For immediate release

KINGMAKER FOOTWEAR HOLDINGS LIMITED

Net profit from continuing operations grew 6.4% in year to March 2017 as the Company shifts further to higher-margin client and product mix
Final and special dividends of HK10 cents

Financial highlights:

- Turnover from continuing operations declined by 20.7% yoy to HK$1,830 million.
- Net profit from continuing operations grew 6.4% yoy to HK$150 million.
- ASP up 1.7% despite a 22.7% drop in business volume.
- Final dividend of HK5.5 cents and special dividend of HK4.5 cents; total yearly dividend of HK18.0 cents or a payout ratio of 94.5%.
- Cash and cash equivalent of HK776 million as at 31 March 2017.

Hong Kong, 29 June 2017 – Leading premium casual and children's footwear manufacturer Kingmaker Footwear Holdings Limited (01170.HK) today announced its results for the year ended 31 March 2017. During the year, weakened retail sales in the US and Europe were met with the Group's efforts to enhance its clientele portfolio in order to shift its product mix towards higher-margin items. Consequently, turnover from continuing operations declined by 20.7% year on year to HK$1,830 million (2016: HK$2,308 million). Efforts to enhance the product mix have resulted in a 1.7% increase in the average selling price ("ASP") while business volume (pairs) dropped by 22.7%.

Gross margin continued to improve to 18.0% (2016: 15.9%) on the back of further enhanced efficiencies in the southern Vietnam and Cambodia production centers. The retail unit ceased operation by March 2017, with the final impact of its loss being felt this year.

During the year, owing to downsizing of certain facilities in the PRC, the Group incurred an impairment of property, plant and equipment from continuing operations of approximately HK1.6million (2016: approximately HK$12.3 million). There was also an exchange loss from continuing operations of approximately HK$6.5 million (2016: approximately HK$10.3 million) on certain financial assets caused by the depreciation of the Renminbi ("RMB"). A gain of approximately HK$4.2 million was realized on the disposal of assets in connection with the formation of a joint venture in central Vietnam.

Net profit from continuing operations attributable to the equity holders of the Company grew 6.4% to approximately HK$150 million (2016: approximately HK$141 million). Earnings per share for the year increased by 9.6% year on year to approximately HK19.05 cents (2016: approximately HK17.38 cents). The Board recommended the payment of a final dividend of HK5.5 cents per share and a special dividend of HK4.5 cents per share. Together with the interim and special dividends of HK8.0 cents per share, the Group has delivered a total dividend for the year of HK18.0 cents per ordinary share, an increase of approximately 38.5% over the previous financial year.

Kingmaker Footwear Chairman Mr. Chan Ho Man said: "I would like to report a smooth succession to key management posts, and our leadership transition has brought stability and continuity for the Group. We were able to achieve earnings growth against a backdrop of global economic uncertainty and a weakened footwear retail market. Our gratitude goes to all customers, business partners and shareholders, whose support has been instrumental in our transition during this challenging time."

The increase in labor costs was largely neutralized by the depreciation of the RMB and Vietnam Dong ("VND"), helped by efficiency enhancements in Vietnam and Cambodia.

Total labor and salaries for the manufacturing segment, including allowances and other benefits, accounted for 27.0% (2016: 28.3%) of turnover. Salaries and wages decreased by 17.5% in Vietnam and increased by 3.1% in Cambodia, whereas the PRC recorded a drop of 51.7% on a reduced production scale.

As at the year-end date, there was a total of 32 production lines: 18 in Vietnam, 10 in Cambodia, and 4 in Zhuhai, the PRC. These facilities, aggregating to an annual capacity of around 17 million pairs, were approximately 85% utilized (2016: approximately 86%).

The growth and maturing of the Group's Southeast Asia production base is evidenced by a 9.5% year-on-year growth of its regional output to 85.9% of total production (2016: 76.4%) in terms of pairs of footwear. As a result of the cessation of operations at the Zhongshan factory in September 2016, the contribution of PRC facilities to overall output dropped to 14.1% (2016: 23.7%).

Geographically, Asian and European markets remained stable. Turnover to the US remained stable at approximately 20.9% (2016: 20.8%), while European markets dropped to a share of 31.6% (2016: 32.9%). Major growth markets in Asia and other regions included the PRC, South Korea, Australia and Russia, and this segment accounted for 47.5% (2016: 46.3%) of total turnover.

Athleisure and premium casual footwear were still the major products of the Group, which accounted for 69.4% (2016: 64.1%) of turnover. Babies' and children's footwear and rugged products generated 18.2% (2016: 26.2%) and 12.4% (2016: 9.7%) of turnover respectively.

Major customers for the year included Asics, Clarks, New Balance, Skechers and Wolverine, with their aggregate contribution remaining quite stable throughout the past few years. During the year, they contributed 93.5% (2016: 91.9%) of total turnover.

Looking to fiscal 2017/18, the global economy is not expected to show significant growth. In light of the various game-changing events and factors of concern, management holds a cautious attitude towards the market and operating environment in the coming year
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The rise in the US Federal Reserve interest rate will remain a threat to the sales of the Group's major customers, who continue to hold high inventory-to-sales ratios. The Group anticipates a challenging first half of 2017/18, but looks forward to some recovery in the second half after its customers clear out their inventories.

In another significant development through a joint venture with Evervan Group in central Vietnam, the Group has equipped itself with innovative new footwear technologies to expand its manufacturing operations into products outside the footwear arena.

The Group holds certain assets to support its manufacturing activities and operations. In an effort to increase shareholder value, the Group puts in place an asset enhancement program to review the value of assets it holds against their functions. As part of this program, the site and manufacturing facilities in Zhongshan, the PRC were disposed of for a consideration of RMB168,000,000 (equivalent to approximately HK$188,000,000). Upon the Group's receipt of the remaining consideration in late July 2017, the Board may consider distributing a special interim dividend for the six months ended 30 September 2017.

Cash and cash equivalents were maintained at a favorable level of approximately HK$776 million (2016: HK$666 million) as at 31 March 2017. The quick ratio was 1.8 (2016: 1.3).

Financial Highlights

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
CONTINUING OPERATIONS		
Turnover	**1,830,267**	2,308,161
Gross profit	**329,836**	366,901
Gross profit margin	**18.0%**	15.9%
DISCONTINUED OPERATION		
Loss for the year from discontinued operation	**(17,099)**	(20,682)
Profit attributable to equity holders of the Company	**132,556**	120,205
Net profit margin	**8.1%**	6.1%
Basic earnings per share		
- For profit of the year	**HK19.05 cents**	HK17.38 cents
- For profit of the year from continuing operations	**HK21.51 cents**	HK20.37 cents
Interim dividend per share	**HK4.2 cents**	HK3.8 cents
Special dividend per share	**HK3.8 cents**	-
Final dividend per share	**HK5.5 cents**	HK5.2 cents
Special dividend per share	**HK4.5 cents**	HK4.0 cents
Full-year dividend per share	**HK18.0 cents**	HK13.0 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 production and research-and-development centers in Vietnam, Cambodia and China with a staff of approximately 11,000.

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