



For immediate release

KINGMAKER FOOTWEAR HOLDINGS LIMITED

Achieves record turnover in year to March 2014

Financial highlights:

- Turnover increased by 6.3% yoy to HK\$1,923 million.
- Net profit declined by 28.1% yoy to HK\$68 million.
- ASP up 2.5% and business volume grew 2.4%.
- Final dividend of HK2.2 cents and special dividend of HK1.0 cent, resulting in total yearly dividend of HK6.5 cents or a dividend payout ratio of 66.3%.
- Cash and cash equivalent of HK\$424 million as at 31 Mar 2014.

Hong Kong, 30 June 2014 – Leading premium casual and children’s footwear manufacturer Kingmaker Footwear Holdings Limited (HKEx: 01170) today announced that, during the year ended 31 March 2014, it was able to report continuing achievement of record turnover with the help of its diversified production bases. During the year, turnover increased approximately 6.3% year on year to HK\$1,923 million (2013: approximately HK\$1,809 million). This turnover growth represented an approximately 2.5% rise in the average selling price (“ASP”) and an approximately 2.4% increase in business volume.

After taking into account the cost factors, the revaluation gain of investment properties in the PRC and the fair value gain on derivative financial instruments, net profit attributable to the equity holders of the Company declined approximately 28.1% year on year to approximately HK\$68 million (2013: approximately HK\$94 million).

Earnings per share for the year decreased by approximately 28.8% year on year to approximately HK9.80 cents (2013: approximately HK13.76 cents). In view of its strong performance and healthy financial position, the Group declared a final dividend and special dividend of HK2.2 cents (2013: HK5.0 cents) and HK1.0 cent (2013: 2.0 cents) respectively, which together with the interim dividend of HK3.3 cents (2013: HK3.0 cents), represent a payout ratio of approximately 66.3% (2013: approximately 72.7%).

Kingmaker Footwear Chairman and Managing Director Mr Chen Ming-hsiung, Mickey said: “Faced with a tough environment, I am pleased to report another record turnover as a result of our proactive and timely moves to diversify our production base. Going forward, we will continue to consolidate our operations in the retail segment, while at the same time continuing to raise the competitiveness of our manufacturing business. As such, we will suitably increase investments in the manufacturing business.”

To sum up the respective changes in different cost factors, salaries and wages went up during the year as minimum wages in the PRC and salaries in Vietnam increased. The Group was able to limit the impact by migrating part of this increment to customers, as witnessed in the mild increase in the ASP. Continued efforts to enhance productivity have also helped mitigate part of the labor cost increase. Total labor and salaries for the manufacturing unit, including allowances and other benefits, accounted for 22.53% to the total manufacturing turnover compared to 22.13% the previous year.

Subcontracting charges were maintained at approximately HK\$74 million (2013: approximately HK\$71 million), or approximately 3.9% of turnover, as production lines in the new factories began to operate smoothly. Transportation expenses were up significantly by approximately 12.6% as a result of the relocation of orders between different factories as well as the need to speed up production for certain orders from new customers in Vietnam and Cambodia.

The Group's facilities located in three specialized production hubs in the PRC, Vietnam and Cambodia provide a diversified platform to effectively serve different manufacturing requirements. During the year, the PRC, Vietnam and Cambodia contributed approximately 41.0%, 42.2% and 13.6% respectively (2013: approximately 52.8%, 35.1% and 9.8% respectively) of total turnover.

On the back of the Group's competitive edge, premium casual footwear, including 'ath-leisure' products, continued to be the Group's main category of output, accounting for approximately 51.6% of turnover (2013: approximately 53.5%). Babies' and children's footwear and rugged shoes contributed approximately 40.7% and 7.7% respectively (2013: approximately 38.6% and 7.9% respectively) of turnover. The Group's lead in the premium footwear category has enabled its customers to develop products that meet ever-changing consumer preferences in a competitive market.

During the year, the recovery trend was slightly stronger in the United States (the "US") than the Eurozone, but both markets were eclipsed by the strong growth in Asia. The reporting year's geographical combination has therefore shifted towards the Asian market owing to strong growth in China, South Korea, Australia and Russia, helping lift the region's turnover contribution to approximately 22.84% (2013: approximately 19.03%). Turnover contribution of both the US and European markets dropped slightly to approximately 41.96% (2013: approximately 44.06%) and 32.38% (2013: approximately 34.55%) of Group turnover.

As at the year-end date, the Group's facilities, each located and designed to accommodate different product development and manufacturing requirements, had a total of 46 production lines: 20 in Vietnam, 7 in Cambodia, and 19 in the PRC, comprising 9 in Zhongshan, 6 in Zhuhai and 4 in Jiangxi Province. These facilities, aggregating to an annual capacity of 25 million pairs, were approximately 80% utilized (2013: approximately 89%) as new facilities were added in both Vietnam and Cambodia during the year.

Major customers during the year included *Skechers*, *Clarks*, *New Balance*, *Stride Rite* and *Asics Tiger* which in aggregate contributed approximately 82.88% (2013: approximately 90.56%) of the Group's total turnover.

To deal with the inexorable rise in labor and other operating costs during the year, the Group has carried out a timely assessment of its production facilities and subsequently devised a more rational allocation of production activities to different plant premises. The PRC plants (mainly those in Zhongshan and Zhuhai) were consolidated during this exercise, while facilities in southern Vietnam were expanded to support business development. Although the optimization exercise will cause an increase in the Group's short-term non-operating expenses, these timely and necessary measures will radically raise its competitiveness and lay a foundation for healthy development in future.

Although the facilities in southern Vietnam have been temporarily disrupted by the protests and riots in Vietnam, the Group continues to hold a positive view of its investments in the country. Vietnam remains a strong supply base that complements the Group's facilities in the PRC and Cambodia. The expansion program in central Vietnam will therefore proceed as planned. Phase 1 of the new factory premises in central Vietnam will enter operation in mid-2015 to cope with expected demand growth.

The retailing business reported an approximately 27.0% growth in sales on a downsized network. The segment was also able to narrow its net loss attributable to owners of the Company by 0.5% to approximately HK\$28.3 million.

A number of under-performing stores were closed down during the year, while new stores with better prospects were opened with a view to increasing overall network efficiency. As at 31 March 2014, the core *Fiona's Prince* brand had 46 shops, representing a reduction of 5 shops from the previous year.

Cash and cash equivalents were maintained at a favorable level of approximately HK\$424 million (2013: approximately HK\$548 million) as at 31 March 2014. The current ratio was 1.81 (2013: 2.16) and the quick ratio was 1.33 (2013: 1.73).

Financial Highlights

	For the year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Turnover	1,922,803	1,809,377
Gross profit	290,399	298,668
Gross profit margin	15.1%	16.5%
Net profit attributable to equity owners of the Company	67,592	93,970
Net profit margin	3.5%	5.2%
Interim dividend per share	HK3.3 cents	HK3.0 cents
Final dividend per share	HK2.2 cents	HK5.0 cents
Special dividend per share	HK1.0 cents	HK2.0 cents
Full-year dividend per share	HK6.5 cents	HK10.0 cents
Basic earnings per share	HK9.8 cents	HK13.76 cents
Diluted earnings per share	HK9.71 cents	HK13.68 cents

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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 46 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.

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