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 2012

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2012	2011	Change
	HK$'000	*HK$'000*	
Revenue	**1,012,139**	872,571	+16.0%
Gross profit	**146,790**	131,475	+11.6%
Gross profit margin	**14.5%**	15.1%	-0.6 points
Profit for the period attributable to equity holders of the Company	**38,574**	42,147	-8.5%
Net profit margin	**3.8%**	4.8%	-1.0 points
	(HK cents)	*(HK cents)*	
Basic earnings per share	**5.66**	6.25	-9.4%
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 2012, together with the comparative figures for the corresponding period in 2011 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 2012

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,012,139**	872,571
Cost of sales		**(865,349)**	(741,096)
Gross profit		**146,790**	131,475
Other income and gains, net		**13,006**	8,588
Distribution and selling costs		**(41,659)**	(30,084)
Administrative expenses		**(72,704)**	(61,808)
Finance costs	*3*	**(3)**	(5)
PROFIT BEFORE TAX	*4*	**45,430**	48,166
Income tax expense	*5*	**(6,856)**	(6,019)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**38,574**	42,147
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic *(HK cents)*		**5.66**	6.25
– Diluted *(HK cents)*		**5.62**	6.17

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 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**38,574**	42,147
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Available-for-sale investments revaluation reserve:		
Changes in fair value	**(86)**	(347)
Asset revaluation reserve:		
Gain on revaluation of building	**–**	15,608
Income tax effect	**–**	(3,902)
	–	11,706
Exchange differences on translation of foreign operations	**(1,852)**	3,456
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	**(1,938)**	14,815
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**36,636**	56,962

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	As at 30 September 2012 (Unaudited) HK$'000	31 March 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**406,794**	411,419
Prepaid land lease payments		**57,539**	58,549
Investment properties		**86,692**	81,071
Deposits paid		**2,147**	3,321
Investments in club memberships		**960**	964
Available-for-sale investments		**2,495**	2,581
Total non-current assets		**556,627**	557,905
CURRENT ASSETS			
Inventories		**172,724**	211,204
Accounts and bills receivable	*9*	**264,234**	164,292
Prepayments, deposits and other receivables		**14,703**	13,931
Derivative financial instruments	*10*	**253**	273
Tax recoverable		**244**	244
Cash and cash equivalents		**475,213**	475,391
Total current assets		**927,371**	865,335
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**193,064**	165,949
Accrued liabilities and other payables		**125,949**	118,114
Tax payable		**150,350**	145,870
Derivative financial instruments	*10*	**2,212**	1,606
Total current liabilities		**471,575**	431,539
NET CURRENT ASSETS		**455,796**	433,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,012,423**	991,701
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,136**	11,690
Net assets		**999,287**	980,011
EQUITY			
Issued share capital		**68,433**	67,853
Reserves		**930,854**	912,158
Total equity		**999,287**	980,011

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 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 2012 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 2012, 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 2012 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 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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**	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**987,048**	857,194	**25,091**	15,377	**1,012,139**	872,571
Intersegment sales	**6,053**	4,474	**–**	–	**6,053**	4,474
Total	**993,101**	861,668	**25,091**	15,377	**1,018,192**	877,045
Elimination of intersegment sales					**(6,053)**	(4,474)
Total					**1,012,139**	872,571
Segment results	**61,659**	54,010	**(16,686)**	(10,325)	**44,973**	43,685
Unallocated income and gains, net					**272**	936
Interest income					**4,351**	5,096
Unallocated expenses					**(4,163)**	(1,546)
Finance costs					**(3)**	(5)
Profit before tax					**45,430**	48,166
Income tax expense					**(6,856)**	(6,019)
Profit for the period attributable to equity holders of the Company					**38,574**	42,147

	30 September 2012	31 March 2012	**30 September 2012**	31 March 2012	**30 September 2012**	31 March 2012
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**894,458**	837,195	**24,903**	20,974	**919,361**	858,169
Unallocated assets					**564,637**	565,071
Total assets					**1,483,998**	1,423,240
Segment liabilities	**322,928**	286,007	**4,572**	4,024	**327,500**	290,031
Unallocated liabilities					**157,211**	153,198
Total liabilities					**484,711**	443,229

3. FINANCE COSTS

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**3**	5

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**571,479**	479,319
Depreciation	**23,611**	21,822
Amortisation of prepaid land lease payments	**864**	871
Amortisation of a club membership	**4**	10
Fair value loss/(gain) on derivative financial instruments	**888**	(385)
Bank interest income	**(3,521)**	(3,896)
Interest income from accounts receivable	**(830)**	(1,199)
Dividend income	**(17)**	(22)
Net rental income	**(2,702)**	(1,410)

5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong	**152**	564
– Elsewhere	**5,258**	5,455
Deferred	**1,446**	–
Total tax charge	**6,856**	6,019

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2012 – HK1.5 cents per ordinary share (2011: final in respect of the financial year ended 31 March 2011 – HK7.0 cents per ordinary share)	**10,264**	47,493
Special in respect of the financial year ended 31 March 2012 – HK2.0 cents (2011: nil) per ordinary share	**13,686**	–
	23,950	47,493
Proposed interim dividend		
Interim – HK3.0 cents (2011: HK3.0 cents) per ordinary share	**20,505**	20,288

The interim dividend was declared after the period ended 30 September 2012, 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 2012.

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	
	2012	2011
	(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)	**38,574**	42,147
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**681,696**	674,372
Effect of dilutive share options	**4,813**	8,341
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**686,509**	682,713

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2012, the Group acquired property, plant and equipment with a cost of HK$19,605,000 (2011: HK$20,588,000). Property, plant and equipment with a net book value of HK$582,000 were disposed of by the Group during the period (2011: HK$495,000).

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$118,661,000 at 30 September 2012 (31 March 2012: HK$61,136,000) 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 2012 (Unaudited)	31 March 2012 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**264,234**	164,251
Between 91 and 180 days	**–**	41
	264,234	164,292

10. DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	30 September 2012 (Unaudited)		31 March 2012 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward currency contracts	**253**	**2,212**	273	1,606

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

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Net fair value loss on non-hedging currency derivatives amounting to HK$888,000 was debited to the income statement during the period (2011: net fair value gain of HK$385,000) (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 2012	31 March 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**181,579**	158,705
Between 91 and 180 days	**6,441**	3,240
Between 181 and 365 days	**2,239**	2,722
Over 1 year	**2,805**	1,282
	193,064	165,949

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The task of sustaining growth in a volatile global economy remains challenging. The Board is therefore much encouraged to have achieved a solid set of results amidst a fragile recovery in the United States ("US") and economic contraction in the euro zone. During the six months ended 30 September 2012, the Group had approximately 16.0% period-to-period increase in turnover to approximately HK$1,012 million (2011: approximately HK$873 million). The turnover growth reflected an approximately 11.1% growth in business volume, in terms of pairs of footwear, together with approximately 5.0% period-to-period increase in the average selling price ("ASP").

Factors having a bearing on the Group's overall margin included cost pressures from the increases in material prices and statutory minimum wages which, after being offset by efficiency gains and tightened cost control, caused an approximately 8.5% decline in the net profit attributable to equity holders of the Company to approximately HK$39 million (2011: approximately HK$42 million).

Business volume for the period, in terms of the number of pairs of shoes sold, grew by approximately 11.1% to approximately 9 million pairs, with the ASP largely stable compared to the corresponding previous period.

Earnings per share for the period were HK5.66 cents (2011: HK6.25 cents), a decline of approximately 9.4% on a year-on-year basis. In anticipation of continuing strong cash generation from the manufacturing segment, the Group maintains a dividend policy of sharing results with shareholders. Accordingly, the Board is pleased to declare an interim dividend of HK3.0 cents (2011: HK3.0 cents).

Business Strategies

Diversification for sustainability

At Kingmaker, diversification is a strategy that has been interlocked into our operations and business development efforts. Diversification is translated into three dimensions: by production base, by client and by business, to fully minimize our portfolio risk.

With a longstanding production base expansion effort, a multi-country production platform has been established to include four specialized manufacturing hubs: 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. The diversification of production base helps serve the varied craftsmanship and cost requirements of clients in the US, Europe and other countries.

With an established client base comprising a number of leading footwear brands, we continue to take great efforts in developing business with new clients in order to achieve a more diverse client base. Capitalizing on our reputation for quality and specialization in sophisticated production, we have succeeded in securing more international footwear brands in line with the worldwide outsourcing trend.

Business diversification goes one step further from product category expansion to the development of the retail business, with a special focus on babies' and children's footwear where the Group has a top-notch niche. The Board is confident that investments in this segment will bring long-term returns and a more balanced business portfolio for the Group.

Preservation of healthy margin

Continued cost inflation on the production front has a lasting and significant impact on our bottom line. Management is sustaining strict operational and financial discipline, helped by the constant furtherance of the lean manufacturing system.

Our multi-country platform also allows us to allocate production cost effectively, and serves as a "natural hedge" against foreign currency volatility.

Our ability to provide customized and competitive one-stop research and development and production services for premium brand owners has not only earned us continuing support from customers, but also helps us to maintain reasonable overall net margins. As such, the Group will continue to upgrade its research and development centers in order to speed up the response lead time for product development and to facilitate more flexible adjustment of the product mix.

Operational Performance

To mitigate against the potential impact of economic and foreign exchange fluctuations in any single market, the Group has adjusted its geographical portfolio weightings in terms of both production base and sales market mix.

Production continued to be shifted to the Vietnam and Cambodia sites to match customer requirements. The economic setbacks in the US and Europe also drove the Group to adjust its market mix. Turnover to the US during the period was adjusted to approximately 42.9% (2011: approximately 45.4%), whereas shipments to European countries remained stable at approximately 36.1% (2011: approximately 36.7%). As a result of a newly-added customer for the Vietnam factory, there was a growth in sales to the Southeast Asian market.

The product portfolio was slightly tuned in line with the shift in the production bases, with focus placed on the development of premium casual footwear. During the period, premium casual footwear products were the major product category, contributing approximately 51.4% (2011: approximately 38.3%) of the Group's turnover, with the babies' and children's footwear and rugged products generating approximately 38.9% (2011: approximately 44.3%) and 9.7% (2011: approximately 17.4%) of turnover respectively.

Albeit under pressure, the premium casual footwear category was still the category generating the highest gross profit margin. During the period, the Group was engaged in the development of a new category of premium-quality light-weight footwear items.

The Group has continued to push ahead with the furtherance of production efficiency and cost control, with a view to preserving its overall net profit margin in the challenging manufacturing environment in the People's Republic of China (the "PRC"), exacerbated by surging labor, material and transportation costs. The major changes in the cost items are summarized below.

Material cost increased slightly as a result of the production of more samples in support of the development of new product categories, as well as a minor increase in material prices. The lean manufacturing system has continued to help mitigate the material cost increases, while enhancing production efficiency and shortening production lead-time.

Due to of a lack of experienced workers in Jiangxi Province, the PRC, and Cambodia, additional sub-contracting charges were incurred during the period for the development of new product styles and new production lines while salaries and wages were also on the rise stably.

Selling expenses increased, mainly owing to the expansion of shops for the retailing business. Higher rentals and staff salaries were also incurred in the PRC.

Manufacturing and sale of footwear products

As at 30 September 2012, the Group's robust multi-country production base comprised a total of 38 production lines, of which 11 lines were located in Vietnam, 4 in Cambodia, and 23 in the PRC, including 10 in Zhongshan, 8 in Zhuhai and 5 lines in Jiangxi Province. Currently, these facilities have an aggregate annual capacity of about 25 million pairs of footwear, depending on the mix of style and product category.

Despite uncertainties in the market, the Group succeeded in achieving order growth from existing customers, but the ASP has been under some pressure. The Group maintained its lead as a provider of a diverse range of high-value premium footwear on the back of its research and development edge. The decision to invest in the research and development centers in Vietnam proved to be effective in supporting the Group's market expansion efforts in both the existing euro zone market and new markets in Southeast Asia. Continued upgrading of these research and development centers has also driven considerable order growth.

Considering the lack of experienced local labor and appreciation of the Renminbi ("RMB"), management has decided to temporarily hold up the expansion plan of the Jiangxi factory. However, looking at the strong order book and favorable cost factors, the expansion program in Cambodia has proceeded as planned, increasing the production lines from 3 to 4 as at 30 September 2012. On a year-on-year basis, output increased by approximately 32.4%, accounting for approximately 7.1% (2011: approximately 6.0%) of the Group's total output.

In addition to the enhancement of productivity and efficiency for premium casual products, further vertical development has also been under consideration. Management is considering options to invest in a joint-venture outsole factory in Cambodia in order to further broaden the product portfolio and enhance the Group's capability to provide tailored services for customers. Further diversification of production is under consideration in order to maintain a flexible, market-driven product portfolio.

The Group believes that, with the plan to invest in an outsole factory and facilities expansion in Cambodia, the growth momentum and contribution from the Vietnam and Cambodia factories will be further driven up.

Apart from the potential investment in the outsole factory in Cambodia, the Group will continue to explore other potential strategic partnerships that may create added value and synergistic benefits to our existing business.

During the first half of the year, the Group's major customers included *Clarks, New Balance, Skechers, Stride Rite and Rockport,* which in aggregate contributed approximately 88.3% (2011: approximately 83.9%) of total turnover. The Group continued to engage in new business development efforts targeting both current and new potential customers.

Retailing and wholesaling business

As part of the Group's long-term diversification initiative, the retail and wholesale business unit is principally engaged in the sales of trendy baby shoes under the *Fiona's Prince* brand. Having re-examined the market prospects and competitive position of the line of ladies' footwear, bags and accessories under the *Mocca* brand, the Group has decided to suspend the operations of this business line to enable focused development in the baby category where the Group has an advantage.

During the period, consumer demand in the PRC was comparatively slow. Management maintains a cautiously optimistic outlook on the medium- to long-term potential of the market, but as a matter of prudence, the retailing business unit has fine-tuned its short-term expansion plan.

The focused development of the *Fiona's Prince* brand has driven a segment turnover growth of approximately 63.2% to approximately HK$25 million (2011: approximately HK$15 million). A loss of approximately HK$17 million (2011: approximately HK$10 million) was incurred, mainly due to the increase in shop rentals and sales staff expenses for the newly opened shops in the PRC, high rental expenses in Hong Kong and the impairment of certain slow-moving inventories,

The management continues to refine the locations of the points of sale in both the PRC and Hong Kong. As at 30 September 2012, the unit maintained a total of 4 (2011: 5) shops in Hong Kong and Macau and 38 (2011: 17) points of sale in the PRC. Further shop openings in other cities are under negotiation and over 20 shops are targeted to be established in 2013.

Negotiations with certain franchisees have been ongoing to explore opportunities for co-operation with a view to furthering the unique and superior appeal of the *Fiona's Prince* brand. In response to the interest of the customers and potential business partners, a further diversification of its product portfolio is under consideration. The brand's goal remains to establish a premium image in the major cities in the PRC.

Under a license arrangement with an Italian brand, *Miss Blumarine*, a flagship store was opened in Hong Kong during the period. The management believes that this strategic alliance with a premium European brand will bring synergistic benefits for the Group and may help the unit to enhance its overall market position in the PRC.

Future Plans and Prospects

Our strategic moves for the manufacturing segment will underpin our growth agenda over the next few years. With a strong order book, particularly for our higher-end products, we continue to work with and support our customers to address their challenges under the global economic slowdown. As a quality leader with specialized capabilities in premium footwear, we are well placed to sustain existing business relationships and build new partnerships.

The retail sector will provide a more difficult backdrop for us in the short term, with slower gross domestic product ("GDP") growth and surging costs on the PRC. However, we expect that retail demand for our products will continue to grow, albeit at a slower pace, over the medium- to long-term.

Manufacturing and sale of footwear products

The Group is reshaping its manufacturing and supply chain operations to serve customers globally with the highest responsiveness, reliability and economic competitiveness.

Demand for 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.

Potential challenges for the remainder of the year include further downturns in world trade as a result of the deteriorating economic conditions in Europe and persistently high unemployment rates in the US.

In the coming year, the Group will continue to upgrade its manufacturing capacity and capabilities in Vietnam and Cambodia, where the operating costs are generally lower than in the PRC's more developed coastal provinces. The Group will also continue to re-engineer production processes to achieve higher efficiencies and to seek productivity gains through increasing automation. Strict cost control measures will be implemented to preserve margins and maintain cost competitiveness.

In Cambodia, the Group is in the process of shifting and expanding manufacturing capacity to a newly acquired plot of land with site area of approximately 33,000 square meters. Plans are also under way to set up a new joint-venture outsole assembly facility in Cambodia in order to better serve the customers in this region.

Elsewhere, the Group will closely monitor market demand and carefully manage the pace of capacity growth.

With wage and input cost inflation likely to remain a long-term challenge in the PRC, the ongoing strategy to shift production to Vietnam and Cambodia will enable the Group to better optimize its manufacturing operations, control costs and secure a stable labor supply.

More specifically, this involves a more flexible cross-location production allocation system to enable the Group to constantly upgrade and fine-tune its product mix to cater to the demands of the three major geographic markets.

To further expand our manufacturing operations and lower input costs, the Group is prudently exploring several options, including the acquisition of suitable target companies.

Retailing and wholesaling business

Asia is unavoidably affected by the economic fallout, and growth is expected to be slower than in the previous year. However, the Asian retail markets, in particular the PRC, continue to hold out comparatively robust promises for growth.

Clouded by the uncertain economic outlook worldwide, the PRC's GDP growth has slackened. Domestic consumer demand began to slow down from the beginning of the year, but as economic data indicate brighter ongoing prospects, it is expected that the business environment will improve towards the end of the year.

Despite the slowing retail sector in the PRC in the first half of the fiscal year, we remain cautiously optimistic about the strong medium- to-long-term growth potential of the Chinese footwear market, particularly for mid- to upper-tier products. In order to capture these future opportunities, we will prudently refine our retail network during the second half of the fiscal year. The unit will adopt a business strategy that enables sustainable development.

In view of the current market situation, the Group has exercised extra caution in its business development planning, in which it strives to balance the speed and efficiency of the store expansion strategy.

Accordingly, the Group has decided to maintain a full year target of 5 *Fiona's Prince* stores in Hong Kong and Macau, and to adjust the store-opening target to a total of around 65 retail outlets in the PRC by the end of 2013.

We will continue to pursue growth through store and space expansions, increasing same-store sales, and by broadening our product base in order to enhance *Fiona's Prince's* overall revenue mix. The Group will also prudently capture any opportunities, including through joint ventures, to introduce more brand names to our retail portfolio.

In the long run, the PRC's economy is expected to maintain steady growth supported by the unceasing trend of urbanization and rising disposable income. The Group is confident that potential demand remains huge in the market. Going forward, our retail business will have an increasingly important role to play in the Group's overall development.

Overall

Looking ahead, the economic prospects remain uncertain and the operating environment will continue to be challenging. In the US, economic growth inches along but the trend is still unsteady, with a lingering high level of unemployment, affecting consumer sentiments in this biggest world economy. The austerity measures across Europe are also depressing consumer demand, with renewed concerns that the euro zone will head into another recession.

To cope with intensified market risks, the Group will prudently monitor and analyze market trends, step up risk management, and formulate and put into practice development strategies with a pragmatic and cautious approach, so as to capture the valuable opportunities arising from the steady economic development of the PRC.

Going forward, although the economic climate is still uncertain, we are cautiously optimistic that the Group will deliver growth in the financial year 2012/13. We have proven strengths in our multi-country production base, product development, a strong financial position, market-leading position in casual premium footwear and babies' and children's products, and efficient operations. This should enable us to achieve further revenue growth 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 2012, the Group's cash and cash equivalents were approximately HK$475 million (as at 31 March 2012: approximately HK$475 million).

As at 30 September 2012, the Group had banking facilities amounted to an aggregate sum of approximately HK$119 million (as at 31 March 2012: approximately HK$119 million) with various banks. The banking facilities of approximately HK$1 million (as at 31 March 2012: approximately HK$8 million) had been utilised as at 30 September 2012.

For the six months ended 30 September 2012, the current ratio was approximately 1.97 (as at 31 March 2012: approximately 2.01) based on current assets of approximately HK$927 million and current liabilities of approximately HK$472 million and the quick ratio was approximately 1.60 (as at 31 March 2012: approximately 1.52).

As at 30 September 2012, 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 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$999 million as at 30 September 2012 from approximately HK$980 million as at 31 March 2012. As at 30 September 2012, the Group did not have any interest-bearing bank borrowings (as at 31 March 2012: nil), resulting nil% (as at 31 March 2012: nil%) of the shareholders equity.

INTERIM DIVIDEND

On 29 November 2012, 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 2012 to shareholders registered on the register of members on 31 December 2012, resulting in an appropriation of approximately HK$20,505,000. The interim dividend will be payable on or before 18 January 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 December 2012 to 31 December 2012, 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 21 December 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2012, the Company repurchased 2,598,000 of its ordinary shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$2,995,000 excluding transaction cost and 1,644,000 and 954,000 repurchased ordinary shares were cancelled during the period and subsequent to the end of the reporting period, respectively. 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 2012	108,000	1.20	1.12	126
July 2012	1,436,000	1.20	1.15	1,696
August 2012	210,000	1.18	1.10	239
September 2012	844,000	1.12	1.10	934
Total	2,598,000			2,995

The premium paid on the repurchased and cancelled shares of approximately HK$1,775,000 has been debited to the share premium account during the six months ended 30 September 2012. 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 14,000 as at 30 September 2012 (2011: approximately 15,000). 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 2012, 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 2012 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 2012.

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, 29 November 2012

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. Phillip Brian Kimmel 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*