



For immediate release

## **KINGMAKER FOOTWEAR HOLDINGS LIMITED**

**Net profit grew 30% in year to March 2016  
as the Group braces for steep economic challenges**

Financial highlights:

- Turnover decreased by 1.5% yoy to HK\$2,343 million.
- Net profit increased by 30.0% yoy to HK\$120 million.
- ASP up 4.4% despite a 5.6% drop in business volume.
- Final dividend of HK5.2 cents and special dividend of HK4.0 cent; total yearly dividend of HK13.0 cents or a payout ratio of 74.8%.
- Cash and cash equivalent of HK\$666 million as at 31 March 2016.

**Hong Kong, 30 June 2016** – Leading premium casual and children’s footwear manufacturer Kingmaker Footwear Holdings Limited (01170.HK) today announced its results for the year ended 31 March 2016. The Group entered the second half of the year with weaker order books, and second-half manufacturing turnover thus lagged far behind expectation. As a result, turnover declined slightly by 1.5% year on year to HK\$2,343 million (2015: HK\$2,378 million). There was a 4.4% increase in the average selling price (“ASP”) despite a 5.6% drop in business volume (pairs).

Gross margin was lifted by enhanced efficiencies, and thus reduced material usage, recorded in the southern Vietnam and Cambodia production bases. The retail unit was able to slightly narrow its loss incurred by further reducing the number of loss-making shops and implementing a change in its pricing strategy.

A loss of HK\$8.95 million (2015: gain of HK\$5.47 million) was incurred on fair value changes of revaluation of investment properties in the PRC and RMB-denominated derivative financial instruments. The relocation and consolidation of facilities in Jiangxi and Zhongshan in the PRC, and the upgrading of facilities, also caused an impairment loss of HK\$13.8 million (2015: HK\$9.8 million). There was a one-off exchange loss of HK\$9.75 million (2015: HK\$1.12 million) on certain financial assets caused by the depreciation of the RMB.

Net profit attributable to the equity holders of the Company increased by 30.0% to HK\$120 million (2015: HK\$92 million). Earnings per share for the year increased by 29.6% to HK17.38 cents (2015: HK13.41 cents). In anticipation of ongoing strong cash generation from the manufacturing segment and the Group’s healthy financial position, the Board recommended the payment of a final dividend and special dividend of HK5.2 cents (2015: HK4.2 cents) and HK4.0 cents (2015: HK2.0 cent) respectively, which together with the interim dividend of HK3.8 cents (2015: HK2.8 cents), represents a payout ratio of 74.8% (2015: approximately 67.1%).

Kingmaker Footwear Chairman Mr. Chan Ho Man said: “We thank all customers for their unswerving support and trust. While we mourn the loss of our former Chairman, we pledge our full efforts to stay true to the vision and objectives of Mr. Chen Ming-hsiung, Mickey. Together, the Kingmaker family will strive to take the Group to new levels, a path Mr. Chen always chose to take.”

The increase in labor costs has added pressure to the manufacturing environment, despite being partly mitigated by the positive impact of enhanced efficiencies of the Vietnam and Cambodia factories, and the depreciation of the RMB. Total labor and salaries for the manufacturing segment, including allowances and other benefits, accounted for 28.3% (2015: 28.0%) of turnover. Salaries and wages increased by

18.2% and 15.7% in Vietnam and Cambodia respectively, whereas the PRC recorded a reduction of 23.1% on the depreciation of the RMB.

As at the year-end date, there were a total of 41 production lines: 23 in Vietnam, 10 in Cambodia, and 8 in the PRC. These facilities, aggregating to an annual capacity of around 22 million pairs, were 86% utilized (2015: 85%). The Group's production network includes three research and development centers located in southern Vietnam, Cambodia and the PRC, as well as two outsole factories also in operation in southern Vietnam and Cambodia.

The continued growth in the contribution of Southeast Asia to the Group's output has validated its long-term strategy to diversify the locations of manufacturing activities. During the year, regional output from Southeast Asia contributed 76.3% of total production (2015: 68.8%) in terms of pairs of footwear, an increase of 6.2% year on year. Output from the PRC center accounted for 23.7% of total output (2015: 31.2%).

In line with customers' strategy to develop Asian markets, the manufacturing segment's geographical mix has changed significantly. Manufacturing turnover contribution from the United States dropped to 20.8% (2015: 31.7%) whereas European markets remained stable with a share of 32.9% (2015: 32.5%). Major growth markets in Asia Pacific included the PRC, Japan and Russia, which in aggregate accounted for 46.3% (2015: 35.8%).

Ath-leisure and premium casual footwear continued to show strong growth, contributing 64.1% of turnover (2015: 60.1%), while babies' and children's footwear and rugged products generated 26.2% (2015: 34.2%) and 9.7% (2015: 5.7%) of turnover respectively.

Major customers for the year included *New Balance*, *Asics*, *Wolverine*, *Clarks* and *Skechers*, which in aggregate contributed 91.9% (2015: 85.6%) of total turnover.

The Group will continue to expand and adjust its multi-location facilities to support varying and changing customer requirements. The new plant adjacent to the southern Vietnam center was completed and is expected to commence trial production in August 2016. The first phase of the central Vietnam plant has also become operational, delivering an output amounting to 2.4% of total production during the year. Further production lines will be added to central Vietnam upon maturity of trial production of the initial setup, and as driven by customer demand.

Despite weak market conditions in the PRC, the retail unit was able to narrow its loss to HK\$20.8 million (2015: loss of HK\$22.9 million). The total number of shops as at 31 March 2016 decreased to 22 (31 March 2015: 35). In the coming year, management will undertake a thorough review of the retail business which may include the seeking of potential buyers.

Mr. Chan continued: "We also stay alert to the market turbulences following the United Kingdom European Union membership referendum. Although no sales are currently denominated in pound sterling, we will closely monitor the impact of the fall of the currency on our customers' sales. We hold a cautious attitude towards the overall economy and operating environment in the coming year."

Cash and cash equivalents were maintained at a favorable level of approximately HK\$666 million (2015: HK\$436 million) as at 31 March 2016. The quick ratio was 1.3 (2015: 1.1).

## Financial Highlights

	For the year ended 31 March	
	2016	2015
	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	<b>2,343,201</b>	2,378,003
Gross profit	<b>384,215</b>	345,380
Gross profit margin	<b>16.4%</b>	14.5%
Net profit attributable to equity owners of the Company	<b>120,205</b>	92,480
Net profit margin	<b>5.1%</b>	3.9%
Basic earnings per share	<b>HK17.38 cents</b>	HK13.41 cents
Diluted earnings per share	<b>HK17.28 cents</b>	HK13.37 cents
Interim dividend per share	<b>HK3.8 cents</b>	HK2.8 cents
Final dividend per share	<b>HK5.2 cents</b>	HK4.2 cents
Special dividend per share	<b>HK4.0 cents</b>	HK2.0 cents
Full-year dividend per share	<b>HK13.0 cents</b>	HK9.0 cents

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### About Kingmaker Footwear Holdings

Kingmaker Footwear Holdings Limited (01170.HK) is a premium name-brand manufacturer of fashion casual and children's footwear. The Group operates 41 production lines in Vietnam and Cambodia and China with a staff of approximately 17,000. It also has a retail segment which operates outlets to carry footwear products under the *Fiona's Prince* and other partner brands.

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