



For immediate release

KINGMAKER FOOTWEAR HOLDINGS LIMITED

**Reported a net profit of HK\$257 million in year to March 2018
Final div HK2.2 cents, special div HK12.8 cents**

Financial highlights:

- Turnover from continuing operations decreased by 36.4% yoy to HK\$1,165 million.
- Profit attributable to equity holders of the Company increased 94.1% yoy to HK\$257 million.
- Recurring profit dropped 44.5% to HK\$81 million.
- ASP up 4.8%.
- Final dividend of HK2.2 cents and special dividend of HK12.8 cents; total yearly dividend of HK30.0 cents, representing a payout ratio of 81.5%.
- Cash and cash equivalent of HK\$804 million as at 31 March 2018.

Hong Kong, 29 June 2018 – Leading premium casual and children’s footwear manufacturer Kingmaker Footwear Holdings Limited (01170.HK) yesterday announced its results for the year ended 31 March 2018. During the year, turnover from continuing operations decreased by 36.4% year on year to HK\$1,165 million (2017: HK\$1,830 million).

The decline in turnover was mainly attributable to sluggish retail sales in the US and Europe, as reflected in slowed sales orders in particular during the second half of the financial year. The decrease was also resulted from the Group’s more selective strategy which aims to shift its focus onto products with higher [profits and value in the long run]. These product mix enhancement efforts have yielded a 4.8% increase in the average selling price (“ASP”).

The Group recorded a net profit from continuing operations attributable to equity holders of the Company of approximately HK\$257 million (2017: approximately HK\$133 million), representing a significant increase of 94.1% year on year. This was principally attributable to: (1) a non-recurring profit of approximately HK\$174 million from the net gain on disposal of Kingmaker Footwear (Zhong Shan) Co., Ltd., which was recognized and reflected in the interim results of the Group for the six months ended 30 September 2017; and (b) the writing back of an overprovision for prior years’ income taxes in the amount of approximately HK\$40 million. Excluding the one-off items, recurring profit declined 44.5% year on year.

Earnings per share for the year increased by 93.3% year on year to approximately HK36.82 cents (2017: approximately HK19.05 cents). The Group declared a final dividend and a special dividend of HK2.2 cents and HK12.8 cents per share respectively. Total yearly dividend amounted to HK30.0 cents per share, representing a payout ratio of 81.5%.

Gross profit margin dropped to 15.7% (2017: 18.0%) as a result of additional staff training and product development costs incurred as the Group expanded the conversion of traditional production lines into concept lines. The concept line system was designed to enhance production efficiency, quality control, faster shipment, and most importantly, to cope with the industry trend towards smaller batch sizes and more product styles. The setting up of the concept lines were accompanied by further investments in lean manufacturing and process automation.

Increasing minimum wages in Vietnam, rising leather and other material costs, and the appreciation of the Renminbi and Vietnam Dong during the year also had a negative impact on the gross profit.

Kingmaker Footwear Chairman Mr. Chan Ho Man said: "In the past two years, our Group has focused on consolidating and renovating our production capabilities and facilities. We are now ready to rebuild our sales force and take further actions to capture new market trends and demands. Shareholders can expect to see the first stage of our transformation to play out over the next three to five years. We are of the view that our Group has the competence and right strategies to rebound from the trough."

The Group now operates two core manufacturing bases in southern Vietnam and Cambodia. Its production network also includes research and development ("R&D") centers located in southern Vietnam, Cambodia and China. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

The relocation of production activities from the higher-cost base in Mainland China to more cost-effective sites in Southeast Asia has helped renew its cost competitiveness against rising manufacturing expenses and squeezing margins. The Group believes the current geographical mix will enable it to maintain flexibility in adjusting its production to cope with clients' needs and market changes.

As at the year-end date, the Group had a combined production scale of 38 concept and traditional processing lines, aggregating to an annual capacity of around 12.3 million pairs of footwear, which were 70.0% utilized (2017: 85.0%).

The Southeast Asian production base contributed 82.2% of total production (2017: 85.9%) in terms of pairs of footwear, while Mainland China accounted for 17.8% (2017: 14.1%) of the total.

The ongoing strategy is to consistently shift to higher-profit products and brands. The Group will cautiously monitor and adjust the client portfolio and product mix in order to maintain profitability and to capture market trends.

Major customers for the year included Asics, Clarks, KIX, Skechers and Wolverine, with the top five customers' aggregate contribution remaining quite stable at 93.7% (2017: 93.5%) of total turnover.

In addition to serving major footwear brands, the Group's new concept line production setting can also accommodate smaller niche brands which represent the upcoming trend of the industry. These currently include German brand K1X and US brand McCubbin.

Cash and cash equivalents were maintained at a favorable level of approximately HK\$804 million (2017: HK\$776 million) as at 31 March 2018. The current and quick ratios were 2.4 and 2.1 respectively (2017: 2.07 and 1.79 respectively).

Financial Highlights

	For the year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Turnover	1,164,873	1,830,267
Gross profit	182,621	329,836
Gross profit margin	15.7%	18.0%
Profit attributable to equity holders of the Company	257,260	132,556
Basic earnings per share		
- For profit for the year	HK36.82 cents	HK19.05 cents
- For profit for the year from continuing operations	HK36.51 cents	HK21.51 cents
Interim dividend per share	HK3.8 cents	HK4.2 cents
Special dividend per share	HK11.2 cents	HK3.8 cents
Final dividend per share	HK2.2 cents	HK5.5 cents
Special dividend per share	HK12.8 cents	HK4.5 cents
Full-year dividend per share	HK30.0 cents	HK18.0 cents

To download this press release, please click <http://www.t6pr.com/> .

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 9,700.

Issued by: Kingmaker Footwear Holdings Limited
Through: Jenny Lee or Sharon Poon, t6.communications limited
tel: (852)2511 8388 / fax: (852)2511 8238
email: enquiry@t6pr.com