FINANCIAL RESULT AND REVIEW

As a result of the Group's continuing efforts in maximizing productivity and improving profit margins, the Group attained its sixth consecutive year of growth in both turnover and profit attributable to shareholders to HK$1,057 million and HK$149 million, representing an increase of 8.40% and 15.86% respectively from last year.

Baby and children's footwear was continuing the growth engine of the Group as it occupied 32.84% of the total turnover, an 11.08% growth compared to last year. Penetration to European market continues with the growth in 10.45% in turnover. The management expected that with the Vietnam factory being fully operated, the percentage to European branded customers in the turnover will increase further.

The basic earnings per share for the year increased to HK25.87 cents from HK22.38 cents (after adjusting for the bonus share issue during the year) last year. Net assets value per share has been increased to HK84.46 cents representing a 21.46% growth from last year.

To strengthen the competitiveness, the Group successfully further decreased its inventories by 8% to HK$101 million of which 67% (2000: 74%) were raw materials and work in progress. Finished goods of HK$33 million were equivalent to less than half-month sales. The shorter inventories turnover was mainly a reason of the improvement in the production flow and the continuing investment on and enhancement of the information technology.

FINANCIAL POSITION

As at 31 March 2001, the Group maintained a strong cash position of HK$419 million to facilitate the anticipated investments in the coming two years. The Directors are of the opinion that with the current cash position and available banking facilities of approximately HK$249 million (2000: HK$256 million), the planned expansion and investments could be met easily.

During the year, the Group obtained a long-term bank loan of HK$39 million (2000: Nil) for the Vietnam project, resulting in a gearing ratio, represented by the interest-bearing borrowings to shareholders equity, of 7.4% (2000: Nil). The Group believed that a prudent and suitable leveraging the balance sheet in the low interest rate prevailing environment would better the return to shareholders in the future.

CAPITAL INVESTMENT AND INVESTMENT PLANS

Fixed Assets additions in the year amounted to HK$86 million which were mainly for the factory project in Vietnam and were in line with the budget. The total capital expenditure budget for the Vietnam project will be at around HK$150 million to HK$170 million. Management expected that with the steady growth in turnover to the European market, the Vietnam factory would have a total of 8 lines in the next 2 to 3 years.

Another new factory with 12 production lines in Zhongshan was planned for the expansion. The management budgeted the total capital expenditure for the Zhongshan project would be around HK$200 million to HK$250 million. It was scheduled that the Zhongshan factory would start its operation in 2002. These projects will be financed by internal source of fund.

With the Mainland China's accession to the WTO, the Group will aggressively expand its wholesale and retail business including setting up offices in Beijing and Shanghai. The management expected that the capital expenditure for these offices is minimal and can be met comfortably by internal funding.

AUDIT COMMITTEE

The Audit Committee ("Committee") has reviewed with management, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including a review of the audited results for the year.

The members of the Committee included the two independent non-executive directors of the Company.