kin, Anthony and Mr. Chan Ho-man, Daniel; and three independent non-executive Directors, namely Mr. Tam King-ching, Kenny, Mr. Yung Tse-kwong, Steven and Ms. Chan Mei-bo, Mabel.

* *For identification purposes only*