KINGMAKER

KINGMAKER FOOTWEAR HOLDINGS LIMITED
信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL HIGHLIGHTS

	2013	2012	Change
	HK$'000	*HK$'000*	
Revenue	**1,809,377**	1,654,968	+9.3%
Gross profit	**298,668**	236,772	+26.1%
Gross profit margin	**16.5%**	14.3%	2.2 points
Profit for the year attributable to equity holders of the Company	**93,970**	54,089	+73.7%
Net profit margin	**5.2%**	3.3%	1.9 points
	HK cents	*HK cents*	
Basic earnings per share	**13.76**	8.00	+72.0%
Diluted earnings per share	**13.68**	7.92	+72.7%
	HK cents	*HK cents*	
Interim dividend per share	**3.00**	3.00	N/A
Final dividend per share	**5.00**	1.50	+233.3%
Special dividend per share	**2.00**	2.00	N/A
Total dividends per share for the year	**10.00**	6.50	+53.8%

- Cash and cash equivalents of approximately HK$548 million

* *For identification purposes only*

The board (the "Board") of directors (the "Directors") of Kingmaker Footwear Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
REVENUE	*3*	**1,809,377**	1,654,968
Cost of sales		**(1,510,709)**	(1,418,196)
Gross profit		**298,668**	236,772
Other income and gains, net		**34,241**	14,214
Distribution and selling expenses		**(72,429)**	(61,564)
Administrative expenses		**(149,964)**	(130,974)
Finance costs	*4*	**(6)**	(7)
PROFIT BEFORE TAX	*5*	**110,510**	58,441
Income tax expense	*6*	**(16,540)**	(4,352)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**93,970**	54,089
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(HK cents)*		**13.76**	8.00
Diluted *(HK cents)*		**13.68**	7.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**93,970**	54,089
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Available-for-sale investments revaluation reserve:		
Changes in fair value	**(182)**	438
Asset revaluation reserve:		
Gain on revaluation of buildings	**–**	30,032
Income tax effect	**–**	(7,508)
	–	22,524
Exchange differences on translation of foreign operations	**1,186**	10,953
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**1,004**	33,915
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**94,974**	88,004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**403,752**	411,419
Prepaid land lease payments		**56,890**	58,549
Investment properties		**93,845**	81,071
Deposits paid		**1,862**	3,321
Investments in club memberships		**941**	964
Available-for-sale investments		**2,399**	2,581
Total non-current assets		**559,689**	557,905
CURRENT ASSETS			
Inventories		**183,700**	211,204
Accounts and bills receivable	9	**175,402**	164,292
Prepayments, deposits and other receivables		**15,464**	13,931
Derivative financial instruments		**2,393**	273
Tax recoverable		**227**	244
Cash and cash equivalents		**548,223**	475,391
Total current assets		**925,409**	865,335
CURRENT LIABILITIES			
Accounts and bills payable	10	**152,512**	165,949
Accrued liabilities and other payables		**118,887**	118,114
Tax payable		**157,033**	145,870
Derivative financial instruments		**–**	1,606
Total current liabilities		**428,432**	431,539
NET CURRENT ASSETS		**496,977**	433,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,056,666**	991,701
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**14,844**	11,690
Net assets		**1,041,822**	980,011
EQUITY			
Issued share capital		**68,570**	67,853
Reserves		**973,252**	912,158
Total equity		**1,041,822**	980,011

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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 the revised HKFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

(a) manufacturing and sale of footwear products; and

(b) retailing and wholesaling business.

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

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

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

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2013 and 2012.

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,766,758**	1,621,008	**42,619**	33,960	**1,809,377**	1,654,968
Intersegment sales	**10,710**	8,796	**–**	–	**10,710**	8,796
Total	**1,777,468**	1,629,804	**42,619**	33,960	**1,820,087**	1,663,764
Elimination of intersegment sales					**(10,710)**	(8,796)
Total					**1,809,377**	1,654,968
Segment results	**136,778**	76,965	**(28,387)**	(25,516)	**108,391**	51,449
Unallocated income and gains, net					**7,936**	509
Interest income					**9,315**	10,776
Unallocated expenses					**(15,126)**	(4,286)
Finance costs					**(6)**	(7)
Profit before tax					**110,510**	58,441
Income tax expense					**(16,540)**	(4,352)
Profit for the year attributable to equity holders of the Company					**93,970**	54,089
Assets and liabilities						
Segment assets	**818,001**	837,195	**29,151**	20,974	**847,152**	858,169
Unallocated assets					**637,946**	565,071
Total assets					**1,485,098**	1,423,240
Segment liabilities	**263,728**	286,007	**3,940**	4,024	**267,668**	290,031
Unallocated liabilities					**175,608**	153,198
Total liabilities					**443,276**	443,229

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Depreciation:						
Segment	**37,996**	41,874	**4,516**	2,941	**42,512**	44,815
Unallocated					**3,905**	92
					46,417	44,907
Amortisation of prepaid land lease payments:						
Segment	**1,723**	1,735	**–**	–	**1,723**	1,735
Unallocated					**–**	–
					1,723	1,735
Capital expenditure:						
Segment	**30,562**	30,968	**5,918**	2,931	**36,480**	33,899
Unallocated					**1,192**	77,600
					37,672	111,499

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
The United States of America	**797,256**	715,341
Europe	**625,216**	621,905
Others	**386,905**	317,722
	1,809,377	1,654,968

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**35,341**	39,186
Mainland China	**401,503**	396,253
Cambodia	**60,684**	50,812
Vietnam	**61,412**	70,086
Others	**749**	1,568
	559,689	557,905

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from sales to customers with over 10% of the total revenue of the Group during the years ended 31 March 2013 and 2012 are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**505,075**	336,643
Customer B	**433,772**	414,800
Customer C	**331,068**	216,410
Customer D	**228,933**	246,617
Customer E	**N/A***	173,901
Customer F	**N/A***	168,955
	1,498,848	1,557,326

* Sales to these customers during the year ended 31 March 2013 amounted to less than 10% of the total revenue of the Group other than those disclosed on the above tables.

The above amounts include sales to a group of entities which are known to be under common control with these customers.

4. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**6**	7

5. PROFIT BEFORE TAX

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**960,334**	895,125
Depreciation	**46,417**	44,907
Amortisation of prepaid land lease payments	**1,723**	1,735
Amortisation of a club membership	**23**	4
Fair value losses/(gains) on derivative financial instruments	**(6,875)**	852
Fair value losses/(gains) on revaluation of investment properties	**(12,240)**	441
Bank interest income	**(7,057)**	(8,909)
Interest income from accounts receivable	**(2,258)**	(1,867)
Dividend income	**(36)**	(30)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**979**	1,180
Current – Elsewhere		
Charge for the year	**22,496**	11,288
Overprovision in prior years	**(9,995)**	(8,006)
Deferred	**3,060**	(110)
Total tax charge for the year	**16,540**	4,352

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2012: 16.5%), the Vietnam Corporate Tax rates of 15% to 25% (2012: 10% to 25%), the Cambodia Corporate Tax rate of 20% (2012: 20%), the Taiwan Corporate Tax rate of 17% (2012: 17%), the preferential tax rates in Mainland China of 25% (2012: 24% to 25%) and the respective tax holidays granted to the subsidiaries of the Group in Mainland China, Vietnam and Cambodia.

In general, the Group's subsidiaries in Mainland China, which were subject to the People's Republic of China's corporate income tax at the rate of 33% before 31 December 2007, are subject to the rate of 25% after the effective date of the Corporate Income Tax Law of the People's Republic of China on 1 January 2008, except for certain subsidiaries which are entitled to tax holidays and preferential tax rates.

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

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$93,970,000 (2012: HK$54,089,000), and the weighted average number of ordinary shares of 682,792,504 (2012: 675,809,131) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$93,970,000 (2012: HK$54,089,000) and 686,735,153 (2012: 682,823,126) ordinary shares, being the weighted average number of ordinary shares in issue during the year, adjusted for the effects of the potentially dilutive ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2013	2012
Weighted average number of ordinary shares used in calculating the basic earnings per share	**682,792,504**	675,809,131
Weighted average number of ordinary shares assumed to have been issued at nil consideration on deemed exercise of all dilutive options in issue during the year	**3,942,649**	7,013,995
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**686,735,153**	682,823,126

8. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2012 – HK1.5 cents per ordinary share (2012: final dividend of HK7.0 cents per ordinary share, in respect of the financial year ended 31 March 2011)	**10,264**	47,493
Special in respect of the financial year ended 31 March 2012 – HK2.0 cents per ordinary share (2012: Nil)	**13,686**	–
Interim – HK3.0 cents (2012: HK3.0 cents) per ordinary share	**20,505**	20,300
	44,455	67,793
Proposed final dividend		
HK5.0 cents (2012: HK1.5 cents) per ordinary share	**34,427**	10,217
Proposed special dividend		
HK2.0 cents (2012: HK2.0 cents) per ordinary share	**13,771**	13,623
	48,198	23,840

The proposed final dividend and the proposed special dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividends payable.

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, including certain accounts receivable covered by credit insurance. Overdue balances are regularly reviewed by the Group's senior management.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**175,402**	164,251
Between 91 and 180 days	**–**	41
	175,402	164,292

10. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**146,171**	158,705
Between 91 and 180 days	**2,401**	3,240
Between 181 and 365 days	**1,111**	2,722
Over 365 days	**2,829**	1,282
	152,512	165,949

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

DIVIDENDS AND SHARE REPURCHASES

To reward our shareholders for their long-term support, the Board recommends the payment of a final dividend of HK5.0 cents per share and a special dividend of HK2.0 cents per share. Together with the interim dividend of HK3.0 cents per share, the Group has delivered a total dividend for the year of HK10.0 cents per ordinary share, an increase of approximately 53.8% over the previous financial year.

The proposed final and special dividends are subject to the approval of the shareholders at the Annual General Meeting ("AGM") which is scheduled to be held on Wednesday, 28 August 2013. The payment of final and special dividends will be payable on or about Monday, 23 September 2013.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 4,622,000 of its ordinary shares at prices ranging from HK$1.10 to HK$1.45 per share. We consider such repurchases to be a constructive element in the prudent management of the overall capital structure and in enhancing returns to shareholders over time.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Monday, 26 August 2013 to Wednesday, 28 August 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 August 2013.

(b) Entitlement to the proposed final and special dividends

The record date for entitlement to the proposed final and special dividends is Friday, 6 September 2013. The register of members of the Company will be closed from Wednesday, 4 September 2013 to Friday, 6 September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Tuesday, 3 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The combination of global economic, industry's cyclical and market forces has been putting pressure on many manufacturers based in the People's Republic of China (the "PRC"), threatening to undermine the manufacturing sector's growth and profitability prospects. Overall, PRC-based manufacturers' low-cost advantage has been diminished in the inflationary cost environment, while their pricing power was weakened owing to the soft US and European markets.

The Group is delighted to report that, during the year ended 31 March 2013, it was able to grow turnover by approximately 9.3% year on year to approximately HK$1,809 million (2012: approximately HK$1,655 million). This was achieved with the help of the Group's diversified production base, enabling it to flexibly allocate manufacturing facilities to cater to the varied cost and product sophistication requirements of clients from different markets. The turnover growth in manufacturing was matched by an increase in average selling price ("ASP") of approximately 1.8%, as well as an approximately 7.9% growth in business volume.

Net profit attributable to the equity holders of the Company improved by approximately 73.7% year on year to approximately HK$94 million (2012: approximately HK$54 million) owing to multiple reasons. The gross profit margin for the manufacturing segment improved on efficiency enhancements as the new production lines in Vietnam and Cambodia gradually matured. Computerised and more advanced stitching operation helped the improvement in efficiency of labor in spite of wage rises and additional subcontracting charges. The gross profit margin for the retail operations has also continued to improve, helping to contain the segment's loss. Furthermore, revaluation gain of investment properties in the PRC and the fair value gain on derivative financial instruments, as a result of the continuing appreciation of the Renminbi ("RMB") in the second half of this financial year, also posted positive impacts on the net profit margin.

Throughout the year, adverse factors in the PRC's manufacturing environment, such as surges in basic wages and allowances, continued to exert pressure on the Group's profit margin although these had been mitigated to a certain extent by continuous efficiency enhancement efforts. Labor costs went up by approximately 7.0% as a result of the raising of minimum wages in the PRC and the appreciation of the RMB, mitigated in part by a mild lift of the ASP. Subcontracting charges increased by approximately 57.8% to approximately HK$71 million (2012: HK$45 million), or approximately 3.9% of turnover.

Material cost dropped as a result of further consolidation of production procedures, in addition to efficiency improvements. The maturity of production lines in Cambodia for new customers has also helped to reduce material usage. Gross profit margin improved to 16.5% as a whole.

The organization of facilities into three specialized production hubs enables the Group to effectively serve different manufacturing requirements, while maximizing the utilization and efficiency of each production center. This multi-country production platform is based in the PRC, Vietnam and Cambodia, each contributing approximately 52.8%, 35.1% and 9.8% respectively (2012: approximately 60.9%, 29.5% and 7.6% respectively) of total turnover.

The premium casual footwear category continued to demonstrate strong sales as it leverages off the superior design and tailor-made services, as well as on-time delivery capability, of the Group. Remaining the Group's major revenue generator, the premium casual category accounted for approximately 53.5% (2012: approximately 43.7%) of the Group's turnover. Babies' and children's footwear and rugged shoes contributed approximately 38.6% and 7.9% (2012: approximately 42.4% and 13.9%) of turnover respectively.

The geographical market mix was slightly adjusted on the back of the recovery trend of the US market. Turnover to the US went up slightly to approximately 44.06% of Group turnover, compared to approximately 43.22% of last year's, whereas shipments to European countries dropped moderately to approximately 34.55% (2012: approximately 37.58%) of total turnover. Shipments to other markets, including Asia, increased further to approximately 21.39% (2012: approximately 19.20%). The market mix adjustment was made possible by the Group's flexibility in modifying its product mix.

For the manufacturing unit, total labor and staff costs accounted for approximately 23.5% (2012: approximately 22.3%) of turnover. The Group's lean manufacturing system continued to contribute to efficient production by shortening lead times, while the moderate increase in ASP helped to offset some of the higher costs for materials and labor.

As a result, earnings per share for the year increased by approximately 72.0% year on year to approximately HK13.76 cents (2012: approximately HK8.0 cents). In view of its strong performance and healthy financial position, the Group pledges to continue its dividend policy of sharing results with shareholders.

Accordingly, the Board recommended the payment of a final dividend and special dividend of HK5.0 cents (2012: HK1.5 cents) and HK2.0 cents (2012: HK2.0 cents) respectively, which together with the interim dividend of HK3.0 cents (2012: HK3.0 cents), represents a payout ratio of approximately 72.7% (2012: approximately 81.3%).

Operational Review

During the year, the Group has actively adjusted the allocation of production to different centers, and refined its production procedures to meet with changes in the customer portfolio. Efforts have also been made to diversify the production capabilities of the centers in Vietnam and Cambodia in order to better utilize their potential capacities and to adapt to the changing environment.

The Group has cemented its leadership position in the premium sphere on the back of persistent input in research and development. This competitive position has given the Group an advantage in achieving margin improvements amidst adverse market conditions.

To achieve further cost advantages and diversity in its production base, the Group is speeding up the plan to relocate facilities to centers with lower-cost and more sustainable supply in labor. This includes further expansions in Cambodia and Vietnam. A new site in Central Vietnam is under consideration for this purpose.

The Group held a sound financial position with cash and cash equivalents maintained at a favorable level of approximately HK$548 million (2012: approximately HK$475 million) as at 31 March 2013.

Manufacturing Business

As at the year-end date, the Group's facilities, each located and designed to accommodate different product development and manufacturing requirements, had a total of 37 production lines: 12 in Vietnam, 4 in Cambodia, and 21 in the PRC, comprising 9 in Zhongshan, 7 in Zhuhai and 5 in Jiangxi Province. The Group's annual capacity, of which approximately 89% was utilized (2012: approximately 76%) during the year, was maintained at 25 million pairs.

The Group succeeded in obtaining order growth across its variety of premium products. The broad product range has not only helped existing customers stimulate end-user demand, but also given the Group a strong edge to engage new customers looking to explore markets with good potential.

Since the Vietnam center has gone into full swing in fulfilling sophisticated production requirements, it accounted for approximately 38.94% of total production in terms of pairs of footwear, compared to approximately 31.84% in last year. Production volume in Cambodia also increased to approximately 8% of total compared to approximately 6.25% in last year. The promising growth of the Vietnam and Cambodia centers signifies the success of the geographical diversification strategy, adopted by a forward-looking management with accurate interpretation of the overall complex market environment. The Group will consider focusing its future development in Vietnam and Cambodia to take full advantage of their growth momentum. An expansion plan in Central Vietnam is under consideration.

Facilities in the southern PRC were further optimized to help the Group gain a higher ASP, despite the decline of their contribution to total turnover to approximately 54% (2012: approximately 62%) against a strong growth in the Vietnam and Cambodia facilities. In view of the change in the PRC's manufacturing landscape, the Group will further diversify geographically and may explore potential strategic partnerships that could create synergistic benefits to the core business. A partner of outsole operation in Cambodia was engaged during the year, with a view to enhancing the supply chain management and speeding up the future development in Cambodia, and further contribution can be expected from this center.

Major customers during the year included *Skechers, Clarks, New Balance, Stride Rite* and *Rockport* which in aggregate contributed approximately 90.56% (2012: approximately 83.9%) of the Group's total turnover.

Retailing Business

As a part of the Group's long-term diversification strategy, it has developed a retail business under the house brand of *Fiona's Prince*, a trendy line of infant and baby shoes. The retail business was able to achieve revenue growth with the operation of more shops in the PRC.

Although the business unit was still making a loss of approximately HK$28.4 million (2012: approximately HK$25.5 million) as a result of the high rental expenses in Hong Kong and a mild slowdown in the current retail market in the PRC, the operation achieved an approximately 25.5% growth in turnover and an improved gross profit margin. The Group is also encouraged to see an uptrend in same-store sales for major shops in Hong Kong and the PRC.

The unit introduced prestigious international partners to further develop its retail network and business. Business under new partnerships started during the year and a stronger-than-expected alliance effect was witnessed. Shops for *Miss Blumarine, Ice* and *Marni* were opened in the PRC during the year to feature a more comprehensive series of products for infants and children. Management is considering plans to adjust the shop locations of these brands under alliance to enhance the network and overall image of the brands. The unit aims to reach wider market segments in the PRC.

Currently the unit operates a total of 4 shops in Hong Kong and 51 shops in the PRC under *Fiona's Prince* and other brands under alliance. Further shop openings in other cities are under negotiation with a target total of 61 shops in the network by the end of 2013.

The unit is actively studying plans to optimize the locations of shops to derive better returns. Overall, the Group is confident that the retail unit will develop into one of its major income and returns contributors in future. However, the Group will remain cautious in line with its longstanding policy of prudent financial management, and will continue to be averse to excessive levels of risk as it moves ahead with its business plans.

Business Strategies

Guided by our set of business strategies, there were a number of key developments in our business during the year as we responded to market challenges and opportunities. We believe such developments will have a positive impact on the Group's longer-term growth prospects.

Increasingly diverse client base

Serving a client base comprising numerous world-leading footwear brands, we have leveraged on our reputation for good quality to capture the outsourcing trend of the international footwear industry. With persistent marketing input, the Group has been successful in securing more high-end and niche brands, as reflected in the moderate increase in the ASP.

The gradual diversification of our client base helps reduce the reliance on any single customer.

Continued capacity expansion and reorganization of facilities into specialized hubs

The Group continues to, in a long-term effort, strengthen its multi-country production base across the PRC, Vietnam and Cambodia. The PRC facilities are located in Zhuhai and Zhongshan in Guangdong Province, and further inland in Jiangxi Province.

The Directors envisage the continued reorganization of facilities into three distinctive specialized hubs to cater different requirements of its manufacturing business. First, our existing Zhuhai and Zhongshan factories will remain as the Group's headquarters, research and development center and high-end manufacturing base. Meanwhile, the Jiangxi factory is for the production of baby and infant footwear, while the facilities in Southeast Asia are for European shipments and mass market products.

With reorganization and selective capacity expansion taking place at the same time, the Group is able to optimize its facilities utilization, mitigate cost hikes and secure a stable labor supply.

In order to proactively counteract increasing wage costs, shortage of labor and other unfavorable factors, the Group continues to shift more of its labor-intensive processes in the PRC to the Jiangxi factory. The Group is also prudently exploring several options, including expanding production to Quang Ngai, Central Vietnam, or investing in suitable acquisition targets.

Develop multi-brand retail sales on quality premise and niche positioning

The retail unit has positioned its business in the niche market segment of babies' and children's footwear. It offers footwear of quality comparable to those of high-end international players but at much more affordable prices for the general public.

To expand its reach to target customer segments, the unit maintains a multi-brand strategy by the dual operation of its house brand and alliance footwear labels. The selection of alliance partners is based on their brands' ability to enhance the unit's overall profile and to help it tap niche segments.

Future Plans and Prospects

The macroeconomic environment will remain challenging in the financial year 2013/14. Economic recovery in the United States is expected to continue, but it is likely to remain slow. In Europe, the picture is mixed and uncertain.

Despite these challenges, we are optimistic of achieving revenue growth in the coming year. Material costs are forecast to be steady, while labor costs and manufacturing overheads are expected to rise further. With efficiency gains through increased automation, product optimization and process improvement, the gross profit margin is expected to remain stable.

Amidst the prevailing uncertainties and financial instability in the global economic environment, the Group remains cautious in its outlook for the retail markets in Hong Kong and the PRC. The Group anticipates that a relatively stable growth in these two markets will be sustained, in particular, on the back of higher living standards in the PRC and government policies to stabilize the country's gross domestic product growth.

The Group will adopt a prudent approach to the execution of our long-term strategy by tightly managing all the critical factors that may have an impact on our business success. Our strategy will lead the way to continuous investment in innovative technology to target chosen markets, improvement of product quality, market-driven adjustments of our manufacturing operations, and the maintenance of a strong financial position.

Manufacturing operations

The core of the Group's manufacturing strategy is to build a capability of providing flexible and cost-competitive services. In doing so, we aim to support our customers by staying close to where they are operating and being able to ensure fast, reliable supply and highly responsive service.

To execute this strategy, the Group is progressively strengthening its multi-country production base to serve the varied requirements of clients in the United States, Europe and other countries.

In Vietnam, we built our factory near Ho Chi Minh City. After more than 10 years of effort and input, the center is now equipped with 12 production lines. We anticipate further growth of the Vietnam center with the addition of 2-3 production lines in the coming year.

Furthermore, we are actively exploring the feasibility of establishing additional production capacity in Central Vietnam to support new business growth. To this end, we are exploring the feasibility of purchasing a plot of land and building additional facilities in an economic zone located in Quang Ngai, Central Vietnam.

In Cambodia, the Group is in the process of shifting and expanding manufacturing capacity to an acquired plot of land with a 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 the Southeast Asia region.

The Board will update the shareholders on the progress of these plans when appropriate.

In addition, we will continue to re-engineer the production process to achieve greater efficiencies and to seek productivity gains through increasing automation.

Retail sales

We remain cautiously optimistic about the medium-to-long term growth potential for mid-to-upper babies' and children's footwear products in the PRC. In particular, we believe that there is room for growth in niche segments of the market which are emerging alongside the continued sophistication of Chinese consumers.

Looking ahead, the Group will strive to capitalize on the opportunities and trends in the babies' and children's market through a number of strategies:

- To maintain the multi-brand strategy to tap niche market segments;
- To implement innovative marketing programs to build a strong retail image;
- To refine and optimize the retail network while prudently expanding in the PRC;
- To strengthen inventory management;
- To expand channels of sales.

The launch of more brands this year is the first part of our strategy to engage niche markets. Leveraging on our past experience working with alliance labels, we will prudently consider introducing additional brands in order to diversify our retail offerings and to increase same-store sales.

Another focus in the coming year will be the refining and optimization of our existing store network, in order to boost our overall competitiveness and retail revenue. The unit is in the process of closing down the low-yielding stores, while at the same time identifying new store locations upon rigorous market study and evaluation to relocate under-performing retail points to more cost-effective or prime locations.

Maintaining an optimistic outlook for the prospects of the PRC market, the unit will continue to seek prudent expansion of its retail presence in the second and third tier cities. The unit will also seek to broaden the channels of sales to online purchase, television home shopping and franchised retail points, which are effective means to tap into the northern PRC provinces.

In the years ahead, we will leverage on our retail network in Hong Kong and the PRC as a platform to stage further expansion initiatives.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally and 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 31 March 2013, the Group's cash and cash equivalents were approximately HK$548 million (2012: approximately HK$475 million).

The Group is substantially debt-free. As at 31 March 2013, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (2012: approximately HK$119 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (2012: approximately HK$119 million) in Hong Kong being granted to the Group, approximately HK$11 million (2012: approximately HK$8 million) had been utilized as at 31 March 2013.

For the year ended 31 March 2013, the current ratio was approximately 2.16 (2012: approximately 2.01) based on current assets of approximately HK$925 million and current liabilities of approximately HK$428 million and the quick ratio was approximately 1.73 (2012: approximately 1.52).

As at 31 March 2013, the Group did not have any interest-bearing bank borrowings.

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Cambodia and China 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 and the US dollars ("USD"). It is the Group's policy to adopt a conservative approach on foreign exchange exposure management.

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

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimize the Group's financial risks. As a measure of additional prudence, the Group cautiously uses derivative 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 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 increased to approximately HK$1,042 million as at 31 March 2013 (2012: approximately HK$980 million). As at 31 March 2013, the Group did not have any interest-bearing bank borrowings (2012: nil), resulting nil% (2012: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 4,622,000 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$5,756,000 excluding transaction cost. The repurchase of the Company's shares during the year 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 year under review are as follows:

Month/Year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate 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
January 2013	140,000	1.33	1.18	173
February 2013	38,000	1.30	1.30	50
March 2013	1,846,000	1.45	1.30	2,538
Total	4,622,000			5,756

The premium paid on the repurchase of the shares of approximately HK$5,294,000 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 year.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, the PRC, Vietnam and Cambodia, employed approximately 14,000 employees as at 31 March 2013. 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 for the year ended 31 March 2013 in compliance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviation from provision A.2.1 as explained below.

Under the code provision A.2.1, 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 implementing business plans. The Board considers that this structure will not impair the balance of power and authority of the Board. 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.

As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

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 year. The Group's consolidated results for the year ended 31 March 2013 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the said code of conduct for the year ended 31 March 2013.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2013 is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at http://www. irasia.com/listco/hk/kingmaker/annual/index.htm. An annual report for the year ended 31 March 2013 containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Chen Ming Hsiung, Mickey
Chairman

Hong Kong, 27 June 2013

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