KINGMAKER

For immediate release

KINGMAKER FOOTWEAR HOLDINGS LIMITED

Earnings and turnover growth in year to March 2015

Financial highlights:

- Turnover increased by 23.7% yoy to HK$2,378 million.
- Net profit increased by 36.8% yoy to HK$92 million.
- ASP up 4.6% and business volume grew 18.5%.
- Final dividend of HK4.2 cents and special dividend of HK2.0 cent, resulting in total yearly dividend of HK9.0 cents or a dividend payout ratio of 67.1%.
- Cash and cash equivalent of HK$436 million as at 31 March 2015.

Hong Kong, 28 June 2015 – Leading premium casual and children's footwear manufacturer Kingmaker Footwear Holdings Limited (HKEx: 01170) today announced another record turnover on the back of demand-driven capacity expansion. During the year ended 31 March 2015, turnover increased approximately 23.7% year on year to HK$2,378 million (2014: approximately HK$1,923 million). This turnover growth was accounted for by an approximately 4.6% rise in the average selling price ("ASP") and an approximately 18.5% increase in business volume (pairs).

As a result of impairment on certain old facilities, as well as the relocation of major manufacturing operations from the PRC to southern Vietnam and the subsequent scaling down of PRC facilities, a provision was made during the year.

Having taken into account of the impairment loss on old facilities of approximately HK$9.8 million (2014: approximately nil), as well as a gain on fair value changes of investment properties in the PRC and Renminbi ("RMB")-denominated derivative financial instruments of approximately HK$1.38 million (2014: gain of approximately HK$0.77 million), net profit attributable to the equity holders of the Company increased by approximately 36.8% to approximately HK$92 million (2014: approximately HK$68 million).

Earnings per share for the year increased by approximately 36.8% to approximately HK13.41 cents (2014: approximately HK9.80 cents). In anticipation of ongoing strong cash generation from the manufacturing segment, the Board recommended the payment of a final dividend and special dividend of HK4.2 cents (2014: HK2.2 cents) and HK2.0 cents (2014: HK1.0 cent) respectively, which together with the interim dividend of HK2.8 cents (2014: HK3.3 cents), represents a payout ratio of approximately 67.1% (2014: approximately 66.3%).

Kingmaker Footwear Chairman and Managing Director Mr Chen Ming-hsiung, Mickey said: "Operating amidst moderate global economic growth, the Group has utilized its core strengths and leadership position in niche research-and-development-based manufacturing to match customers' growth initiatives. Expansion and geographical adjustment of manufacturing activities in response to customers' business needs were the main drivers behind the year's turnover growth."

Material prices stabilized in general, with some commodity items showing a slight price drop, helped further by reduced material usage in the production centers in southern Vietnam and Cambodia as the operation of these facilities matured further.

On the other hand, labor costs in the People's Republic of China (the "PRC") were driven to even higher levels by additional social security requirements and employee benefits. Salaries for the workforce in southern Vietnam were also on a mild uptrend.

Salaries and wages, including benefits and allowances, increased by approximately 30.8% and approximately 15.9%, in the PRC and Vietnam respectively during the year. Total labor and salaries for the manufacturing segment, including allowances and other benefits, increased approximately 33.9% to account for approximately 28.0% (2014: approximately 26.1%) of cost of sales, or approximately 24.2% (2014: approximately 22.5%) of the total manufacturing turnover.

Subcontracting charges increased to approximately HK$105 million (2014: approximately HK$74 million), or approximately 4.4% (2014: approximately 3.9%) of turnover, owing to strong growth of orders from certain customers.

As at the year-end date, the Group's facilities had a total of 44 production lines: 20 in southern Vietnam, 10 in Cambodia, and 14 in the PRC. These facilities, aggregating to an annual capacity of around 25 million pairs, were approximately 85% utilized (2014: approximately 80%). Research and development ("R&D") centers have been added to southern Vietnam and Cambodia for certain customers to supplement the product development activities in the PRC. Two partnership outsole factories are also in operation in southern Vietnam and Cambodia.

Southeast Asia grew further in its contribution to the Group's output. During the year, Vietnam contributed approximately 56.3% of total production (2014: approximately 48.0%) in terms of pairs of footwear, an increase of approximately 8.3% year on year. Cambodia has also expanded and matured further, producing approximately 12.5% of total output (2014: approximately 11.5%). Output from the PRC center accounted for approximately 31.2% of total volume (2014: approximately 40.5%) during the year.

The geographical market mix shifted further to Asia. For the manufacturing segment, turnover contribution of both the United States (the "US") and European markets dropped to approximately 31.7% (2014: approximately 43.2%) and 32.5% (2014: approximately 33.3%) of turnover. Growth markets including the PRC, South Korea, Australia and Russia drove the contribution of other markets to approximately 35.8% (2014: approximately 23.5%).

Ath-leisure and premium casual footwear continued to be in fashion and a core product category for the Group, accounting for approximately 54.9% of turnover (2014: approximately 51.6%), while babies' and children's footwear and rugged products generated approximately 34.2% (2014: approximately 40.7%) and 10.9% (2014: approximately 7.7%) of turnover respectively. The Group's multi-location production platform has enabled it to arrange production flexibly in response to product trends and customer preferences.

Major customers for the year included *New Balance*, *Clarks*, *Skechers*, *Asics* and *Wolverine*, which in aggregate contributed approximately 85.6% (2014: approximately 82.4%) of total turnover.

In view of the inexorable rise in labor and other operating costs in the PRC, the Group's strategy has been to scale down its operations there, while exploring acquisition opportunities to expand production facilities in the neighborhood of its existing southern Vietnam plant. To this end, in February 2015, the Group entered into an agreement to acquire leasehold land to extend the factory site in southern Vietnam. Moreover, as announced on 30 April 2015, the Group has accepted an offer for the lease of land within Vietnam Singapore Industrial Park II in Ho Chi Minh City, southern Vietnam, which will be used for the development of additional footwear production facilities.

At the same time, one of the Group's key initiatives in the next three to five years is to set up new production facilities in central Vietnam. In the second quarter of 2015, the first phase of this new production center was set up for trial running. The Group targets to commence mass production in central Vietnam in the third quarter of 2015.

In a move to optimize the retail segment's network in the PRC and Hong Kong, the Group continued to review and adjust the locations of its stores. Following the closure of underperforming shops, the network comprised 30 shops (2014: 46) in the PRC and 5 (2014: 4) in Hong Kong, aggregating to a total of 35 shops (2014: 50) as at 31 March 2015.

Facing a generally lackluster consumer market in the PRC and operating on a downsized network, the retail unit was able to achieve a largely stable turnover with a slight drop of approximately 4.7%. The business incurred a loss of approximately HK$22.9 million (2014: approximately HK$28.3 million). Management will continue to exercise prudence in the further development of this business unit, but is confident of its potential to contribute a stable source of income to the Group in future.

Cash and cash equivalents were maintained at a favorable level of approximately HK$436 million (2014: approximately HK$424 million) as at 31 March 2015. The current ratio was 1.63 (2014: 1.81) and the quick ratio was 1.12 (2014: 1.33).

Financial Highlights

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Turnover	**2,378,003**	1,922,803
Gross profit	**345,380**	290,399
Gross profit margin	**14.5%**	15.1%
Net profit attributable to equity owners of the Company	**92,480**	67,592
Net profit margin	**3.9%**	3.5%
Basic earnings per share	**HK13.41 cents**	HK9.80 cents
Diluted earnings per share	**HK13.37 cents**	HK9.71 cents
Interim dividend per share	**HK2.8 cents**	HK3.3 cents
Final dividend per share	**HK4.2 cents**	HK2.2 cents
Special dividend per share	**HK2.0 cents**	HK1.0 cent
Full-year dividend per share	**HK9.0 cents**	HK6.5 cents

About Kingmaker Footwear Holdings

Kingmaker Footwear Holdings Limited (HKEx: 01170) is a premium name-brand manufacturer of fashion casual and children's footwear. The Group operates 44 production lines in China, Vietnam and Cambodia with a staff of approximately 18,000. It also has a retail segment which operates chains to carry footwear, apparel and accessories under the *Fiona's Prince* and other partner brands.

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