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 2014

FINANCIAL HIGHLIGHTS

	2014	2013	Change
	HK$'000	*HK$'000*	
Revenue	**1,922,803**	1,809,377	+6.3%
Gross profit	**290,399**	298,668	-2.8%
Gross profit margin	**15.1%**	16.5%	-1.4 points
Profit for the year attributable to equity holders of the Company	**67,592**	93,970	-28.1%
Net profit margin	**3.5%**	5.2%	-1.7 points
	HK cents	*HK cents*	
Basic earnings per share	**9.80**	13.76	-28.8%
Diluted earnings per share	**9.71**	13.68	-29.0%
	HK cents	*HK cents*	
Interim dividend per share	**3.30**	3.00	
Final dividend per share	**2.20**	5.00	
Special dividend per share	**1.00**	2.00	
Total dividends per share for the year	**6.50**	10.00	-35.0%

- Cash and cash equivalents of approximately HK$424 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 2014, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	3	**1,922,803**	1,809,377
Cost of sales		**(1,632,404)**	(1,510,709)
Gross profit		**290,399**	298,668
Other income and gains, net		**29,576**	34,241
Distribution and selling expenses		**(88,453)**	(72,429)
Administrative expenses		**(150,402)**	(149,964)
Finance costs	4	**(13)**	(6)
PROFIT BEFORE TAX	5	**81,107**	110,510
Income tax expense	6	**(13,515)**	(16,540)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**67,592**	93,970
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic *(HK cents)*		**9.80**	13.76
Diluted *(HK cents)*		**9.71**	13.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**67,592**	93,970
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment revaluation reserve:		
Changes in fair value	**(909)**	(182)
Exchange differences on translation of foreign operations	**4,985**	1,186
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**4,076**	1,004
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**4,076**	1,004
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**71,668**	94,974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**453,019**	403,752
Prepaid land lease payments		**55,321**	56,890
Investment properties		**110,694**	93,845
Deposits		**21,625**	1,862
Investments in club memberships		**925**	941
Available-for-sale investments		**1,490**	2,399
Total non-current assets		**643,074**	559,689
CURRENT ASSETS			
Inventories		**249,212**	183,700
Accounts and bills receivable	*9*	**245,573**	175,402
Prepayments, deposits and other receivables		**15,051**	15,464
Derivative financial instruments		**1,072**	2,393
Tax recoverable		**801**	227
Restricted bank balance		**2,044**	–
Cash and cash equivalents		**423,871**	548,223
Total current assets		**937,624**	925,409
CURRENT LIABILITIES			
Accounts and bills payable	*10*	**191,940**	152,512
Accrued liabilities and other payables		**156,538**	118,887
Tax payable		**163,857**	157,033
Due to non-controlling interest		**4,855**	–
Derivative financial instruments		**2,215**	–
Total current liabilities		**519,405**	428,432
NET CURRENT ASSETS		**418,219**	496,977
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,061,293**	1,056,666
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**18,942**	14,844
Net assets		**1,042,351**	1,041,822
EQUITY			
Issued share capital		**68,719**	68,570
Reserves		**973,632**	973,252
Total equity		**1,042,351**	1,041,822

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 POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13 and amendments to HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in 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 2014 and 2013.

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,868,663**	1,766,758	**54,140**	42,619	**1,922,803**	1,809,377
Intersegment sales	**8,096**	10,710	**–**	–	**8,096**	10,710
Total	**1,876,759**	1,777,468	**54,140**	42,619	**1,930,899**	1,820,087
Elimination of intersegment sales					**(8,096)**	(10,710)
Total					**1,922,803**	1,809,377
Segment results	**115,257**	136,778	**(28,258)**	(28,387)	**86,999**	108,391
Unallocated income and gains, net					**2,114**	7,936
Interest income					**8,755**	9,315
Unallocated expenses					**(16,748)**	(15,126)
Finance costs					**(13)**	(6)
Profit before tax					**81,107**	110,510
Income tax expense					**(13,515)**	(16,540)
Profit for the year attributable to equity holders of the Company					**67,592**	93,970
Assets and liabilities						
Segment assets	**1,034,554**	818,001	**35,051**	29,151	**1,069,605**	847,152
Unallocated assets					**511,093**	637,946
Total assets					**1,580,698**	1,485,098
Segment liabilities	**345,429**	263,728	**4,817**	3,940	**350,246**	267,668
Unallocated liabilities					**188,101**	175,608
Total liabilities					**538,347**	443,276

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Depreciation:						
Segment	**40,916**	37,996	**3,968**	4,516	**44,884**	42,512
Unallocated					**4,282**	3,905
					49,166	46,417
Amortisation of prepaid land lease payments:						
Segment	**1,741**	1,723	**–**	–	**1,741**	1,723
Unallocated					**–**	–
					1,741	1,723
Capital expenditure:						
Segment	**91,905**	30,562	**2,482**	5,918	**94,387**	36,480
Unallocated					**160**	1,192
					94,547	37,672

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
The United States of America	**806,888**	797,256
Europe	**622,639**	625,216
Others	**493,276**	386,905
	1,922,803	1,809,377

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**33,005**	32,942
Mainland China	**396,706**	401,503
Cambodia	**90,951**	60,684
Vietnam	**119,171**	60,471
Others	**826**	749
	640,659	556,349

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

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 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**428,282**	505,075
Customer B	**365,399**	433,772
Customer C	**397,139**	331,068
Customer D	**254,924**	228,933
	1,445,744	1,498,848

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	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**13**	6

5. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**1,026,477**	960,334
Depreciation	**49,166**	46,417
Amortisation of prepaid land lease payments	**1,741**	1,723
Amortisation of a club membership	**16**	23
Fair value gains on derivative financial instruments	**(767)**	(6,875)
Fair value gains on revaluation of investment properties	**(15,298)**	(12,240)
Bank interest income	**(6,770)**	(7,057)
Interest income from accounts receivable	**(1,985)**	(2,258)
Dividend income	**(34)**	(36)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**614**	979
Current – Elsewhere		
Charge for the year	**16,734**	22,496
Overprovision in prior years	**(7,696)**	(9,995)
Deferred	**3,863**	3,060
Total tax charge for the year	**13,515**	16,540

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2013: 16.5%), the Vietnam Corporate Tax rates of 15% to 25% (2013: 15% to 25%), the Cambodia Corporate Tax rate of 20% (2013: 20%), the Taiwan Corporate Tax rate of 17% (2013: 17%), the Corporate Income Tax rate in Mainland China of 25% (2013: 25%) and the respective tax holidays granted to the subsidiaries of the Group in 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.

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$67,592,000 (2013: HK$93,970,000), and the weighted average number of ordinary shares of 689,525,223 (2013: 682,792,504) 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$67,592,000 (2013: HK$93,970,000) and 695,931,719 (2013: 686,735,153) 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:

	2014	2013
Weighted average number of ordinary shares used in calculating the basic earnings per share	**689,525,223**	682,792,504
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	**6,406,496**	3,942,649
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**695,931,719**	686,735,153

8. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2013 – HK5.0 cents per ordinary share (2013: final dividend of HK1.5 cents per ordinary share, in respect of the financial year ended 31 March 2012)	**34,505**	10,264
Special in respect of the financial year ended 31 March 2013 – HK2.0 cents per ordinary share (2013: special dividend of HK2.0 cents per ordinary share, in respect of the financial year ended 31 March 2012)	**13,802**	13,686
Interim – HK3.3 cents (2013: HK3.0 cents) per ordinary share	**22,810**	20,505
	71,117	44,455
Proposed final dividend		
HK2.2 cents (2013: HK5.0 cents) per ordinary share	**15,210**	34,427
Proposed special dividend		
HK1.0 cent (2013: HK2.0 cents) per ordinary share	**6,914**	13,771
	22,124	48,198

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	
	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**243,738**	175,402
Between 91 and 180 days	**1,731**	–
Between 181 and 365 days	**104**	–
	245,573	175,402

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	
	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**173,561**	146,171
Between 91 and 180 days	**16,490**	2,401
Between 181 and 365 days	**1,037**	1,111
Over 365 days	**852**	2,829
	191,940	152,512

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 HK2.2 cents per share and a special dividend of HK1.0 cent per share. Together with the interim dividend of HK3.3 cents per share, the Group has delivered a total dividend for the year of HK6.5 cents per ordinary share, a decrease of approximately 35.0% 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 Thursday, 28 August 2014. The payment of final and special dividends will be payable on or about Friday, 26 September 2014.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 12,424,000 of its ordinary shares at prices ranging from HK$1.34 to HK$1.75 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 Tuesday, 26 August 2014 to Thursday, 28 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 25 August 2014.

(b) Entitlement to the proposed final and special dividends

The record date for entitlement to the proposed final and special dividends is Friday, 5 September 2014. The register of members of the Company will be closed from Wednesday, 3 September 2014 to Friday, 5 September 2014, 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, 2 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the year ended 31 March 2014, the People's Republic of China (the "PRC") faced new challenges of slower economic growth and continued pressure from rises in wages and other input costs. Manufacturing growth in the country has also showed a slowdown, as its manufacturing competitiveness is dampened and losing out to other lower-cost locations.

Against this background, the Group is pleased to report continuing achievement of record turnover with the help of its diversified production bases. During the year, turnover increased approximately 6.3% year on year to HK$1,923 million (2013: approximately HK$1,809 million). This turnover growth represented an approximately 2.5% rise in the average selling price ("ASP") and an approximately 2.4% increase in business volume.

The PRC, despite being a manufacturing powerhouse, has been facing new challenges such as the constant rise of input costs and the appreciation of its currency, sparking concerns about the country's competitiveness as a low-cost production base. Taking a proactive measure, the management has made timely moves more than a decade ago to diversify its production base and set up two hubs in Vietnam and Cambodia. This has resulted in a balanced production base for the Group.

Further maturing of the production lines in Vietnam and Cambodia has resulted in a relatively stable material usage in these two centers. Product re-engineering efforts and easing commodity price trends have also helped to stabilize the overall material costs. However, the continuing rise in salaries in both the PRC and Vietnam, including benefits and allowances, has eroded the gross profit margin. Transitional re-arrangement of orders between different locations also caused additional one-off transportation charges for the year. On the other hand, active efforts by the retail operation to act upon a soft market in the PRC have helped stabilize the loss incurred by the unit.

After taking into account the above cost factors, the revaluation gain of investment properties in the PRC and the fair value gain on derivative financial instruments, net profit attributable to the equity holders of the Company declined approximately 28.1% year on year to approximately HK$68 million (2013: approximately HK$94 million).

Earnings per share for the year decreased by approximately 28.8% year on year to approximately HK9.80 cents (2013: approximately HK13.76 cents). In view of its healthy financial position, the Group pledges to continue its dividend policy of sharing results with shareholders.

Accordingly, the board of directors of the Company (the "Board") recommended the payment of a final dividend and special dividend of HK2.2 cents (2013: HK5.0 cents) and HK1.0 cent (2013: HK2.0 cents) respectively, which together with the interim dividend of HK3.3 cents (2013: HK3.0 cents), represents a payout ratio of approximately 66.3% (2013: approximately 72.7%).

To sum up the respective changes in different cost factors, salaries and wages went up during the year as minimum wages in the PRC and salaries in Vietnam and Cambodia increased. The Group was able to limit the impact by migrating part of this increment to customers, as witnessed in the mild increase in the ASP. Continued efforts to enhance productivity have also helped mitigate part of the labor cost increase. Total labor and salaries for the manufacturing unit, including allowances and other benefits, accounted for 22.53% to the total manufacturing turnover compared to 22.13% the previous year. Although there was an inherent learning curve as our workers were properly trained to address the initial lower productivity and efficiency during the Group's fast track expansion in both Vietnam and Cambodia factories, being in a labor-intensive industry which is highly sensitive to changes in labor costs, the Group's gross profit margin during the year was negatively impacted.

Subcontracting charges were maintained at approximately HK$74 million (2013: approximately HK$71 million), or approximately 3.9% of turnover, as production lines in the new factories began to operate smoothly. Transportation expenses were up significantly by approximately 12.6% as a result of the relocation of orders between different factories as well as the need to speed up production for certain orders from new customers in Vietnam and Cambodia.

The Group's facilities located in three specialized production hubs in the PRC, Vietnam and Cambodia provide a diversified platform to effectively serve different manufacturing requirements. Geographical diversification also helped to further maximize the overall production efficiency as evidenced by the continuing increasing output from Southeast Asian facilities. During the year, the PRC, Vietnam and Cambodia contributed approximately 41.0%, 42.2% and 13.6% respectively (2013: approximately 52.8%, 35.1% and 9.8% respectively) of total turnover.

More up-and-coming footwear brands have been attracted by the Group's state-of-the-art production facilities, supplemented by superior design, customized product development and production services, and committed on-time delivery of quality products. With the Group's dedicated efforts in developing its athletic/sports and casual footwear categories, it has been able to capitalize on the two fastest growth trends in today's global footwear market.

On the back of this competitive edge, premium casual footwear, including 'ath-leisure' products, continued to be the Group's main category of output, accounting for approximately 51.6% of turnover (2013: approximately 53.5%). Babies' and children's footwear and rugged shoes contributed approximately 40.7% and 7.7% (2013: approximately 38.6% and 7.9%) of turnover respectively. The Group's lead in the premium footwear category has enabled its customers to develop products that meet ever-changing consumer preferences in a competitive market.

The Group's flexibility in shifting the product mix to cater market changes is well supported by its diversified production base and multi-product skill sets. During the year, the recovery trend was slightly stronger in the United States (the "US") than the Eurozone, but both markets were eclipsed by the strong growth in Asia. The reporting year's geographical combination has therefore shifted towards the Asian market owing to strong growth in China, South Korea, Australia and Russia, helping lift the region's turnover contribution to approximately 25.66% (2013: approximately 21.39%). Turnover contribution of both the US and European markets dropped slightly to approximately 41.96% (2013: approximately 44.06%) and 32.38% (2013: approximately 34.55%) of Group turnover.

Operational Review

During the year, the Group has proactively adjusted its allocation of production activities and customer portfolio to seek further business diversification. Such shifts also allowed better utilization of potential production capacities in Vietnam and Cambodia in response to strong growth in customer demand for output from these two facilities. The Group's quick response and flexibility in adjusting production to meet market changes clearly demonstrate its strength and industry leadership.

Having received a warm customer response, the Group has taken forward plans to further its development in Southeast Asia. Following the lease of a parcel of land in central Vietnam, the first phase of this new factory is planned to become operational in 2015. The Group believes that this new central Vietnam plant will help capture further growth in orders.

Dedicated research and development centers also helped build close interaction with customers and placed the Group closer to their product development requirements. The Group is hence able to accommodate the needs of customers for further penetration of different markets, driving new momentum for growth.

The Group held a sound financial position with cash and cash equivalents maintained at a favorable level of approximately HK$424 million (2013: approximately HK$548 million) as at 31 March 2014.

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 46 production lines: 20 in Vietnam, 7 in Cambodia, and 19 in the PRC, comprising 9 in Zhongshan, 6 in Zhuhai and 4 in Jiangxi Province. These facilities, aggregating to an annual capacity of 25 million pairs, were approximately 80% utilized (2013: approximately 89%) as new facilities were added in both Vietnam and Cambodia during the year.

During the year, the Group achieved order growth on the back of business from new customers for a variety of products to drive the development of potential new markets. These premium products have met with encouraging results in spite of uncertain market conditions in the US and European markets.

With increasing demand for production from the Vietnam factory, this center accounted for approximately 47% (2013: approximately 39%) of total production in terms of pairs, representing a 25.9% growth year on year. Production volume in Cambodia also increased to approximately 11% of total output, compared to approximately 8% last year. With the continuing positive response from customers, the Group is considering placing more emphasis on the development of production activities in Vietnam and Cambodia, with planned expansion in central Vietnam where approximately 4-8 production lines are expected to be established in the first phase.

On the other hand, confronted with a generally adverse operating environment in southern PRC, the contribution of factories located in this production hub continued its decline to approximately 41% (2013: approximately 54%) of the Group's turnover (in pairs).

The strong growth in the Vietnam and Cambodia facilities was partly driven by changing customer order placement preference and the expected benefit to be derived from the free-trade arrangements under the Trans-Pacific Partnership. In view of this trend, the Group will accelerate the pace of further diversification. However, the Group will maintain most of its production of premium products in the PRC in order to maintain overall product mix flexibility and risk management. The Group is optimistic in exploring further potential strategic partnerships in Vietnam that could add value to and bring synergistic benefits to its core business. An outsole factory has been established in Cambodia on customer request and is expected to commerce its full operation soon.

Major customers during the year included *Skechers, Clarks, New Balance, Stride Rite* and *Asics Tiger* which in aggregate contributed approximately 82.88% (2013: approximately 90.56%) 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. During the year, the retail business was able to achieve an approximately 27.0% turnover growth while maintaining those shops in Hong Kong and the PRC with improved same-store sales.

However, like other retailers, the unit was faced with a slackened retail environment in the PRC and its gross profit margin dropped to approximately 66.08% from approximately 70.65% in the previous year. To address the market challenges, the unit has further tightened cost control and is in the process of upgrading and fine-tuning its retail network in the PRC. Currently the *Fiona's Prince* network comprises 3 shops in Hong Kong and 37 shops in the PRC.

The introduction of prestigious international brands to the unit's network under partnership arrangements has helped expand the range of products carried in the retail points. Furthermore, it has helped enhance the network's overall image and thereby its move to better locations in the PRC. Online sales commenced during the year add further support to the unit's brand building efforts, and will help the unit test market reactions to its products.

The business incurred a loss of approximately HK$28.3 million (2013: approximately HK$28.4 million) as a result of the high rental expenses in Hong Kong and a slowed retail market in the PRC. Management will continue to exercise prudence in the further development of this business unit, but is confident of its potential to achieve long-term returns for the Group.

Our Strategies

The Group's business composition continued to evolve to address changes in market trends and the operating environment. Our manufacturing and retailing operations are well guided by a set of business strategies aimed at achieving sustainable growth.

Manufacturing business: Rising to challenges and optimizing production capability

With the overall operating environment continuing to be difficult, we have risen to the challenges and achieved good progress in the development of our core business in accordance with the established strategies and targets.

To deal specifically with the inexorable rise in labor and other operating costs during the year, we have carried out a timely assessment of our production facilities and subsequently devised a more rational allocation of production activities to different plant premises. Accordingly, we have consolidated or expanded plant premises as appropriate in order to meet the needs of overall business development.

The PRC plants (mainly those in Zhongshan and Zhuhai) were consolidated during this exercise, while facilities in southern Vietnam was expanded to support business development. The reallocation of production to different plants will accommodate better planning of order fulfillment for stronger future growth.

At the same time, we have carried out an in-depth program to optimize and streamline our plant equipment and production processes, as well as management and operating structure.

Although the optimization exercise will cause an increase in the Group's short-term non-operating expenses, these timely and necessary measures will radically raise our competitiveness and lay a foundation for our healthy development in future.

Retailing business: Addressing a difficult operating environment

Tenuous economies worldwide, dipping consumer sentiment in the PRC, and overcapacity across various sectors have intensified market competition. However, the retailing business reported an approximately 27.0% growth in sales on a downsized network. The segment was also able to narrow its net loss attributable to owners of the Company by 0.5% to approximately HK$28.3 million.

A number of under-performing stores were closed down during the year, while new stores with better prospects were opened with a view to increasing overall network efficiency. As at 31 March 2014, the core *Fiona's Prince* brand had 46 shops, representing a reduction of 5 shops from the previous year.

Fiona's Prince has been repositioned as a 'mid-tier luxury' brand targeting fashionable urban elites, featuring luxury-class quality and image with more affordable price points. A young line, *Fiona's Prince Junior*, was created during the year to target fashionable children/teens.

We have also successfully upgraded our retail operation to that of a brand operator. In addition to its house brands, the segment is now managing certain famous international brands such as *Ms. Blumarine* to help enhance customer loyalty for its stores.

Outlook

The operating environment in the year ending 31 March 2015 will be a continuation of the reporting year. Despite a tough environment, the Group will sustain its mission to focus on its business and excel in the industry.

Under this mission, we will continue to consolidate our operations in the retail segment, while at the same time continuing to raise the competitiveness of our manufacturing business. As such, we will suitably increase investments in the manufacturing business.

To secure our long-term competitiveness, we will strive persistently to raise profitability, make good use of internal funds, and carry out long-term personnel planning.

Manufacturing Business

The manufacturing business is expected to grow further in the 2015 financial year as business with existing customers continues to increase and new customers add stimulus to growth.

The segment's gross profit margin is expected to remain stable, as material prices are expected to hold broadly steady. Despite continuing rises in labor costs and manufacturing overheads in the PRC, we will strive to offset the higher costs in the PRC by achieving efficiency gains through automation, process improvements and product optimization.

In view of the recent anti-China protests and riots in Vietnam and in order to protect the workers, the Group's factory located at Binh Duong, Vietnam was temporarily suspended from operation from 13 May 2014. As there was an easing of tension of the protests and riots, the factory resumed operation on 20 May 2014. The Board will continue to monitor the political situation in Vietnam and make interim arrangements if deemed necessary.

We continue to hold a positive view of our investments in Vietnam, as the country remains a strong supply base that complements our facilities in the PRC and Cambodia. The expansion program in central Vietnam will therefore proceed as planned. Phase 1 of the new factory premises in central Vietnam will enter operation in mid-2015 to cope with expected demand growth, while commencement of phase 2 development may be deferred to mid-2015.

We will, at the same time, explore acquisition opportunities to expand production facilities in the neighborhood of our existing southern Vietnam plant. These business pursuits include a new joint venture to be set up in southern Vietnam for the manufacturing of footwear outsoles.

Retailing Business

Restructuring of the retail segment will continue to streamline its operation.

The year ahead will see our focus placed on network optimization and improvement of the efficiency and profitability of individual stores. The segment will also continue to strengthen product and inventory management, aiming to increase its gross profit through market-driven product sales, healthier inventory mix, and shortened inventory turnover days.

The segment will commit vigorous efforts to the development of online sales for *Fiona's Prince Junior*, and aims to achieve parallel development of physical stores and e-commerce.

More in-depth brand building work will also be undertaken to enhance the value-adding qualities of the segment's three leading brands to differentiate them from the competition. Focus will be placed on shaping the brands into customers' first choices for premium footwear so as to lift their market influence and customer loyalty.

The Board will closely monitor and assess the results of the retail segment's brand repositioning, product line extension, network enhancement and operational restructuring work, so as to determine the next move for this business within the coming year.

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 2014, the Group's cash and cash equivalents were approximately HK$424 million (2013: approximately HK$548 million).

The Group is substantially debt-free. As at 31 March 2014, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (2013: approximately HK$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (2013: approximately HK$99 million) in Hong Kong being granted to the Group, approximately HK$5 million (2013: approximately HK$11 million) had been utilized as at 31 March 2014.

For the year ended 31 March 2014, the current ratio was approximately 1.81 (2013: approximately 2.16) based on current assets of approximately HK$938 million and current liabilities of approximately HK$519 million and the quick ratio was approximately 1.33 (2013: approximately 1.73).

As at 31 March 2014, the Group did not have any interest-bearing bank borrowings.

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Vietnam and Cambodia in the next two to three years, the Directors are of the opinion that the Group has adequate liquidity to meet its current and future working capital requirements on its operations and expansion.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the RMB 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 2014 (2013: approximately HK$1,042 million). As at 31 March 2014, the Group did not have any interest-bearing bank borrowings (2013: nil), resulting nil% (2013: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 12,424,000 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$20,089,000 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*
April 2013	1,160,000	1.42	1.34	1,607
July 2013	10,000	1.47	1.47	14
August 2013	1,000,000	1.57	1.49	1,527
September 2013	2,094,000	1.65	1.59	3,403
December 2013	112,000	1.55	1.54	173
February 2014	3,756,000	1.70	1.46	5,983
March 2014	4,292,000	1.75	1.67	7,382
Total	12,424,000			20,089

The premium paid on the repurchase of the shares of approximately HK$18,847,000 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 18,000 employees as at 31 March 2014. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options and awarded shares may also be granted in accordance to the terms of the Group's approved share option scheme and share award scheme, respectively.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or, was not for the year ended 31 March 2014 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 reviewed with the management on the accounting principles and practices adopted by the Group, the Group's auditing, internal control and financial reporting matters and the consolidated results for the year ended 31 March 2014, and 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.

The Committee has also met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

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 2014.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2014 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 2014 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, 30 June 2014

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. KIMMEL Phillip Brian 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.