KINGMAKER

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 2013

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2013	2012	Change
	HK$'000	*HK$'000*	
Revenue	**975,951**	1,012,139	-3.6%
Gross profit	**153,761**	146,790	+4.7%
Gross profit margin	**15.8%**	14.5%	+1.3 points
Profit for the period attributable to equity holders of the Company	**53,640**	38,574	+39.1%
Net profit margin	**5.5%**	3.8%	+1.7 points
	(HK cents)	*(HK cents)*	
Basic earnings per share	**7.79**	5.66	+37.6%
Proposed interim dividend per share	**3.3**	3.0	+10.0%

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Kingmaker Footwear Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012 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 INCOME STATEMENT

For the six months ended 30 September 2013

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**975,951**	1,012,139
Cost of sales		**(822,190)**	(865,349)
Gross profit		**153,761**	146,790
Other income and gains, net		**22,970**	13,006
Distribution and selling expenses		**(38,679)**	(41,659)
Administrative expenses		**(73,503)**	(72,704)
Finance costs	*3*	**(9)**	(3)
PROFIT BEFORE TAX	*4*	**64,540**	45,430
Income tax expense	*5*	**(10,900)**	(6,856)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**53,640**	38,574
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic *(HK cents)*		**7.79**	5.66
– Diluted *(HK cents)*		**7.74**	5.62

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 2013

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**53,640**	38,574
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD		
(Items that may be reclassified subsequently to income statement)		
Available-for-sale investments revaluation reserve:		
Changes in fair value	**(474)**	(86)
Exchange differences on translation of foreign operations	**7,004**	(1,852)
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	**6,530**	(1,938)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**60,170**	36,636

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		As at	
		30 September 2013	31 March 2013
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**422,780**	403,752
Prepaid land lease payments		**56,493**	56,890
Investment properties		**108,100**	93,845
Deposits paid		**8,771**	1,862
Investments in club memberships		**932**	941
Available-for-sale investments		**1,925**	2,399
Total non-current assets		**599,001**	559,689
CURRENT ASSETS			
Inventories		**207,774**	183,700
Accounts and bills receivable	*9*	**267,825**	175,402
Prepayments, deposits and other receivables		**13,646**	15,464
Derivative financial instruments	*10*	**465**	2,393
Tax recoverable		**227**	227
Cash and cash equivalents		**465,479**	548,223
Total current assets		**955,416**	925,409
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**184,097**	152,512
Accrued liabilities and other payables		**134,581**	118,887
Tax payable		**162,529**	157,033
Total current liabilities		**481,207**	428,432
NET CURRENT ASSETS		**474,209**	496,977
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,073,210**	1,056,666
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,827**	14,844
Net assets		**1,055,383**	1,041,822
EQUITY			
Issued share capital		**68,835**	68,570
Reserves		**986,548**	973,252
Total equity		**1,055,383**	1,041,822

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2013 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 2013 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 2013, 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 2013 as disclosed below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-lnt 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendments to HKAS 1 and HKFRS 13, the adoption of these new and revised HKFRSs had no material effect on the results of operations and financial position for the current or prior accounting periods which have been prepared and presented.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and had no impact on the Group's financial position or performance.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated interim financial statements. HKFRS 13 has been applied prospectively.

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 asset, liability and expenditure information for the Group's operating segments for the periods under review:

Group

	Manufacturing and sale of footwear products		**Retailing and wholesaling business**		**Consolidated**	
	For the six months ended 30 September		**For the six months ended 30 September**		**For the six months ended 30 September**	
	2013	2012	**2013**	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**950,675**	987,048	**25,276**	25,091	**975,951**	1,012,139
Intersegment sales	**4,033**	6,053	**–**	–	**4,033**	6,053
Total	**954,708**	993,101	**25,276**	25,091	**979,984**	1,018,192
Elimination of intersegment sales					**(4,033)**	(6,053)
Total					**975,951**	1,012,139
Segment results	**78,800**	61,659	**(16,618)**	(16,686)	**62,182**	44,973
Unallocated income and gains, net					**2,858**	272
Interest income					**4,731**	4,351
Unallocated expenses					**(5,222)**	(4,163)
Finance costs					**(9)**	(3)
Profit before tax					**64,540**	45,430
Income tax expense					**(10,900)**	(6,856)
Profit for the period attributable to equity holders of the Company					**53,640**	38,574

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	30 September 2013 (Unaudited)	31 March 2013 (Audited)	**30 September 2013 (Unaudited)**	31 March 2013 (Audited)	**30 September 2013 (Unaudited)**	31 March 2013 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**968,851**	818,001	**33,777**	29,151	**1,002,628**	847,152
Unallocated assets					**551,789**	637,946
Total assets					**1,554,417**	1,485,098
Segment liabilities	**309,920**	263,728	**5,870**	3,940	**315,790**	267,668
Unallocated liabilities					**183,244**	175,608
Total liabilities					**499,034**	443,276

3. FINANCE COSTS

	For the six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**9**	3

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**525,898**	571,479
Depreciation	**23,720**	23,611
Amortisation of prepaid land lease payments	**869**	864
Amortisation of a club membership	**9**	4
Fair value loss/(gain) on derivative financial instruments	**(2,329)**	888
Bank interest income	**(3,525)**	(3,521)
Interest income from accounts receivable	**(1,206)**	(830)
Dividend income	**(22)**	(17)
Net rental income	**(2,778)**	(2,702)

5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong	**404**	152
– Elsewhere	**7,513**	5,258
Deferred	**2,983**	1,446
Total tax charge	**10,900**	6,856

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 in which the Group operates.

6. DIVIDENDS

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2013 – HK5.0 cents per ordinary share (2012: final in respect of the financial year ended 31 March 2012 – HK1.5 cents per ordinary share)	**34,505**	10,264
Special in respect of the financial year ended 31 March 2013 – HK2.0 cents (2012: HK2.0 cents) per ordinary share	**13,802**	13,686
	48,307	23,950
Proposed interim dividend		
Interim – HK3.3 cents (2012: HK3.0 cents) per ordinary share	**22,760**	20,505

The interim dividend was declared after the period ended 30 September 2013, 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 2013.

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	
	2013	2012
	(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)	**53,640**	38,574
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**688,478**	681,696
Effect of dilutive share options	**4,499**	4,813
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**692,977**	686,509

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2013, the Group acquired property, plant and equipment with a cost of HK$37,737,000 (2012: HK$19,605,000). Property, plant and equipment with a net book value of HK$981,000 were disposed of by the Group during the period (2012: HK$582,000).

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$94,153,000 at 30 September 2013 (31 March 2013: HK$68,293,000) which bear interest at a rate of 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	31 March
	2013	2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**267,538**	175,402
Between 91 and 180 days	**287**	–
	267,825	175,402

10. DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	30 September 2013 (Unaudited)		31 March 2013 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward currency contracts	**465**	**–**	2,393	–

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 gain on non-hedging currency derivatives amounting to HK$2,329,000 was credited to the income statement during the period (2012: net fair value loss of HK$888,000) (note 4).

11. 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 2013 (Unaudited)	31 March 2013 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**173,662**	146,171
Between 91 and 180 days	**8,865**	2,401
Between 181 and 365 days	**158**	1,111
Over 1 year	**1,412**	2,829
	184,097	152,512

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Market challenges in the United States ("US") and the euro zone persisted throughout 2013, while cost inflation in the People's Republic of China ("PRC") continued to exert pressure on the Group's margin. Despite these negative influences, the Board is delighted to report an approximately 39.1% period-to-period growth in net profit attributable to equity holders of the Company during the six months ended 30 September 2013 to approximately HK$54 million (2012: approximately HK$39 million).

Weak market demand has had a negative impact on the turnover of the manufacturing segment, causing an approximately 3.6% decline in the Group's turnover to approximately HK$976 million (2012: approximately HK$1,012 million). The decrease in turnover mainly represented the drop in business volume, in terms of pairs of footwear, to approximately 8.6 million pairs, while the average selling price was steady ("ASP") in the period.

Further efficiency enhancements were achieved from the maturing of the new production lines in southern Vietnam and Cambodia. Savings gained, together with continuing cost control efforts, have brought improvement to the gross profit margin of the manufacturing segment. The retail operation has also continued to improve its gross profit margin.

The significant improvement in net earnings was also partly accounted for by the revaluation gain of investment properties in the PRC and the fair value gain on Renminbi ("RMB")-denominated derivative financial instruments.

Earnings per share for the period were HK7.79 cents (2012: HK5.66 cents), an increase of approximately 37.6% 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 HK3.3 cents (2012: HK3.0 cents).

The Group continued to record healthy financial ratios during the period as it forged ahead with expansion and business development:

- Debtors' turnover increased from 47 days for the six months ended 30 September 2012 to 49 days for the six months ended 30 September 2013;

- Stock turnover increased from 60 days to 67 days;

- Strong liquidity with net cash on hand of approximately HK$465 million;

- Quick ratio changed from 1.60 as at 30 September 2012 to 1.55 as at 30 September 2013.

Business Strategies

The following strategies continue to lead our way in operating existing businesses and exploring new development opportunities.

Continuing diversification of client base

In order to avoid the risk of over-reliance on any single customer, we continue to leverage on our reputation for good quality to capture the outsourcing trend of the international footwear industry. Our marketing efforts have succeeded in adding more high-end and niche brands to join many world-leading footwear brands we already serve. This success helps to stabilise our ASP.

Continued capacity expansion and organization of facilities into specialized hubs

The Group continues to implement its long-term strategy of strengthening its multi-country production base across the PRC, Vietnam and Cambodia. Our ability to maintain flexibility in allocating manufacturing activities to different hubs has given us a strong competitive advantage in meeting client requirements and controlling costs.

The facilities are organized into three distinctive specialized hubs to cater to different requirements of our manufacturing business. In the PRC, our Zhuhai and Zhongshan factories serve as the Group's headquarters, research and development center and high-end manufacturing base, while the Jiangxi factory is for the production of infant footwear. Our facilities in Southeast Asia handle European shipments and mass market products.

Selective capacity expansion and relocation programs enable the Group to optimize its facilities utilization, reduce the impact of cost increases, and secure a stable labor supply. In the PRC, the Group continues to shift more of its labor-intensive processes from the southern sites to the lower-cost Jiangxi factory. The Group has also embarked on an expansion program in Vietnam by investing in a new production site in Quang Ngai, central Vietnam. In addition, plans are underway to expand the Cambodian factory site.

Develop multi-brand retail sales based on premium quality and niche positioning

Our retail unit is positioned in the niche market segment of babies' and children's footwear, offering products of comparable quality to that from high-end international players but at much more affordable prices for the general public.

The unit maintains a multi-brand strategy based on the dual operation of its house brand and alliance footwear labels, enabling it to appeal to a wider range of customer segments. The selection of alliance partners is based on their brands' ability to support this strategy by enhancing the unit's overall profile and helping it tap niche segments.

Operating Performance

Lifted by the mild recovery of the US market, for manufacturing segment, turnover to the US during the period was increased to approximately 49.2% (2012: approximately 44.0%), whereas shipments to European countries dropped slightly to approximately 32.2% (2012: approximately 37.0%). Shipments to other markets, including Asia, remained stable at approximately 18.6% (2012: approximately 19.0%).

The product portfolio was driven both by market demand and by the shift in production base. However, focus continued to be placed on the development of premium casual footwear. During the period, premium casual footwear products were the major product category, contributing approximately 52.6% (2012: approximately 51.4%) of the Group's turnover, with the babies' and children's footwear and rugged products generating approximately 39.1% (2012: approximately 38.9%) and 8.3% (2012: approximately 9.7%) of turnover respectively.

Through overall efficiency enhancement, a stable ASP and the flexible allocation of manufacturing activities, the Group has acted to counteract the increase in production overheads in the PRC.

In an ongoing initiative to diversify its production base, the Group has continued to shift its manufacturing activities to the Vietnam and Cambodia sites. This has enabled the Group to alleviate part of the impact of staff salary increases and the appreciation of the RMB in the PRC. Together with persistent efforts in cost control, the Group's overall labor and staff costs showed a slight improvement during the period.

The continuing maturing of the Vietnam and Cambodia production base, not only yielded higher efficiency and better coordination with the research and development center, but also a slight reduction in material usage, as well as drop in the overall transportation expenses reduced by approximately HK$4 million.

Manufacturing and sale of footwear products

As at 30 September 2013, the Group's facilities, each located and designed to accommodate different product development and manufacturing requirements, had a total of 40 production lines: 14 in Vietnam, 6 in Cambodia, and 20 in the PRC, comprising 9 in Zhongshan, 7 in Zhuhai and 4 in Jiangxi Province. These facilities provide an annual capacity of about 25 million pairs of footwear, depending on the mix of style and product category, with a utilization rate of approximately 69.1% (2012: approximately 72.2%) during the period.

In light of the PRC's challenging manufacturing landscape, and to address market demand changes, the Group has committed to further geographical diversification. During the period, the southern Vietnam factory remained the leading force in turnover contribution to the Group, achieving an output amounting to approximately 44.9% (2012: approximately 36.8%) of total production in terms of pairs of footwear, an approximately 22.0% increase period to period. Production in Cambodia was also up by approximately 45.8% to approximately 10.5% (2012: approximately 7.2%) of total output.

It is our medium-term plan to expand production further to Vietnam and Cambodia to capitalize on their cost advantage and labor pool. As such, the Group entered into a letter of offer on 15 July 2013 for the lease of a parcel of land in central Vietnam at a lease payment of US$6,110,100 (equivalent to approximately HK$47,537,000). It is contemplated that the handover date of the land, to be used for the development of additional footwear production facilities, will be December 2013.

Further partnerships in outsole production in Cambodia are also under discussion with some of our major outsole suppliers. Such negotiations validate the production diversification trend, among both customers and suppliers, away from the PRC. Expansion in Cambodia is expedited and an additional factory is in the process of construction. The Group will continue to explore potential strategic partnerships in Vietnam and Cambodia that can create added value and synergistic benefits to its core business.

Manufacturing facilities in southern PRC were further optimized to engage the production of higher-margin products. The facilities' contribution to total production dropped to approximately 44.6% (2012: approximately 56.0%) against strong growth in Vietnam and Cambodia.

During the period, despite the generally unfavorable market conditions and cost environment for industrial companies, the Group was able to maintain its lead as a provider of a diverse range of high-value premium footwear on the back of its research and development competence. This is critical to our continued business success as a premium footwear producer.

The Group's major customers for the period included Skechers, Clarks, New Balance, Stride Rite and Rockport, which in aggregate contributed approximately 91.1% (2012: approximately 88.3%) of total turnover. As the Vietnam and Cambodia factories become more sophisticated, the Group is confident that newly acquired customers will provide an important momentum to growth in 2014.

The period did not provide a favorable backdrop for the operation of industrial companies. The Group's segment turnover dropped slightly reflecting changes in its product mix for a different customer portfolio. However, the segment continued to drive business by providing a diverse range of premium products that support customers' initiatives to explore new potential markets.

Retailing and wholesaling business

The house brand Fiona's Prince was able to achieve stable growth in the PRC. Although the business unit was still making a loss of approximately HK$16.6 million (2012: segment loss of approximately HK$16.7 million) as a result of the high rental expenses in Hong Kong and a slowdown in the PRC's retail market, the unit managed to improve its gross profit margin. The segment is also able to report encouraging increases in same-store sales for major shops of 24.9% and 6.8% respectively in Hong Kong and the PRC.

As at the reporting date, the segment operated a total of 55 shops in the PRC and 4 shops in Hong Kong. In view of the current soft market environment in the PRC, the segment has placed much effort in refining the locations of its retail network with a view to enhancing the operation's profitability and meeting the development strategy.

The introduction of such prestigious international brands as Miss Blumarine, Iceberg and Marni under partnership arrangements helps to complete the offering of the segment in the infant and children category. The segment will continue to enhance its international brand image on the retail front.

In addition to the enhancement of the locations of shops currently under negotiation, the segment will consider furthering online sales by expanding them to the full range of products. In view of the change in shopping habits in the PRC, the segment is confident that the online platform can be developed into a major income stream in the future.

Future Plans and Prospects

Looking ahead, the economic outlook remains uncertain. In the US, growth is still in low gear, with a lingering high level of unemployment, while in Europe, austerity measures are depressing consumer demand.

Despite an uncertain economic climate, we are cautiously optimistic that the Group will deliver growth in the financial year 2013/14. We have proven strengths in our multi-country production base, efficient product development, a strong financial position, a market-leading position in casual premium footwear and babies' and children's products, and efficient operations.

Manufacturing and sale of footwear products

Short-term goal – improving operating efficiency and strengthening production capability

Potential challenges for the rest of the year include further downturns in world trade as economic challenges facing the US and Europe are persistent.

We anticipate that all manufacturing players in the PRC will have to tackle an increasingly challenging production environment of rising labor costs and appreciation of the RMB. The challenge to the industry is huge, and further industry consolidation will continue. Bearing in mind that the operating environment will be increasingly competitive, the Group has been putting efforts into improving operating efficiency and strengthening production capability.

The Group will continue to implement strict cost control measures throughout the remainder of the year and beyond to preserve our margins and sustain growth.

The Group believes that the current tough operating environment also represents a historic development opportunity for those enterprises with an industry-leading competitive edge to obtain more market share during market consolidation.

To further expand our manufacturing operations and lower input costs, the Group is also prudently exploring several options, including buying out suitable acquisition targets.

Mid-to-long term goals – infrastructure and long-term development

The Group continues to expand in selective sites and relocate production activities in order to optimize overall facilities utilization, and to mitigate cost hikes and labor shortages in any particular site.

The Group has extended its Cambodian factory site by acquisition of an adjacent land parcel. The extended land provides flexibility to build new infrastructure with potential to further increase the production capacity at any time when appropriate.

To secure continuous long-term development, the Group has exploited various opportunities to diversify our production territories during the last few years. Despite numerous challenges ahead, our strategy of geographical diversification is of utmost importance for the long-term growth and development of the Group.

While we will continue to improve our production capability in southern Vietnam and Cambodia, one of our key initiatives in the next few years is to set up new footwear production facilities in central Vietnam. To this end, we have entered into a letter of offer for a site in an industrial zone in Quang Ngai, central Vietnam.

We are in the process of finalizing the land acquisition formalities with the developer. We target to start construction in the second half of 2014 and to commence commercial production by the end of 2015. The Vietnam hub enables our brand owners to import finished products into Japan on a lower tariff rate as well as to diversify their sourcing base. With additional footwear production facilities set up in central Vietnam, the Group can further enhance this advantage.

Retailing and wholesaling business

The retail business was set up as a part of 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 and several alliance brands.

In a move to optimize the segment's retail network in the PRC and Hong Kong, the Company is evaluating and adjusting the locations of its stores, while prudently moving ahead with its business plans. We target to complete this phase of network enhancement program by the end of 2013. Currently, the segment is conducting negotiations to open new shop-in-shops within department stores, and will continue to close down low-yielding shops.

The segment is also seeking to broaden its sales channels to include online purchase and franchised retail points.

E-commerce – fionasprince.com.cn

Online sales are becoming more prevalent in Mainland China, where they have become an important channel for retailers. During the period under review, our e-commerce division enhanced its management in different aspects such as product development, logistics management, customer service, human resources and sales platforms. It has also modified its online supply chain for a more timely response to the market.

The Group's key strategies for developing fionasprince.com.cn include further exploring potential partnerships with top online shopping sites, increasing product offerings, strengthening core competitiveness, and further enhancing our retention efforts through such means as building our Customers Relationship Management ("CRM") scheme. We aim to increase our social media presence and further integrate social media with our marketing campaigns. At the same time, well-targeted sales campaigns will help us reach specific segment customers for different product categories.

To ensure a better utilization of resources, the e-commerce division has devoted itself to expand to some of the most promising online sales platforms such as Tmall. The Group is optimistic about the future of e-commerce and expects a greater revenue contribution from it.

The Board maintains a prudently optimistic view of the ongoing development of the retailing and wholesaling segment. To cope with a number of market risks, the Group will prudently monitor and analyze market trends, step up risk management, and formulate and put into practice development strategies taking a pragmatic and cautious approach, so as to capture the valuable opportunities arising from the steady economic development of the PRC.

Overall

Looking forward, the Group will adhere to its core values and develop its business in a prudent manner so as to achieve long-term stable growth. With its highly experienced management team and flexible and responsive mechanisms, the Group is confident of sustaining its competitive edges in an ever-changing market. The Group is also well-prepared for possible industry and market cycles ahead. This should enable us to achieve further growth in revenue and hence deliver sustainable returns to shareholders.

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 2013, the Group's cash and cash equivalents were approximately HK$465 million (as at 31 March 2013: approximately HK$548 million).

As at 30 September 2013, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (as at 31 March 2013: approximately HK$99 million) with various banks. The banking facilities of approximately HK$3 million (as at 31 March 2013: approximately HK$11 million) had been utilised as at 30 September 2013.

As at 30 September 2013, the current ratio was approximately 1.99 (as at 31 March 2013: approximately 2.16) based on current assets of approximately HK$955 million and current liabilities of approximately HK$481 million and the quick ratio was approximately 1.55 (as at 31 March 2013: approximately 1.73).

As at 30 September 2013, 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 Cambodia and Vietnam in the next two to three years, the Directors believe 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 and the US dollars ("USD"). 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 fixed 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 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 increased to approximately HK$1,055 million as at 30 September 2013 from approximately HK$1,042 million as at 31 March 2013. As at 30 September 2013, the Group did not have any interest-bearing bank borrowings (as at 31 March 2013: nil), resulting nil% (as at 31 March 2013: nil%) of the shareholders equity.

INTERIM DIVIDEND

On 21 November 2013, the Board has resolved to declare the payment of an interim dividend of HK3.3 cents per ordinary share in respect of the six months ended 30 September 2013 to shareholders registered on the register of members on 31 December 2013, resulting in an appropriation of approximately HK$22,760,000. The interim dividend will be payable on or about 17 January 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 December 2013 to Tuesday, 31 December 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2013, the Company repurchased 4,264,000 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$6,552,000 excluding transaction cost and 4,264,000 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**	**Lowest price per share**	**Aggregated consideration (excluding transaction cost)**
		HK$	*HK$*	*HK$'000*
April 2013	1,160,000	1.42	1.34	1,607
July 2013	10,000	1.47	1.47	15
August 2013	1,000,000	1.57	1.49	1,527
September 2013	2,094,000	1.65	1.59	3,403
Total	4,264,000			6,552

The premium paid on the repurchased and cancelled shares of approximately HK$6,126,000 has been debited to the share premium account during the six months ended 30 September 2013. 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, Taiwan, the PRC, Vietnam and Cambodia had a total number of employees of approximately 15,000 as at 30 September 2013 (2012: approximately 14,000). 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 may also be granted in accordance to the terms of the Group's approved share option scheme.

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 2013, 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 2013 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 2013.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

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, 21 November 2013

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*