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 2011

FINANCIAL HIGHLIGHTS

	2011	2010	Change
	HK$'000	*HK$'000*	
Revenue	**1,503,868**	1,289,684	+16.6%
Gross profit	**303,538**	284,355	+6.7%
Gross profit margin	**20.2%**	22.0%	-1.8 points
Profit for the year attributable to equity holders of the Company	**122,304**	105,021	+16.5%
Net profit margin	**8.1%**	8.1%	–
	HK cents	*HK cents*	
Basic earnings per share	**18.59**	16.43	+13.1%
Total dividends per ordinary share	**10.0**	8.6	+16.3%

- Proposed final dividend of HK7.0 cents per ordinary share
- Cash and cash equivalents of approximately HK$530 million

The board (the "Board") of directors (the "Directors") of Kingmaker Footwear Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
REVENUE	*3*	**1,503,868**	1,289,684
Cost of sales		**(1,200,330)**	(1,005,329)
Gross profit		**303,538**	284,355
Other income and gains, net		**21,296**	11,858
Distribution and selling costs		**(62,291)**	(45,191)
Administrative expenses		**(123,365)**	(116,483)
Finance costs	*4*	**(15)**	(298)
PROFIT BEFORE TAX	*5*	**139,163**	134,241
Income tax expense	*6*	**(16,859)**	(29,220)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**122,304**	105,021
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(HK cents)*		**18.59**	16.43
Diluted *(HK cents)*		**18.15**	16.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**122,304**	105,021
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments revaluation reserve:		
Changes in fair value	**(42)**	1,809
Realised loss transferred to the income statement on disposal of available-for-sale investments	**–**	65
	(42)	1,874
Asset revaluation reserve:		
Gain on revaluation of buildings	**10,284**	–
Income tax effect	**(2,571)**	–
	7,713	–
Exchange differences on translation of foreign operations	**7,902**	610
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**15,573**	2,484
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**137,877**	107,505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**353,444**	373,851	386,970
Prepaid land lease payments		**60,407**	60,584	63,234
Investment properties		**33,256**	6,378	3,712
Deposits paid		**4,309**	3,350	4,444
Investments in club memberships		**968**	988	1,003
Available-for-sale investments		**2,143**	2,185	880
Total non-current assets		**454,527**	447,336	460,243
CURRENT ASSETS				
Inventories		**172,633**	121,821	110,875
Accounts and bills receivable	9	**157,739**	118,846	84,388
Prepayments, deposits and other receivables		**12,030**	10,519	9,662
Derivative financial instruments		**2,698**	1,744	6,080
Tax recoverable		**111**	111	326
Cash and cash equivalents		**530,190**	527,377	412,167
Total current assets		**875,401**	780,418	623,498
CURRENT LIABILITIES				
Accounts and bills payable	10	**117,634**	131,276	111,051
Accrued liabilities and other payables		**107,671**	107,316	89,609
Tax payable		**150,662**	137,304	110,958
Derivative financial instruments		**312**	152	3,984
Total current liabilities		**376,279**	376,048	315,602
NET CURRENT ASSETS		**499,122**	404,370	307,896
TOTAL ASSETS LESS CURRENT LIABILITIES		**953,649**	851,706	768,139
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**4,098**	–	–
Net assets		**949,551**	851,706	768,139
EQUITY				
Issued share capital		**66,841**	64,181	64,099
Reserves		**882,710**	787,525	704,040
Total equity		**949,551**	851,706	768,139

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.

2.1 CHANGES IN ACCOUNTING POLICY 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendments	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Right Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in Improvements *to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of amendment to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 Amendment, the adoption of these 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:

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cashflow from investing activities.

- HKAS 17 *Leases* removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Hong Kong and Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2011	2010
	HK$'000	*HK$'000*
Consolidated income statement for the year ended 31 March		
Decrease in amortisation of prepaid land lease payments	**(449)**	(449)
Increase in depreciation of property, plant and equipment	**449**	449
	–	–

	31 March	31 March	1 April
	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position at			
Increase in property, plant and equipment, net	**15,546**	15,995	16,444
Decrease in prepaid land lease payments, net	**(15,097)**	(15,546)	(15,995)
Decrease in prepayments, deposits and other receivables	**(449)**	(449)	(449)
	–	–	–

The amendment to HKAS 17 has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a consolidated statement of financial position as at 1 April 2009, and the related notes affected by the amendment have been presented in these financial statement.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[2]
HKFRS 9	*Financial Instruments*[3]
HKAS 12 Amendment	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 24 (Revised)	*Related Party Disclosures*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for accounting period beginning on 1 April 2011 although there are separate transitional provisions for each standard.

[1] Effective for accounting period beginning on 1 April 2011
[2] Effective for accounting period beginning on 1 April 2012
[3] Effective for accounting period beginning on 1 April 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

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 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 2011 and 2010.

Group

	Manufacturing and sales of footwear products		Retailing and wholesaling business		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Segment revenue:						
Sales to external customers	**1,473,072**	1,271,578	**30,796**	18,106	**1,503,868**	1,289,684
Intersegment sales	**8,062**	2,207	**–**	316	**8,062**	2,523
Total	**1,481,134**	1,273,785	**30,796**	18,422	**1,511,930**	1,292,207
Elimination of intersegment sales					**(8,062)**	(2,523)
Total					**1,503,868**	1,289,684
Segment results	**169,471**	154,952	**(37,924)**	(22,771)	**131,547**	132,181
Unallocated income and gains, net					**2,986**	946
Interest income					**6,770**	7,533
Unallocated expenses					**(2,125)**	(6,121)
Finance costs					**(15)**	(298)
Profit before tax					**139,163**	134,241
Income tax expense					**(16,859)**	(29,220)
Profit for the year attributable to equity holders of the Company					**122,304**	105,021
Assets and liabilities						
Segment assets	**763,185**	666,250	**22,533**	23,668	**785,718**	689,918
Unallocated assets					**544,210**	537,836
Total assets					**1,329,928**	1,227,754
Segment liabilities	**213,643**	216,467	**4,549**	4,197	**218,192**	220,664
Unallocated liabilities					**162,185**	155,384
Total liabilities					**380,377**	376,048

Group

	Manufacturing and sales of footwear products		Retailing and wholesaling business		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)
Other segment information:						
Depreciation:						
Segment	**40,275**	41,683	**2,272**	1,866	**42,547**	43,549
Unallocated					**–**	–
					42,547	43,549
Amortisation of prepaid land lease payments:						
Segment	**1,698**	1,681	**–**	–	**1,698**	1,681
Unallocated					**–**	–
					1,698	1,681
Capital expenditure:						
Segment	**20,328**	29,470	**3,240**	1,764	**23,568**	31,234
Unallocated					**–**	–
					23,568	31,234

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
The United States of America	**895,787**	659,142
Europe	**472,459**	534,868
Other countries	**135,622**	95,674
	1,503,868	1,289,684

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

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**27,355**	29,788
Mainland China	**311,343**	298,994
Cambodia	**41,902**	39,156
Vietnam	**71,516**	76,695
Other countries	**2,411**	2,703
	454,527	447,336

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

Information about major customers

Revenue of HK$762,270,000 (2010: HK$630,616,000), HK$312,653,000 (2010: HK$326,914,000) and HK$235,934,000 (2010: HK$192,535,000) was derived from sales to three customers of the Group, respectively. 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	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**15**	298

5. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**806,720**	687,474
Depreciation	**42,547**	43,549
Amortisation of prepaid land lease payments	**1,698**	1,681
Amortisation of a club membership	**20**	15
Fair value gain on derivative financial instruments	**(6,594)**	(2,196)
Fair value gain on revaluation of investment properties	**(4,764)**	(743)
Loss on disposal of available-for-sale investments	**–**	65
Bank interest income	**(5,148)**	(4,622)
Interest income from accounts receivable	**(1,622)**	(2,911)
Dividend income	**(25)**	(17)
Net rental income	**(1,849)**	(439)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**1,278**	1,294
Current – Elsewhere		
Charge for the year	**22,040**	32,700
Overprovision in prior years	**(7,865)**	(4,774)
Deferred tax	**1,406**	–
Total tax charge for the year	**16,859**	29,220

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2010: 16.5%), the Vietnam Corporate Tax rate of 10% to 25% (2010: 10% to 28%), the Cambodia Corporate Tax rate of 20% (2010: 20%), the Taiwan Corporate Tax rate of 17% (2010: 25%), the preferential tax rates in Mainland China ranging from 22% to 25% (2010: 20% to 25%) and 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$122,304,000 (2010: HK$105,021,000) and the weighted average of 657,917,148 (2010: 639,177,935) ordinary shares 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$122,304,000 (2010: HK$105,021,000) and 673,674,669 (2010: 646,604,892) ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential 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:

	2011	2010
Weighted average number of ordinary shares used in calculating basic earnings per share	**657,917,148**	639,177,935
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all dilutive options outstanding during the year	**15,757,521**	7,426,957
Weighted average number of ordinary shares used in calculating diluted earnings per share	**673,674,669**	646,604,892

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2010 – HK7.0 cents per ordinary share (2010: final dividend of HK2.5 cents per ordinary share, in respect of the financial year ended 31 March 2009)	**46,123**	15,974
Interim – HK3.0 cents (2010: HK1.6 cents) per ordinary share	**19,993**	10,216
	66,116	26,190
Proposed final dividend		
HK7.0 cents (2010: HK7.0 cents) per ordinary share	**47,313**	45,217

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend 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	
	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**154,816**	118,788
Between 91 and 180 days	**2,923**	9
Between 181 and 365 days	**–**	17
Over 1 year	**–**	32
	157,739	118,846

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	
	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**109,248**	127,650
Between 91 and 180 days	**6,105**	2,538
Between 181 and 365 days	**1,617**	365
Over 365 days	**664**	723
	117,634	131,276

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

DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting of the Company (the "Annual General Meeting") the payment of a final dividend of HK7.0 cents (2010: HK7.0 cents) per ordinary share for the year ended 31 March 2011, payable to the shareholders whose names appear in the register of members of the Company at the close of business on 7 September 2011. This proposed dividend, together with the interim dividend of HK3.0 cents (2010: HK1.6 cents) per ordinary share already paid, would make a total distribution of HK10.0 cents (2010: HK8.6 cents) per ordinary share for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Monday, 29 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 25 August 2011 to Monday, 29 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's 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 Wednesday, 24 August 2011.

The proposed final dividend is subject to approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 7 September 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 5 September 2011 to Wednesday, 7 September 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Friday, 2 September 2011. The payment of final dividend will be made on or about Friday, 23 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group continued to deliver solid performance amidst the fragile recovery of the US and European economies. During the year ended 31 March 2011, the Group's turnover increased by approximately 16.6% year on year to approximately HK$1,504 million (2010: approximately HK$1,290 million) on the back of 7.5% and 7.5% growth respectively in the average selling price ("ASP") and business volume, as expressed in the number of pairs of shoes produced.

As a result of successful cost control measures and efficiency enhancement initiatives, net profit attributable to the equity holders of the Company also increased by approximately 16.5% year on year to approximately HK$122 million (2010: approximately HK$105 million) despite slight increases in material prices.

The multi-country production platform across the PRC, Vietnam and Cambodia showed further success in helping the Group to achieve geographical diversification, with increased contributions from the factories in Cambodia and Jiangxi as new production lines were established. The two production centers contributed approximately 6.6% (2010: approximately 5.5%) and 5.9% (2010: approximately 4.3%) respectively to the Group's total turnover during the year.

As the facilities were reorganized into three specialized production hubs serving different manufacturing requirements and levels of sophistication, a more balanced product portfolio was also achieved. Growth continued to be witnessed in the sales of "wellness" shoes, which helped raise the proportion of premium casual footwear to an aggregate of approximately 60.3% (2010: approximately 54.2%) of Group turnover. Babies' and children's footwear and rugged shoes accounted for approximately 35.3% (2010: approximately 45.1%) and approximately 4.4% (2010: approximately 0.8%) respectively of total production.

In respect of market breakdown, shipments to the US contributed approximately 59.6% (2010: approximately 51.1%) of the Group's revenue during the year, while the European segment accounted for approximately 31.4% (2010: approximately 41.5%) of the total. The distribution was both market-driven and a result of the Group's dedicated efforts to develop casual premium and other sophisticated footwear products that command higher ASP and profit margin.

The Group is pleased to report an enhancement in ASP which attests to our efforts to develop a premium product portfolio. Working as a long-term partner, the Group was also able to gain the support of customers in reflecting part of its cost increases in the ASP.

During the year under review, the Group was able to keep material costs at relatively stable levels as a result of continued enhancement of productivity and the implementation of the lean manufacturing system. However, subcontracting charges of approximately HK$24 million were incurred during the transitional period prior to the full commissioning of the Jiangxi and Cambodia factories.

Total labor and staff costs increased only moderately to account for approximately 18.2% of turnover, as the rise in salaries and wages, aggravated by the appreciation of the RMB, was partly offset by the positive cost impact of the lean manufacturing system. The lean system has also continued to help raise efficiency by shortening the production lead time.

Selling expenses increased in line with the further expansion of the scale of the retailing business. Such expenses mainly included shop rentals, advertising and salaries expenses for operations in Hong Kong and the PRC.

Earnings per share for the year were approximately HK18.59 cents (2010: approximately HK16.43 cents), up approximately 13.1% year on year. In anticipation of the continuing strong cash flow from its manufacturing business, the Group is pleased to continue its dividend policy of sharing results with shareholders. Accordingly, the Board recommended the payment of a final dividend of HK7.0 cents (2010: HK7.0 cents), which together with the interim dividend of HK3.0 cents (2010: HK1.6 cents), represents a payout ratio of approximately 53.8% (2010: approximately 52.3%).

Operational Review

The challenges faced by manufacturers in the PRC, including the surges in wage, electricity and shipment costs, have driven the Group to work even harder in enhancing efficiency and maintaining cost control. Efforts were also expended in furthering its tailor-made, competitive all-round services, supported by a variety of high-quality product offerings, to drive sales to premium name-brand customers, in order to proactively mitigate the pressure on the profit margin.

In spite of the challenges, the Group is delighted to have sustained its healthy lead in strategic segments including premium fashion casual footwear and babies' and children's shoes. This premium business portfolio is a result of years of commitment to product development, quality and customized production. The Group will continue to advance its leadership in the development and manufacturing of premium casual products.

Leveraging on its specialized manufacturing hubs located in Southeast Asia and the PRC, the Group continues to add value to its one-stop solutions for the world's major footwear brands.

The Group's operational excellence is well supported by a sound financial position. Cash and cash equivalents were maintained at a favorable level of approximately HK$530 million (2010: approximately HK$527 million) as at 31 March 2011.

Manufacturing Business

The Group's network of factories, organized into specialized hubs to accommodate different product development and manufacturing requirements, accommodates a total of 38 production lines. 11 lines are located in Vietnam, 3 in Cambodia, and 24 in the PRC, including 11 in Zhongshan, 8 in Zhuhai and 5 lines in Jiangxi Province. Overall facilities utilization was 71% (2010: 65%) during the year.

Plans are under way to expand the production lines to 44 by the end of 2011, bringing total annual capacity up by approximately 25% to about 25 million pairs. Works are ongoing to restart the expansion plans for the Jiangxi and Cambodia plants, adding three production lines to each of these factories within this year.

After a series of reorganizations, the facilities now comprise three specialized centers. First, the Zhuhai and Zhongshan factories will serve as the Group's headquarters, R&D center and high-end manufacturing base. The inland Jiangxi factory will be for the production of mid-range footwear, and finally the facilities in Southeast Asia are for European shipments and mass market products.

With the maturity of the production facilities in Cambodia and Jiangxi, the Group can add further flexibility in adjusting its product mix to make it more responsive to the market. Both factories have made contributions to the Group's overall profit margin during the year. Further expansion will continue in both locations. Overall, the strengthening of the production base can also help the Group cement its relationship with both existing and potential customers worldwide.

Major customers during the year included *Skechers, Clarks, Stride Rite, Rockport and New Balance* which in aggregate contributed approximately 92.7% of the Group's total turnover. New Balance and Timberland were added to the customer portfolio during the year.

The success of the "wellness" product line reaffirms the Group's core strength in the premium arena. R&D efforts will continue to be put into the creation of new series of premium and other white shoe products. To facilitate this, new R&D centres will be set up in Vietnam.

The continuing appreciation of the RMB, together with the increase in minimum wages, has had a negative impact on the labor costs. Moreover, the moderate rise in material costs in the second half also added pressure on the bottom line. A slight drop in the segment's profit resulted with the extent of margin squeeze partly offset by continued efforts towards lean manufacturing and cost control. With the maturity of the Cambodia and Jiangxi facilities, the Group expects to achieve further cost benefits.

The Group will also continue to explore potential strategic partnerships that will add value to and bring synergistic benefits for our existing business.

Retailing Business

Set up as part of the Group's long-term diversification and margin enhancement initiative, the retailing segment reported solid progress during the year. The segment now comprises the retailing of ladies' shoes and bags under the *Mocca* brand, as well as that of trendy infant and baby shoes under *Fiona's Prince*.

The segment incurred a loss of approximately HK$37.9 million (2010: approximately HK$22.8 million) owing to high rental expenses in Hong Kong. In view of the performance of the segment, the Group has taken steps to re-engineer the overall business unit, including the scaling down of the *Mocca* operation to a chain of three shops in Hong Kong and Macau, and the termination of the men's fashion retail business under FRD Group.

While continuing to adopt a prudent investment strategy, the Group is confident that the retailing segment will grow into a major revenue and returns contributor in future. The Group looks forward to tapping further into the continuing strengthening of consumption in the mainland.

FUTURE PLANS AND PROSPECTS

Although economic recoveries in Europe and the United States are still unsteady, the evidence from previous historical downturns suggests that, as a daily necessity, footwear usually demonstrates considerable resilience in the face of economic cycles. Continued improvements in consumer confidence and disposable income are expected to generate a more favorable operating environment for retailers and manufacturers worldwide.

Profitability, however, is difficult to predict as we expect to face stronger headwinds from rising costs. The cost of materials may rise further as commodity prices remain high and volatile. Wages in China are forecast to rise further, while the appreciation of the RMB is likely to continue.

The Group will continue to exercise tight cost control and improve our productivity, striving to minimize the impact of these factors on our margins. Programmes are also in place to speed up the automation of our processes and re-engineer our products for lower costs. In addition, we have taken appropriate actions to pass certain cost increases on to our customers.

Going forward, although the economic climate is still uncertain, we are cautiously optimistic that the Group will deliver growth in the financial year 2011/12. This will be achieved through pursuing our strategy of further gains in market share, capacity expansion through specialized manufacturing hubs, and operational excellence.

Strong order pipeline amid global economic recovery

The Group expects our manufacturing operations and order book to remain at close to full capacity in 2011 as global economic recovery continues to fuel consumer demand. The average selling price ("ASP") is expected to increase slightly as margin pressures on vendors continue to dissipate. The Group also expects to generate further demand through tighter partnerships with our global partners.

Potential challenges in the coming year include the further strengthening of the RMB, ongoing inflation and a mismatch between seasonality and capacity. To counter these, the Group will continue to implement cost control measures to preserve the value of our products.

Continued capacity expansion and reorganization of facilities into specialized hubs

The Group will, in a long-term effort, continue to 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.

In order to proactively counteract increasing wage costs and other unfavorable factors, the Group will continue to shift more of its labour-intensive processes to the Jiangxi factory, in order to reduce input costs and stabilize the labour supply.

In the coming year, the Directors envisage the reorganization of its facilities into three distinctive specialized hubs to cater to different requirements of its manufacturing business. First, our existing Zhuhai and Zhongshan factories will remain as the Group's headquarters, R&D centre and high-end manufacturing base. Meanwhile, the Jiangxi factory will be for the production of mid-range footwear, and the facilities in Southeast Asia for European shipments and mass market products.

Capacity expansion and reorganization will take place at the same time. The Zhuhai factory is undergoing expansion works, while the facilities are being tuned to accommodate new production and R&D requirements in line with business growth and new client orders. The Group is also working towards the full completion and commissioning of the Jiangxi factory. At the same time, the Group plans to expand the capacity of our Vietnam manufacturing facilities while extending its foothold in Cambodia as well.

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

These measures will better position the Group to optimize our operations, counter wage inflation and secure a stable labour supply. To further extend our manufacturing operations and lower input costs, the Group is also prudently exploring several options, including buying out suitable acquisition targets.

Enhanced design and development capabilities to maintain position in the value chain

In view of the current global economic environment, the Group is focused on maintaining strict operational and financial discipline to successfully execute its business strategy.

While remaining prudent, the Group is committed to the continual expansion of its production capacity in line with demand. In the year ahead, we will also drive continual enhancement of product offerings through R&D and production efficiencies through automation and staff training.

The Group is also committed to further developing ways to reinforce our ability to meet the specialized needs of our customers and maintain the quality and craftsmanship of our products. We will continue to invest further in our R&D capabilities in the Zhuhai and Vietnam factories over the coming year in order to better collaborate with our partners and create additional value for them.

Continual expansion of retail business

Over the long term, the outlook for the Group's China retail operations is promising, given the strength of the PRC economy and the rising incomes of consumers. On the retail side, the Group is well geared up to further reap the benefits of economic growth in the PRC.

Going forward, our retail business will have an increasingly important role to play in the Group's overall development. After a few years of dedicated effort and investments, the Group has built a successful business platform and brand positions for the retail segment.

Fiona's Prince is the Group's retail brand targeting the contemporary and lifestyle baby's and children's footwear segment, with premium price range.

For both the Hong Kong and PRC markets, the Group will continue with its store expansion strategy under the *Fiona's Prince* brand, but it will also take measures to increase revenue by improving same-store sales in existing outlets.

Focus will be placed on the development of the house baby brand *Fiona's Prince*, which currently operates 5 shops in Hong Kong and Macau, and 11 in the PRC. After its successful introduction to the PRC market in 2010, including securing its first foothold in the first-tier cities of Beijing and Shanghai, *Fiona's Prince* has since achieved encouraging performance and customer recognition. Active business development is planned for this baby line with negotiations ongoing for the establishment of some 30 retail points in other PRC cities in the coming year.

Despite the short-term negative impact of our investments on the profitability of the Group, we believe the retailing and wholesaling business segment will bring long-term return for shareholders. Our participation in the retail sector will also help to enhance our overall profit margin.

Conclusion

As the trend towards outsourcing in the world's luxury products sector continues, we are confident that the Group's manufacturing business is uniquely placed to take advantage of it, being at the premium end of the value chain on the firm foundation of our craftsmanship and production efficiency.

This confidence is supported by our strong design-and-development niche, market leadership position, healthy balance sheet and highly efficient operations. We will continue to pursue our growth strategy based on product innovation and geographical expansion, while managing costs and risks to enhance profitability.

Looking ahead, despite the potential adverse effects of the unpredictable economic environment, the Group's established businesses around the world are still expected to maintain satisfactory performance, while the Group's retail business is expected to make further progress. The Directors have full confidence in the long-term future prospects of the Group.

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 2011, the Group's cash and cash equivalents were approximately HK$530 million (2010: approximately HK$527 million).

The Group is substantially debt-free. As at 31 March 2011, the Group had banking facilities amounted to an aggregate sum of approximately HK$196 million (2010: approximately HK$211 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$196 million (2010: approximately HK$196 million) in Hong Kong had been granted to the Group, approximately HK$2 million (2010: approximately HK$2 million) had been utilized as at 31 March 2011.

For the year ended 31 March 2011, the current ratio was approximately 2.33 (2010: approximately 2.08) based on current assets of approximately HK$875 million and current liabilities of approximately HK$376 million and the quick ratio was approximately 1.87 (2010: approximately 1.75).

As at 31 March 2011, the Group did not have any interest-bearing bank borrowings.

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Cambodia and the PRC in the next two to three years, the Directors 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 HKD Hong Kong Inter-Bank Offered Rate, the USD London Inter-Bank Offered Rate or the Singapore Inter-Bank Offered Rate.

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to 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 flow and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if 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$950 million as at 31 March 2011 (2010: approximately HK$852 million). As at 31 March 2011, the Group did not have any interest-bearing bank borrowings (2010: nil), resulting nil% (2010: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 400,000 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$593,000 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**	**Aggregated consideration (excluding transaction cost)**
		HK$	*HK$*	*HK$'000*
February 2011	400,000	1.49	1.47	593
Total	400,000			593

The premium paid on the repurchase of the shares of HK$553,000 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 2011. 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 2011 in compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except 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 audited consolidated results for the year ended 31 March 2011 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate 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 2011.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2011 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 2011 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 2011

As at the date of this announcement, the five executive directors of the Company are Mr. Chen Ming Hsiung, Mickey, Mdm Huang Hsiu Duan, Helen, Mr. Phillip Brian Kimmel, Mr. Lee Kung, Bobby and Mr. Wong Hei Chiu; two non-executive directors 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. Chan Mo Po, Paul and Mr. Yung Tse Kwong, Steven.

** for identification purpose only*