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 2011

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2011	2010	Change
	HK$'000	*HK$'000*	
Revenue	**872,571**	803,543	+8.6%
Gross profit	**131,475**	168,149	–21.8%
Gross profit margin	**15.1%**	20.9%	–5.8 points
Profit for the period attributable to equity holders of the Company	**42,147**	65,385	–35.5%
Net profit margin	**4.8%**	8.1%	–3.3 points
	(HK cents)	*(HK cents)*	
Basic earnings per share	**6.25**	10.07	–37.9%
Proposed interim dividend per share	**3.0**	3.0	–

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 (the "Group") for the six months ended 30 September 2011, together with the comparative figures for the corresponding period in 2010 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 2011

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**872,571**	803,543
Cost of sales		**(741,096)**	(635,394)
Gross profit		**131,475**	168,149
Other income and gains, net		**8,588**	8,486
Distribution and selling costs		**(30,084)**	(33,649)
Administrative expenses		**(61,808)**	(57,797)
Finance costs	*3*	**(5)**	(4)
PROFIT BEFORE TAX	*4*	**48,166**	85,185
Income tax expense	*5*	**(6,019)**	(19,800)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**42,147**	65,385
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic *(HK cents)*		**6.25**	10.07
– Diluted *(HK cents)*		**6.17**	9.87

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 2011

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
PROFIT FOR THE PERIOD		**42,147**	65,385
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Available-for-sale investments revaluation reserve:			
Changes in fair value		**(347)**	243
		(347)	243
Asset revaluation reserve:			
Gain on revaluation of building	*9*	**15,608**	10,284
Income tax effect		**(3,902)**	(2,571)
		11,706	7,713
Exchange differences on translation of foreign operations		**3,456**	1,597
Other comprehensive income for the period		**14,815**	9,553
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**56,962**	74,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

		As at	
		30 September 2011 (Unaudited)	31 March 2011 (Audited)
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**345,236**	353,444
Prepaid land lease payments		**60,503**	60,407
Investment properties	*9*	**61,115**	33,256
Deposits paid		**4,298**	4,309
Investments in club memberships		**964**	968
Available-for-sale investments		**1,795**	2,143
Total non-current assets		**473,911**	454,527
CURRENT ASSETS			
Inventories		**194,628**	172,633
Accounts and bills receivable	*10*	**193,318**	157,739
Prepayments, deposits and other receivables		**11,565**	12,030
Derivative financial instruments	*11*	**1,543**	2,698
Tax recoverable		**111**	111
Cash and cash equivalents		**529,168**	530,190
Total current assets		**930,333**	875,401
CURRENT LIABILITIES			
Accounts and bills payable	*12*	**170,380**	117,634
Accrued liabilities and other payables		**104,310**	107,671
Tax payable		**154,597**	150,662
Derivative financial instruments	*11*	**1,120**	312
Total current liabilities		**430,407**	376,279
NET CURRENT ASSETS		**499,926**	499,122
TOTAL ASSETS LESS CURRENT LIABILITIES		**973,837**	953,649
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**7,879**	4,098
Net assets		**965,958**	949,551
EQUITY			
Issued share capital		**67,731**	66,841
Reserves		**898,227**	882,710
Total equity		**965,958**	949,551

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2011 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 2011 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 2011, 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 2011 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 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)- Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of these new HKFRSs has had no material effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

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 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 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	
	2011	2010	**2011**	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**857,194**	788,676	**15,377**	14,867	**872,571**	803,543
Intersegment sales	**4,474**	5,878	**–**	–	**4,474**	5,878
Total	**861,668**	794,554	**15,377**	14,867	**877,045**	809,421
Elimination of intersegment sales					**(4,474)**	(5,878)
Total					**872,571**	803,543
Segment results	**54,010**	103,590	**(10,325)**	(18,263)	**43,685**	85,327
Unallocated income and gains, net					**936**	279
Interest income					**5,096**	2,890
Unallocated expenses					**(1,546)**	(3,307)
Finance costs					**(5)**	(4)
Profit before tax					**48,166**	85,185
Income tax expense					**(6,019)**	(19,800)
Profit for the period attributable to equity holders of the Company					**42,147**	65,385

	30 September 2011	31 March 2011	**30 September 2011**	31 March 2011	**30 September 2011**	31 March 2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**837,668**	763,185	**24,831**	22,533	**862,499**	785,718
Unallocated assets					**541,745**	544,210
Total assets					**1,404,244**	1,329,928
Segment liabilities	**267,796**	213,643	**4,153**	4,549	**271,949**	218,192
Unallocated liabilities					**166,337**	162,185
Total liabilities					**438,286**	380,377

3. FINANCE COSTS

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**5**	4

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**479,319**	430,870
Depreciation	**21,822**	21,744
Amortisation of prepaid land lease payments	**871**	843
Amortisation of a club membership	**10**	10
Fair value gain on derivative financial instruments	**(385)**	(3,106)
Bank interest income	**(3,896)**	(2,550)
Interest income from accounts receivable	**(1,199)**	(340)
Dividend income	**(22)**	(7)
Net rental income	**(1,410)**	(761)

5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**564**	1,170
Elsewhere	**5,455**	18,630
Tax charge	**6,019**	19,800

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2011 – HK7.0 cents per ordinary share (2010: final in respect of the financial year ended 31 March 2010 – HK7.0 cents per ordinary share)	**47,493**	45,732
Proposed interim dividend		
Interim – HK3.0 cents (2010: HK3.0 cents) per ordinary share	**20,288**	19,919

The interim dividend was declared after the period ended 30 September 2011, 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 22 December 2011.

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	
	2011	2010
	(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)	**42,147**	65,385
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**674,372**	649,444
Effect of dilutive share options	**8,341**	13,136
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**682,713**	662,580

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2011, the Group acquired property, plant and equipment with a cost of approximately HK$20,588,000 (2010: approximately HK$9,776,000). Property, plant and equipment with a net book value of approximately HK$495,000 were disposed of by the Group during the period (2010: approximately HK$769,000).

9. INVESTMENT PROPERTIES

During the period, an owner-occupied property of the Group has been reclassified as an investment property, with the carrying amount of approximately HK$12,251,000 and fair value of HK$27,859,000 with reference to valuation by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on an open market, existing use basis. Accordingly, an asset revaluation reserve of approximately HK$15,608,000 arose.

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, including certain accounts receivable covered by credit insurance. 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 approximately HK$41,115,000 at 30 September 2011 which bears interest at a rate of 0.5% for a fixed period of 60 days (31 March 2011: approximately HK$72,995,000 and HK$2,756,000 which borne interest at a rate of 0.5% and 1% for a fixed period of 60 days and 90 days, respectively).

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 2011 (Unaudited)	31 March 2011 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**181,988**	154,816
Between 91 and 180 days	**11,014**	2,923
Between 181 and 365 days	**316**	–
	193,318	157,739

11. DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	30 September 2011 (Unaudited)		31 March 2011 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward currency contracts	**1,543**	**1,120**	2,698	312

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 approximately HK$385,000 was credited to the income statement during the period (2010: approximately HK$3,106,000) (note 4).

12. 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 2011	31 March 2011
	(Unaudited)	(Audited)
	HK\$'000	*HK\$'000*
Within 90 days	**155,099**	109,248
Between 91 and 180 days	**11,202**	6,105
Between 181 and 365 days	**3,243**	1,617
Over 1 year	**836**	664
	170,380	117,634

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Board is delighted to report that the Group has displayed strong resilience amidst the current global economic downturn. Despite the unstable environment that severely impacted consumption momentum in the United States and the euro zone, the Group managed to grow its turnover by approximately 8.6% to approximately HK$873 million (2010: approximately HK$804 million) for the six months ended 30 September 2011. The turnover growth reflected an approximately 8.8% increase in business volume and a relatively stable average selling price ("ASP").

For the six months ended 30 September 2011, the net profit attributable to equity holders of the Company was down approximately 35.5% to approximately HK$42 million (2010: approximately HK$65 million), mainly owing to the increase in minimum wages and the continuing appreciation of the Renminbi. While material prices have also escalated, the Group was able to keep material costs at stable levels by efficient control over usage on the back of its lean manufacturing system.

Business volume for the period, in terms of the number of pairs of shoes sold, increased by approximately 8.8% to approximately 8.1 million pairs, with the ASP broadly stable compared to the previous corresponding period.

Earnings per share for the period were approximately HK6.25 cents (2010: approximately HK10.07 cents), a decline of approximately 37.9% as compared to the previous corresponding period. In anticipation of continuing strong cash flow from the manufacturing segment, the Group maintains a dividend policy of sharing results with shareholders. The Board is pleased to declare an interim dividend of HK3.0 cents (2010: HK3.0 cents).

Business Strategies

In furtherance of the Group's core research and development competence, consistent efforts and resources have been committed to maintain and upgrade its client-oriented research and development centers, which in turn support the Group's continuous diversification and enhancement of its product mix, and the engagement of a global portfolio of name-brand customers and the cultivation of relationships with potential clients.

As a result, the Group is able to maintain a high-end product portfolio with premium casual footwear as the major component. The Group will continue to enhance the capacity and efficiency of its production of premium casual products while further broadening its product portfolio to other categories.

To cope with the rapidly changing market situation, the Group will constantly upgrade its research and development centers in order to speed up the response lead time for product development and to facilitate more flexible shifting of products. The centers are tailor-made to cater to customers' requirements for constant diversification of products.

Continuing its geographical diversification of its production base, the Group aims to minimize the impact of fluctuations in any currency in a single area. Furthermore, the Group is adjusting its product portfolio to maximize the production capabilities and efficiency of different facilities. The Group's multi-country production base stretches from Guangdong and Jiangxi Provinces in the PRC to Vietnam and Cambodia, serving the varied requirements of clients in the United States, Europe and other countries.

The Group's strategy of providing premium brand owners with customized and competitive one-stop services, supplemented by a wide array of products, not only earns us continuing support from customers, but also helps us to ease the pressure on the overall net margins.

Operational Performance

In response to the changing market sentiments in the United States and euro zone countries, the Group has adjusted its geographical portfolio weightings through a shift in the product mix. Sales to the Untied States during the first half therefore amounted to approximately 45.4% of total turnover, compared to approximately 65.1% in the previous corresponding period, whereas shipments to the euro zone have climbed to approximately 36.7% compared to approximately 28.6% in the last corresponding period.

By flexibly adjusting the product mix, the Group was able to manage market risks and also to take advantage of short-term market upsides. As a result of the portfolio adjustment, the first half saw an increase in the sales of higher-margin products for euro zone clients.

The Group has made efforts to sustain its core competence and leadership in the premium category, while maintaining flexibility in the short-term product portfolio to cope with market changes. During the first half, baby and children's footwear products was the biggest category of the Group's production, accounting for approximately 44.3% of total turnover. The premium casual products and rugged footwear items contributed approximately 38.3% and 17.4% respectively of the Group's turnover during the period.

Ongoing efforts have been put into the furtherance of production efficiency and cost control, but the prevailing adverse manufacturing landscape in the PRC, shaped by surging labor, material and transportation costs, has continued to put pressure on the Group's profit margin. This has impacted the cost items to various degrees.

Material cost was up slightly year on year owing to increased sample production for development of new product categories, compounded by a minor increase in material prices. Salaries and wages were also on the rise, as minimum wages in Guangdong Province, the PRC have been adjusted upwards by approximately 19.7% since March 2011, and as a result of the appreciation of the Renminbi. Subcontracting costs were also incurred for development of new products during the transitional period whereby new production lines were in the process of being established in Jiangxi, the PRC, and Cambodia.

The implementation of the lean manufacturing system, however, has continued to contribute positively to the bottom line by helping to increase production efficiency through shortening the lead-time of various processes.

Selling expenses decreased slightly as the *Mocca* retailing business has been scaled down to redeploy resources to the development of the baby line of *Fiona's Prince*, which displays strong potential of becoming a future revenue driver for the Group. Such selling expenses mainly included rental, advertising and salary expenses for maintaining the retail network in Hong Kong and the PRC.

Manufacturing and sale of footwear products

The Group maintains a solid multi-country production base to support its manufacturing activities. As at 30 September, 2011, the Group operated a total of 38 production lines, of which 14 lines were located in Vietnam and Cambodia, and 11, 8 and 5 lines in Zhongshan, Zhuhai and Jiangxi Province in the PRC respectively. These facilities had a total capacity of about 20 million pairs of footwear per annum as at the period end.

Supported by strong confidence in the future order book, expansion programs went ahead as scheduled in Jiangxi, the PRC, and in Cambodia. Upon commissioning of the new production lines expected by year, the Cambodian factory will have a total of 7 production lines. By year, the Jiangxi factory will have 7 production lines in place. With all the new production lines in place, aggregating to a total of 44 lines, the Group's annual capacity will be increased to about 25 million pairs. The Group will continue to maintain diversity in its production base.

Despite uncertainties in the market, the Group was able to achieve order growth although the ASP was under pressure. The Group maintained a portfolio comprising a variety of premium products by leveraging its leading edge in research and development. Equipped with strong product development capabilities, the Group was also able to help customers create and adjust product offerings to cope with changing market demands.

The research and development centers within the Vietnam factory, for example, have played an important role in facilitating the generation of new product orders for euro zone markets. Ongoing development efforts have also yielded the creation of a new premium-quality white shoes line for specific customers.

During the first half of the year, the Group's major customers included *Clarks, Skechers, Stride Rite, Timberland* and *Rockport*, which in aggregate produced approximately 83.9% (2010: approximately 94.5%) of total turnover. The Group is actively engaged in the pursuit of new business from both current and potential customers.

The approximately 5.6% appreciation of the Renminbi, together with the increase in minimum wages in Guangdong Province, the PRC by approximately 19.7% during the period, accounted for the increase in labor costs. The overall margin was also affected by the slight rise in material cost, albeit partly offset by the implementation of the lean manufacturing system and vigorous cost control measures. On the other hand, as a result of expansion works in Jiangxi and Cambodia, transitional sub-contracting costs were incurred for the research and development of new footwear items. These factors accounted for a drop of approximately 5.8 points in overall gross profit margin.

The Group will continue to explore potential strategic partnership opportunities that will create added value and bring synergistic benefits to its existing business.

Retailing and wholesaling business

Serving the Group's long-term diversification goals, the retail and wholesale business unit, which was principally engaged in the sales of trendy baby shoes under the *Fiona's Prince* brand and ladies' footwear, bags and accessories under the *Mocca* brand, continued to roll out its business plans.

During the period, the turnover derived from the retail segment increased by approximately 3.4% to approximately HK$15,377,000 (2010: approximately HK$14,867,000). The business line incurred a loss of approximately HK$10 million (2010: loss of approximately HK$18 million) for the six months ended 30 September 2011, but the segment's gross margin was improved. The loss was mainly attributable to the high rental expenses in Hong Kong. The Group is confident of its revenue and return generating prospects in the longer term.

As at 30 September 2011, *Fiona's Prince* maintained a total of 5 shops in Hong Kong and Macau and 17 points of sale in the PRC. The retailing unit successfully established its foothold in the PRC's retail scene in 2010 with initial advances into Beijing and Shanghai.

FUTURE PLANS AND PROSPECTS

The outlook for the second half of the year ending 31 March 2012 poses both opportunities and threats.

On the one hand, the volatility of the international economy and escalating inflation have introduced uncertainties to economic development. On the positive side, continued rising per capita income in the PRC, driven by accelerating economic restructuring, will sustain strong domestic consumption momentum. Faced with changes and challenges in the domestic and international markets, the Central Government of the PRC is striving to reinforce and improve its macro-economic control measures by implementing the "Twelfth Five-Year Plan", so as to consolidate and intensify its efforts in response to the impact of the global financial crisis, and at the same time proactively speed up urbanization to boost domestic consumer demand in order to maintain steady social and economic growth.

In view of this, being one of the market leaders in the footwear industry, the Group maintains an optimistic yet prudent stance and adopts sustainable development strategies in response to changes in the social environment.

Manufacturing and sale of footwear products

The Group will continue to leverage the competitive edges of its multi-brand strategy and capitalize on the substantial growth potential in the manufacturing and sale of footwear products.

Demand for its customized footwear products is expected to remain strong throughout the rest of the year, with the Group's order book currently remaining at close to full capacity.

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

Potential challenges for the rest of the year include the appreciation of the Renminbi and inflation. We will also continue to monitor any impact on our operations arising from the slowing United States economic recovery and the euro zone debt crisis.

With eyes on the future, the Group may consider small-scale acquisitions with a view to further expanding the Group's low-cost manufacturing capacity to cater for future demand. A more diverse manufacturing base will also support the further rationalization of our manufacturing operations into four specialized hubs over the long term: Zhuhai as the Group's headquarters; Zhongshan as a research and development center and high-end manufacturing base; inland China for the production of mid-range footwear; and Southeast Asia for euro zone shipments and mass market products.

With these measures in place, we are confident in our future ability to optimize our operations, control labor costs and secure a stable labor supply.

With wage and input inflation likely to remain a challenge throughout the rest of the year, we will also continue to optimize our existing manufacturing operations in Zhuhai and Zhongshan in the PRC and in Vietnam, and to shift more upstream and time-consuming processes to Jiangxi, our lower-cost inland China production base, as well as to Cambodia.

We are committed to further expanding our research and development capabilities in order to enhance the quality, craftsmanship and value of our products, and to maintain our high-end position in the value chain. Through the Group's research and development centers in Zhongshan and Vietnam, we will continue to develop innovative and specialized products to meet the unique specifications of our clients, as well as for our own retail brands.

Retailing and wholesaling business

The PRC will remain the primary focus for the expansion of the Group's retail business in the second half of the year, as demand for luxury babies' and children's goods among Chinese consumers continues to grow.

We shall maintain a full year target of 26 stores for the brand *Fiona's Prince*. While continuing to pursue further growth through expanding the number of stores, efforts will be put into raising same-store sales and space expansions to enhance the overall revenue mix.

The retailing unit successfully established its foothold in the PRC's retail scene in 2010 with initial advances into Beijing and Shanghai. The Group will continue to leverage its niche brand-building strategy to capitalize on the substantial growth potential in the second-tier cities in the PRC. Plans to open new shops in other cities including Shenyang, Tailian, Tianjin, Suzhou, Changzhou, Hefai, Ningbo and Nanjing, are under negotiation, and it is targeted that over 50 shops will be set up by 2012.

The unit has been approached by certain franchisees seeking co-operation opportunities. In addition, a more diversified product portfolio is under consideration in order to further the premium image of the brand.

The reorganization of the retail business conducted since the beginning of the year is now bearing fruit, with operating costs significantly reduced. The Group will continue to strictly control operating costs, and to adjust and streamline its products profile to expedite earnings contribution from the retail business.

Going forward, our retail business will have an increasingly important role to play in the Group's overall development.

Overall

The Group will continue to aim at achieving its business and financial goals through sound management and prudent investments.

We continue to hold a very positive outlook for the PRC market, where we are actively rolling out our retailing business as planned. With more extensive coverage, the business will be able to achieve the scale and brand exposure to make it profitable and sustainable.

We are also optimistic about the ongoing development of the manufacturing business, which has built strong leverage on its premium product focus. We are confident that the introduction of the new premium-quality white shoes line will add new momentum to the segment.

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 2011, the Group's cash and cash equivalents were approximately HK$529 million (as at 31 March 2011: approximately HK$530 million).

As at 30 September 2011, the Group had banking facilities amounted to an aggregate sum of approximately HK$127 million (as at 31 March 2011: approximately HK$196 million) with various banks. The banking facilities of approximately HK$7 million (as at 31 March 2011: approximately HK$2 million) had been utilised as at 30 September 2011.

For the six months ended 30 September 2011, the current ratio was approximately 2.16 (as at 31 March 2011: approximately 2.33) based on current assets of approximately HK$930 million and current liabilities of approximately HK$430 million and the quick ratio was approximately 1.71 (as at 31 March 2011: approximately 1.87).

As at 30 September 2011, 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 the PRC 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 HKD Hong Kong Inter-Bank Offered Rate, the USD London Inter-Bank Offered Rate or the Singapore 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$966 million as at 30 September 2011 from approximately HK$950 million as at 31 March 2011. As at 30 September 2011, the Group did not have any interest-bearing bank borrowings (as at 31 March 2011: nil), resulting nil% (as at 31 March 2011: nil%) of the shareholders equity.

INTERIM DIVIDEND

On 25 November 2011, the Board has resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share in respect of the six months ended 30 September 2011 to shareholders registered on the register of members on 30 December 2011, resulting in an appropriation of approximately HK$20,288,000. The interim dividend will be payable on or before 16 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 December 2011 to 30 December 2011, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 22 December 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2011, the Company repurchased and cancelled 2,804,000 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$3,876,000 excluding transaction cost. 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*
July 2011	882,000	1.54	1.48	1,331
August 2011	714,000	1.40	1.26	946
September 2011	1,208,000	1.42	1.18	1,599
Total	2,804,000			3,876

The premium paid on the repurchase of the shares of approximately HK$3,596,000 has been debited to the share premium account. 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 2011 (2010: 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 2011, in compliance with the Code on Corporate Governance Practices (the "Code") as set out 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 2011 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 2011.

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 published on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Chen Ming Hsiung, Mickey
Chairman

Hong Kong, 25 November 2011

As of the date of this announcement, the Board consists of five executive Directors Mr. Chen Ming Hsiung, Mickey, Mdm. Huang Hsiu Duan, Helen, Mr. Phillip Brian Kimmel, Mr. Lee Kung, Bobby and Mr. Wong Hei Chiu; two non-executive Directors Mr. Chow Wing Kin, Anthony and Mr. Chan Ho Man, Daniel; three independent non-executive Directors Mr. Tam King Ching, Kenny, Mr. Yung Tse Kwong, Steven and Ms. Chan Mei Bo. Mabel.

* *For identification purposes only*