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 2016

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2016	2015	Change
	HK$'000	*HK$'000*	
		(Re-presented)	
CONTINUING OPERATIONS			
Revenue	**1,013,988**	1,354,617	-25.1%
Gross profit	**170,253**	175,734	-3.1%
Gross profit margin	**16.8%**	13.0%	+3.8 points
Net profit margin	**7.7%**	4.8%	+2.9 points
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	**(19,830)**	(11,315)	+75.3%
Profit for the period attributable to equity holders of the Company	**58,340**	52,151	+11.9%
	(HK cents)	*(HK cents)*	
Basic earnings per share			
– For profit for the period	**8.40**	7.56	+11.1%
– For profit for the period from continuing operations	**11.25**	9.20	+22.3%
Proposed interim and special dividends			
Interim dividend per share	**4.2**	3.8	
Special dividend per share	**3.8**	–	
Total dividends per share for the period	**8.0**	3.8	+110.5%

- Cash and cash equivalents from continuing operation of approximately HK$617 million

* *For identification purposes only*

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 2016, together with the comparative figures for the corresponding period in 2015 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 2016

		For the six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
CONTINUING OPERATIONS			
Revenue	*3*	**1,013,988**	1,354,617
Cost of sales		**(843,735)**	(1,178,883)
Gross profit		**170,253**	175,734
Other income and gains/(losses), net		**5,039**	(2,250)
Distribution and selling expenses		**(22,934)**	(26,435)
Administrative expenses		**(65,995)**	(75,593)
Finance costs	*4*	**(2)**	(10)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**86,361**	71,446
Income tax expense	*6*	**(8,731)**	(6,490)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**77,630**	64,956
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	*7*	**(19,830)**	(11,315)
PROFIT FOR THE PERIOD		**57,800**	53,641
ATTRIBUTABLE TO:			
Equity holders of the Company		**58,340**	52,151
Non-controlling interests		**(540)**	1,490
		57,800	53,641

		For the six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	*9*		
Basic *(HK cents)*:			
– For profit for the period		**8.40**	7.56
– For profit for the period from continuing operations		**11.25**	9.20
Diluted *(HK cents)*:			
– For profit for the period		**8.37**	7.54
– For profit for the period from continuing operations		**11.21**	9.18

Details of the dividends are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**57,800**	**53,641**
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	**79**	(192)
Exchange differences on translation of foreign operations	**(10,782)**	(22,616)
Net other comprehensive expenses to be reclassified to profit or loss in subsequents periods	**(10,703)**	(22,808)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD	**(10,703)**	(22,808)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**47,097**	30,833
ATTRIBUTABLE TO:		
Equity holders of the Company	**47,663**	29,560
Non-controlling interests	**(566)**	1,273
	47,097	30,833

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	**As at 30 September 2016 (Unaudited) *HK$'000***	31 March 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**496,855**	523,592
Prepaid land lease payments		**84,266**	86,579
Investment properties		**119,515**	123,247
Deposits		**31,421**	22,440
Investments in club memberships		**879**	887
Available-for-sale investments		**568**	489
Total non-current assets		**733,504**	757,234
CURRENT ASSETS			
Inventories		**221,935**	233,848
Accounts and bills receivable	*10*	**214,110**	165,549
Prepayments, deposits and other receivables		**10,940**	13,535
Tax recoverable		**110**	110
Cash and cash equivalents		**616,695**	665,705
		1,063,790	1,078,747
Assets of discontinued operation	*7*	**14,359**	–
Total current assets		**1,078,149**	1,078,747

	Notes	As at 30 September 2016 (Unaudited) *HK$'000*	31 March 2016 (Audited) *HK$'000*
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**254,991**	226,814
Accrued liabilities and other payables		**194,485**	245,851
Tax payable		**200,099**	191,500
Derivative financial instruments		**–**	519
		649,575	664,684
Liabilities directly associated with discontinued operation	*7*	**9,996**	–
Total current liabilities		**659,571**	664,684
NET CURRENT ASSETS		**418,578**	414,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,152,082**	1,171,297
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**16,969**	16,878
Net assets		**1,135,113**	1,154,419
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**69,380**	69,584
Reserves		**1,043,949**	1,062,511
		1,113,329	1,132,095
Non-controlling interests		**21,784**	22,324
Total equity		**1,135,113**	1,154,419

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 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 2016 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 2016, except for adoption of revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the Group for accounting period beginning on 1 April 2016 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 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to HKFRSs 2012–2014 Cycle	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. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is manufacturing and sale of footwear products after the closure of the retailing and wholesaling business (the "Closure"). Further details of the Closure are set out in notes 7 to the financial statements. Since the manufacturing and sale of footwear products is the only continuing operating segment of the Group, no further analysis thereof is presented.

3. REVENUE

Revenue represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of intra-group transactions.

An analysis of revenue from continuing operation is as follow:

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Sale of footwear products	**1,013,988**	1,354,617

4. FINANCE COSTS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**2**	10

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Re-presented)
Cost of inventories sold	**529,982**	746,087
Depreciation	**29,022**	29,774
Amortisation of prepaid land lease payments	**1,190**	1,340
Amortisation of a club membership	**7**	5
Fair value losses on derivative financial instruments	**530**	64
Fair value losses/(gains) on revaluation of investment properties	**(361)**	1,168
Impairment of property, plant and equipment	**3,072**	4,499
Bank interest income	**(3,347)**	(3,730)
Interest income from accounts receivable	**(477)**	(545)
Dividend income	**(8)**	(21)

6. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong	**250**	288
– Elsewhere	**8,572**	6,471
Deferred	**(91)**	(269)
Total tax charge related to continuing operations	**8,731**	6,490

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

7. DISCONTINUED OPERATION

On 29 August 2016, the Company announced the decision of its board of directors to wind down, discontinue or sell its retailing and wholesaling business (the "Retailing and Wholesaling Business").

The results of the Retailing and Wholesaling Business in the period are presented below:

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Revenue	**16,622**	19,059
Cost of sales	**(10,507)**	(9,961)
Gross profit	**6,115**	9,098
Other income and gains/(losses), net	**(297)**	246
Distribution and selling expenses	**(18,181)**	(15,521)
Administrative expenses	**(7,467)**	(5,138)
Loss before tax from discontinued operation	**(19,830)**	(11,315)
Income tax expense	**–**	–
Loss for the period from discontinued operation	**(19,830)**	(11,315)

The major classes of assets and liabilities of the Retailing and Wholesaling Business as at the end of the reporting period are as follows:

	As at	
	30 September	31 March
	2016	2016
	HK$'000	*HK$'000*
CURRENT ASSETS		
Accounts and bills receivable	**1,530**	–
Prepayments, deposits and other receivables	**3,508**	–
Cash and cash equivalents	**9,321**	–
Total current assets	**14,359**	–
CURRENT LIABILITIES		
Accounts and bills payable	**504**	–
Accrued liabilities and other payables	**9,492**	–
Total current liabilities	**9,996**	–
Net assets directly associated with discontinued operation	**4,363**	–

The net cash flows from/(used in) the Retailing and Wholesaling Business are as follows:

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Operating activities	**993**	129
Investing activities	**(198)**	(341)
Net cash inflow/(outflow)	**795**	(212)
Loss per share:		
Basic – for loss for the period from discontinued operation *(HK cents)*	**(2.85)**	(1.64)
Diluted – for loss for the period from discontinued operation *(HK cents)*	**(2.84)**	(1.64)

8. DIVIDENDS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2016 – HK5.2 cents per ordinary share (2015: final in respect of the financial year ended 31 March 2015 – HK4.2 cents per ordinary share)	**36,072**	29,088
Special in respect of the financial year ended 31 March 2016 – HK4.0 cents (2015: HK2.0 cents) per ordinary share	**27,747**	13,852
	63,819	42,940
Proposed interim and special dividends		
Interim – HK4.2 cents (2015: HK3.8 cents) per ordinary share	**29,101**	26,304
Special – HK3.8 cents (2015: Nil) per ordinary share	**26,329**	–
	55,430	26,304

The interim and special dividends were declared after the period ended 30 September 2016, and therefore has not been included as a liability in the condensed consolidated statement of financial position. The interim and special dividends will be paid to the shareholders whose names appear in the register of members on 11 January 2017.

9. 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	
	2016	2015
	(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)		
From continuing operations	**78,170**	63,466
From discontinued operation	**(19,830)**	(11,315)
	58,340	52,151
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**694,907**	690,143
Effect of dilutive share options	**2,154**	1,421
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**697,061**	691,564

10. 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 balances due from customers of HK$133,338,000 at 30 September 2016 (31 March 2016: HK$26,760,000) which bear interest at a rate of 0.25% (31 March 2016: 0.25%) 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
	2016	2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**212,422**	163,904
Between 91 and 180 days	**1,688**	1,041
Between 181 and 365 days	**–**	78
Over 365 days	**–**	526
	214,110	165,549

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	31 March
	2016	2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**239,821**	208,753
Between 91 and 180 days	**13,848**	17,189
Between 181 and 365 days	**959**	56
Over 365 days	**363**	816
	254,991	226,814

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Global economic uncertainty and market challenges prevailed during the six months ended 30 September 2016 (the "Period"), with broad-based and severe impact on consumer sentiments. This has led to a period-to-period drop in the Group's turnover from continuing operations to approximately HK$1,014 million (2015: approximately HK$1,355 million). The decline in turnover was matched with an approximately 24.8% decrease in business volume, to approximately 8.2 million pairs of footwear, as well as an approximately 1.5% drop in the average selling price ("ASP") during the Period.

Despite the turnover drop, the Group was able to improve its gross profit margin by continuously adjusting product and clientele portfolios, efforts to enhance efficiency and labor input in the Southeast Asian production centers, and exercising stringent cost control. This was also helped by the depreciation of the Renminbi ("RMB") and Vietnamese Dong ("VND") against the United States dollar ("US$"), thus relieving part of the labor cost inflationary pressure. These efforts, together with an approximately 3.0% and 1.8% drop in material usage and subcontracting charges respectively, have collectively contributed to an improvement in the gross profit margin from continuing operations to approximately 16.8% (2015: approximately 13.0%).

The manufacturing segment's labor and salaries costs, including allowances and other benefits, were slightly reduced to approximately 26.3% (2015: approximately 26.5%) of the total manufacturing turnover.

The manufacturing segment posted a profit for the Period of approximately HK$77.6 million (2015: approximately HK$65.0 million). Additional expenses, including rent on termination of leases, and severance payments of approximately HK$8.9 million (2015: Nil) were incurred as a result of the closure of the retail operations. The retailing unit therefore recorded an operating loss of approximately HK$19.8 million (2015: loss of approximately HK$11.3 million) during the Period.

Having taken into account a gain on revaluation of investment properties in the People's Republic of China (the "PRC") amounting to approximately HK$0.4 million (2015: loss of approximately HK$1.2 million), as well as an exchange loss of HK$4.7 million (2015: approximately HK$6.0 million) mainly incurred from the depreciation of the RMB deposits, net profit attributable to equity holders of the Company improved by 11.9% period-to-period to approximately HK$58.3 million (2015: approximately HK$52.1 million).

Earnings per share for the Period were approximately HK8.40 cents (2015: approximately HK7.56 cents), up approximately 11.1% 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 interim and special dividends of HK4.2 cents (2015: HK3.8 cents) and HK3.8 cents (2015: Nil) per ordinary share respectively.

The Group recorded healthy and improving financial ratios during the Period:

- Debtors' turnover increased from 33 days for the six months ended 30 September 2015 to 38 days for the Period;

- Creditors' turnover increased from 80 days to 89 days;

- Stock turnover increased from 74 days to 77 days in spite of overall production scale being slightly reduced;

- Strong liquidity with net cash in hand of approximately HK$617 million as at 30 September 2016 (31 March 2016: HK$666 million);

- Quick ratio changed from 1.1 as at 30 September 2015 to 1.3 as at 30 September 2016.

Operational Performance

In coping with the disruptive drop in retail sales in the United States (the "US") and Europe since the end of 2015 and uncertain economic conditions during the Period, the Group has been actively rearranging its operations, both geographically and in terms of the clientele portfolio. At the same time, the Group has formulated plans and considered options to enhance the overall return on assets. These initiatives have helped the Group defend its profit margin, while enhancing the shareholders' return in the long run.

Manufacturing Business

As at the period-end date, the Group had a total of 39 production lines: 20 in southern Vietnam, 3 in central Vietnam, 10 in Cambodia, and 6 in southern PRC. As a result of the scaling down of PRC operations, total annual capacity was reduced to about 22 million pairs, and the facilities were approximately 74.0% utilized (2015: approximately 87.0%). The Group's production network includes research and development ("R&D") centers, located in southern Vietnam, Cambodia and the PRC, as well as two outsole factories also in operation in southern Vietnam and Cambodia.

Southern Vietnam continued to be the core manufacturing base in terms of its contribution to Group turnover and output. It contributed approximately 56.1% of total production (2015: approximately 60.7%) in terms of pairs of footwear, or approximately 49.2% of turnover (2015: approximately 54.8%). Production in Cambodia picked up further and accounted for approximately 19.0% of total output (2015: approximately 12.1%), or approximately 23.6% of turnover (2015: approximately 14.1%), in line with customer demand. The flexible setup in Vietnam and Cambodia helps the Group meet the changing production requirements of clients.

The PRC facilities have all been consolidated into the Zhuhai plant, which accounted for approximately 17.3% of output (2015: approximately 25.7%), or approximately 19.2% of turnover (2015: approximately 29.5%). There are no immediate plans for further significant scale reduction in the PRC.

The geographical distribution was broadly stable. Shipments to other markets, including Asia, increased to approximately 45.9% (2015: approximately 45.1%), while the contribution of the US rebounded to approximately 23.3% (2015: approximately 21.8%). The European segment contributed approximately 30.8% of total turnover (2015: approximately 33.0%).

The Group has adjusted its clientele and product portfolios in pursuit of higher-margin businesses, resulting in a shift in the contributions of different product categories. Ath-leisure and premium casual footwear still contributed the major portion of the Group's production, accounting for approximately 49.4% of total turnover (2015: approximately 53.4%). Children's footwear and rugged products generated approximately 21.5% (2015: approximately 25.8%) and 12.7% (2015: approximately 9.3%) of turnover respectively.

Despite some customers orders being influenced by weakened market sentiments and postponed launches by customers for ath-leisure footwear, the Group managed to uphold its competitiveness in the market. The category generated approximately 16.4% of total turnover (2015: approximately 11.5%) during the Period.

The Group's major customers for the Period included Asics, Clarks, New Balance, Skechers, and Wolverine, which in aggregate contributed approximately 94.4% (2015: approximately 93.5%) of total turnover.

Retailing Business

As set out in the Annual Report 2016 and the announcement dated 29 August 2016, in view of the continual operating loss incurred by the retail business and the difficulties in the retail environment, the Group decided to gradually wind down, discontinue or sell its retail business. In this regard, the Group has started winding down, discontinuing and looking for potential buyers for the retail business during the Period, and it is expected that all retail operations will cease by the end of March 2017.

As at the reporting date, the total number of shops decreased to 9 (as at 31 March 2016: 22), of which 7 shops were in the PRC and 2 shops in Hong Kong.

As a result of the winding down exercise, additional expenses were incurred during the Period, including approximately HK$6.6 million of rent on termination of leases, and severance payments of approximately HK$2.3 million. The retail business incurred a loss of approximately HK$19.8 million (2015: approximately HK$11.3 million) during the Period, on a turnover of approximately HK$16.6 million (2015: approximately HK$19.1 million).

Management considers that besides the aforementioned expenses, the discontinuance of the retail business unit should not have further significant financial impact on the Group.

FUTURE PLANS AND PROSPECTS

As mentioned in Annual Report 2016, the Group stays alert to a world economy which has been encountering significant ups and downs. As the US Federal Reserve opened up the option of further interest rate hikes since the last rate increase in December 2015, the Group's major customers have encountered slower retail sales and thus inventory buildup problems.

Taking into account the various uncertainties around the world, including the implementation of Brexit, weakened economic conditions of the PRC and continuous depreciation of the RMB, the extent and timetable of interest rate hikes in the US, as well the recurrence of depreciation in Asian currencies, it is expected that the pace of economic recovery in fiscal year 2016/17 may slow down.

Another potential risk arises from the US intention to withdraw from the Trans-Pacific Partnership (TPP) trade deal. A failure of TPP will have an impact on exports from participating countries, including Vietnam, to the US. Customers may therefore become more conservative in their procurement plans for the Vietnam production center.

In light of the tough market environment and global uncertainties, we will monitor the market situation closely and respond to the resulting changes in customer demands and the operating environment.

Manufacturing Business

Guiding our ongoing work are two main strategic goals: to pursue profit margin enhancement and shareholder value. We will continue to prioritize profit growth on top of revenue increase, to be achieved through continuous efficiency improvements. This will be supplemented by initiatives to consolidate and optimize our customer portfolio in pursuit of higher-margin business. Additionally, we will undertake an asset enhancement program as part of our ongoing effort to increase shareholders' return.

It is anticipated that the completion of these tasks may match the gradual recovery in the retail cycle around the world, helping to strengthen our position for long-term growth.

Production efficiency and capability

The Group anticipates that all manufacturing players in the PRC will inevitably have to tackle an increasingly difficult production environment of rising labor and welfare costs. Facing this huge challenge, we will continue to put efforts into improving operating efficiency and strengthening production capability.

Efforts to adjust our manufacturing operations as discussed in Annual Report 2016 have continued into the Period, including the consolidation of facilities in the PRC and a shift of manufacturing activities to Vietnam and Cambodia. During the Period, the Group took further steps to adjust the geographical distribution of its manufacturing operations. The facilities in Zhongshan were closed down in September 2016, with manufacturing activities being moved to Zhuhai in the PRC and Vietnam.

Despite the uncertainties associated with TPP, Vietnam still has advantages over the PRC in terms of cost and labor and skills supply. By maintaining a multi-country industrial platform, the Group can plan production flexibly to enable customers to enjoy favorable treatments of different importing countries. A constant review and adjustment of the geographical distribution of manufacturing activities is in place to sustain our competitiveness.

The Group will proceed cautiously with its business plans in southern and central Vietnam, and will synchronize any capacity expansion with the pace of development of its branded customers.

In southern Vietnam, six production lines will be commissioned during the second half of the current financial year in the new facilities adjacent to the existing plant, adding to the current 20 production lines. The new facilities are scheduled to start trial production in the first quarter of 2017.

The Group is positive about the long-term outlook of its manufacturing business in Vietnam, which offers various investment opportunities. The Group will adopt a selective and focused strategy when seeking to develop viable high-quality projects. Locations clustered around existing facilities in Ho Chi Minh City will be considered for future development.

The plant in central Vietnam now has 3 production lines in operation. The Board is reviewing and considering various options of operation with an aim to maximize the site’s utilization and return on assets, and to reduce business risks.

Another task of the segment is to drive improvements in gross and net profit margins for the financial year ending 31 March 2017 through a number of cost reduction measures. First, we aim to decrease material costs by deploying automated processes for leather cutting and sewing, thereby reducing yield loss. As Vietnam is currently the largest production base, the Group will keep tight control on the labor costs of this center. Measures to be taken will include the promotion of local staff to management, the enhancement of the LEAN manufacturing system, and the reduction of workers per production line. Finally, the continued devaluation of the RMB and VND is expected to be a favorable trend for the control of overhead costs in these two centers.

On a brighter note, the Group believes that the current tough operating environment will present a window of opportunity for enterprises possessing a leading competitive edge to gain further market lead amid an industry consolidation.

Enhancement of return on assets

The Group has commenced an assets enhancement program to review and consider options for its assets and facilities not utilized for production, with a view to improving overall return on assets to shareholders. As such, should any suitable opportunity arise, the Group may consider to sell its manufacturing facilities in Zhongshan and Jiangxi, the PRC. The Board will update the shareholders on the progress when appropriate.

Conservative financial management and steady development

Finally, a strong financial position is central to the Group's success. Prudent financial management ensures the Group's healthy growth and allows it to invest in attractive projects when opportunities arise.

Looking ahead, the Group will adhere to the principle of steady development, while standing prepared to cope with new market challenges and capture suitable opportunities. We aim to leverage on our existing resources to maximize shareholders' returns, expand income streams and enhance the Group's financial position.

Retailing Business

It is expected that all retail operations will cease by the end of March 2017. In Hong Kong, one shop was closed in October while the other will follow in December 2016. There were 7 shops remaining in minimal operation in mainland China as at 30 September 2016, pending closure by the end of this financial year.

Appreciation

The Group has been through a lot of challenges during the Period, but has stayed true to its commitment to quality, customer focus and shareholders' interest. We are grateful to all colleagues who have helped the Group make remarkable achievements during good times and difficult times. The Board also thanks all its shareholders, customers and business partners for their continued support.

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 2016, the Group's cash and cash equivalents from continuing operations were approximately HK$617 million (as at 31 March 2016: approximately HK$666 million).

As at 30 September 2016, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (as at 31 March 2016: approximately HK$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (as at 31 March 2016: approximately HK$99 million), approximately HK$0.3 million (as at 31 March 2016: approximately HK$1.3 million) had been utilised as at 30 September 2016.

As at 30 September 2016, the current ratio was approximately 1.6 (as at 31 March 2016: approximately 1.6) based on current assets of approximately HK$1,078 million and current liabilities of approximately HK$660 million and the quick ratio was approximately 1.3 (as at 31 March 2016: approximately 1.3).

As at 30 September 2016, 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 Vietnamese Dong ("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 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 financial instruments, 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 flows 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 consider 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$1,113 million as at 30 September 2016 (as at 31 March 2016: approximately HK$1,132 million). As at 30 September 2016, the Group did not have any interest-bearing bank borrowings (as at 31 March 2016: nil), resulting nil% (as at 31 March 2016: nil%) of the shareholders equity.

INTERIM AND SPECIAL DIVIDENDS

On 29 November 2016, the Board has resolved to declare the payment of an interim dividend of HK4.2 cents per ordinary share and a special dividend of HK3.8 cents per ordinary share in respect of the six months ended 30 September 2016 to shareholders registered on the register of members on 11 January 2017, resulting in an appropriation of approximately HK$55 million. The interim and special dividends will be payable on or about 25 January 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 January 2017 to Wednesday, 11 January 2017, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim and special dividends, 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 Friday, 6 January 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2016, the Company repurchased 2,482,000 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$4,572,000 excluding transaction cost and 2,482,000 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*
June 2016	100,000	1.68	1.67	168
July 2016	2,382,000	1.94	1.75	4,404
Total	2,482,000			4,572

The premium paid on the repurchased and cancelled shares of approximately HK$4,324,000 has been debited to the share premium account during the six months ended 30 September 2016. 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 14,000 as at 30 September 2016 (30 September 2015: 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 2016, 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 were not separated and were performed by the same individual, Mr. Chen Ming Hsiung, Mickey, who passed away on 14 April 2016. The Board believed 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 implementing business plans. The Board considered that this structure had not impaired the balance of power and authority of the Board. In view of the passing away of Mr. Chen Ming-hsiung, Mickey, Mr. Chan Ho Man, Daniel, a non-executive Director, has been appointed as Acting Chairman and Mr. Phillip Brian Kimmel, an executive Director, has been appointed as Acting Chief Executive Officer of the Company. With effect from 29 June 2016, Mr. Chan Ho Man, Daniel has been re-designated from Acting Chairman to Chairman; and Mdm. Huang Hsiu Duan, Helen, an executive Director, has been appointed as Chief Executive Officer subsequent to Mr. Phillip Brian Kimmel's cessation to serve as Acting Chief Executive Officer but remaining as executive director on the same date. Please refer to the announcement of the Company dated 29 June 2016 for further details regarding the above changes.

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 2016 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 2016.

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
Chan Ho-man, Daniel
Chairman

Hong Kong, 29 November 2016

As of the date of this announcement, the Board consists of four executive Directors, namely, Mdm. HUANG Hsiu-duan, Helen, Mr. KIMMEL, Phillip Brian, Mr. MUMMA Adin Daivd 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.