

CHAIRMAN'S STATEMENT



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REVIEW OF OPERATIONS

I am pleased to report to our shareholders that Kingmaker Footwear Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) has emerged stronger and better equipped for growth from a very difficult year. Although the Group’s attributable profit for the year ended 31 March 2002 fell, the management demonstrated its remarkable acumen in preparing and steering the Group back on course for future growth.

The past financial year was an exceptionally challenging one for the Group. The management’s ability in accommodating unforeseen changes and minimising negative impact clearly demonstrates their capable expertise.

The first such event was the leather price hike brought on by the mad-cow disease in various parts of the world from April to July 2001. Because of the Group’s strong relationship with its customers, this increase was treated as a shared responsibility.

The September 11th incident in the United States of America (“USA”) dealt a severe blow to an already soft economy with the sluggish consumer market and with over-extended inventories. As retailers discounted stock and drastically cut back the on forward purchasing, the Group was inevitably put under severe price pressure and also profit margins were squeezed.

CHAIRMAN'S STATEMENT (CONTINUED)

Baby and children shoes programs remained the Group's major growth driver in the year, accounting for 40% of the total turnover. Since its successful launch in 1997, the Stride Rite program has performed remarkably well. In addition, program with Clarks, Timberland and recently Elefanten have added to the strong brand portfolio.



Casual shoes have for the first time become the leading product category of the Group in response to customer demand and world-wide fashion trends. Casual shoes are expected to continue to dominate the market making this product category a major income source for the Group.

Although the Group's wholesale and retail operations in China failed to meet expectations in the past financial year, management still believes that this market is worth pursuing and should improve significantly as China's economy improves. Since China will soon assume full WTO membership, and continue to expand its view of the outside world, more foreign retailers will be drawn to established companies who already have access to wholesale and retail networks. Currently the management is closely monitoring this operation in an effort to improve its performance.



Future Plans and Prospects

As profit margins are likely to continue to be squeezed, the Group has adopted a strategy of carefully planned, customer driven expansion. The Group's manufacturing facility in Vietnam, which commenced operation in February 2001, has already added 20% capacity to overall production. Operation efficiency has continued to improve and the production has continued to grow as customers are satisfied with both product and deliveries. The Group continues to remain positive on growth opportunities in Vietnam as expressed by its customers, who are increasingly looking to diversify their production bases in light of the positive labor conditions in Vietnam, the continued shrinking of the European footwear manufacturing base, and the recent beneficial commercial agreements signed between the USA and Vietnam. Ground has already been broken for a new factory facility on the same site of the existing factory. Operation should begin by the end of this calendar year. This customer driven expansion should continue in Vietnam over the next several years.



In China, the new Zhongshan facility has been operated since May 2002. This facility is part of a 2-phase growth plan in the area. This facility is geared to especially service a particular brand, which requires an exclusive environment. Due to its proximity with Zhuhai, the efficiency level at this new facility should quickly match that of the Zhuhai facilities.

Looking forward, the Group foresees the next few years as extremely challenging and the Directors are cautiously optimistic based on their experience and strong management direction.

CHAIRMAN'S STATEMENT (CONTINUED)

Barring unforeseeable circumstances, the management is confident of improved performances in the coming financial year as the Group's growth platform has been refined and strengthened.

Finally, I wish to thank members of the management team and staff for their dedicated hard work and our shareholders for their continuing support.

On behalf of the Board
Chen Ming Hsiung, Mickey
Chairman

Hong Kong, 9 July 2002