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## **KINGMAKER FOOTWEAR HOLDINGS LIMITED**

**信星鞋業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01170)**

### **INSIDE INFORMATION DISCLOSEABLE TRANSACTION**

### **FORMATION OF A JOINT VENTURE AND DISPOSAL OF SUBSIDIARIES**

#### **THE FORMATION OF A JOINT VENTURE AND THE DISPOSAL**

The Board is pleased to announce that on 9 January 2017 (after the morning trading hours), Novel Alliance (an indirect wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with the JV Partner, whereby (i) the JV Company is to be established with a registered capital of US\$28,120,000, (ii) upon establishment of the JV Company, Novel Alliance will transfer its entire interests in Star Praised Group and Empress Choice Group to the JV Company at a monetary consideration of US\$20,000,000 (subject to adjustment), of which US\$8,000,000 will be used for paying up its 40% shareholding interest in the JV Company and the balance representing the difference between the final adjusted consideration amount and US\$8,000,000 will be paid by the JV Company to Novel Alliance in cash within 7 days after the completion of the inspection of financial records exercise at the factories in central Vietnam, and the JV Partner will subscribe for 60% shareholding interest in the JV Company in cash in the sum of US\$12,000,000. The remaining capital commitment in the sum of US\$8,120,000 will be injected by the parties in cash by the end of 2018 in proportion to their respective shareholding percentage.

\* For identification purposes only

Upon completion of the Disposal, Star Praised Group and Empress Choice Group will cease to be subsidiaries of the Company. Accordingly, their financial results will no longer be consolidated into the Company's financial statements upon completion of the Disposal.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 5% but less than 25%, the transactions contemplated under the Joint Venture Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 1:00 p.m. on 9 January 2017 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 10 January 2017.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

### **THE FORMATION OF JOINT VENTURE AND THE DISPOSAL**

The Board is pleased to announce that on 9 January 2017 (after the morning trading hours), Novel Alliance (an indirect wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with the JV Partner, whereby (i) the JV Company is to be established with a registered capital of US\$28,120,000, (ii) upon establishment of the JV Company, Novel Alliance will transfer its entire interest in Star Praised Group and Empress Choice Group to the JV Company at a monetary consideration of US\$20,000,000 (subject to adjustment), of which US\$8,000,000 will be used for paying up its 40% shareholding interest in the JV Company and the balance representing the difference between the final adjusted consideration amount and US\$8,000,000 will be paid by the JV Company to Novel Alliance in cash within 7 days after the completion of the inspection of financial records exercise at the factories in central Vietnam, and the JV Partner will subscribe for 60% shareholding interest in the JV Company in cash in the sum of US\$12,000,000. The remaining capital commitment in the sum of US\$8,120,000 will be injected by the parties in cash by the end of 2018 in proportion to their respective shareholding percentage.

## PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

### Date:

9 January 2017

### Parties:

- (i) Novel Alliance, an indirect wholly-owned subsidiary of the Company
- (ii) the JV Partner.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are Independent Third Party to the Company.

### Principal subject matters:

#### *(i) Establishment of the JV Company*

After signing of the Joint Venture Agreement, Novel Alliance and the JV Partner will set up the JV Company with a registered capital of US\$28,120,000. Novel Alliance and the JV Partner will hold 40% and 60% of the shareholding interest in the JV Company respectively.

#### *(ii) Capital Contributions to the JV Company*

Upon establishment of the JV Company,

- (a) Novel Alliance will transfer its entire shareholding interest in Star Praised Limited (together with its subsidiary, the "**Star Praised Group**") and in Empress Choice Limited (together with its subsidiary, the "**Empress Choice Group**") to the JV Company (the "**Disposal**") at a monetary consideration amount of US\$20,000,000 (subject to adjustment), of which US\$8,000,000 will be used for paying up its 40% shareholding interest in the JV Company, and the balance representing the difference between the final adjusted consideration amount and US\$8,000,000 will be paid by the JV Company to Novel Alliance in cash within 7 days after the completion of the inspection of financial records exercise at the factories in central Vietnam (which is expected to be completed on or before 28 February 2017); and

- (b) The JV Partner will pay up the 60% shareholding interest in the JV Company in cash in the sum of US\$12,000,000 (the “**JV Partner’s Payment**”).

The completion of the Disposal by Novel Alliance and the JV Partner’s Payment are inter-conditional.

After the completion of the Disposal and the JV Partner’s Payment, the total paid up capital of the JV Company will be US\$20,000,000.

The monetary consideration amount of US\$20,000,000 for the Disposal has been determined after arm’s length negotiation with the JV Partner and by reference to the fair value of the parcels of land and manufacturing facilities owned by Star Praised Group and Empress Choice Group.

The remaining capital commitments in the sum of US\$8,120,000 will be injected by the parties in cash by the end of 2018 in proportion to their respective shareholding percentage.

***(iii) Transfer restrictions in relation to shares in the JV Company***

Each shareholder in the JV Company shall enjoy the customary shareholders’ rights of first refusal and tag-along right in relation to any disposal of shares in the JV Company by the other shareholder.

***(iv) Management of the JV Company***

The board of directors of the JV Company will have five directors, of which three shall be appointed by the JV Partner and two will be appointed by Novel Alliance. Quorum for directors meeting shall be half of the board members of which one must be representative of Novel Alliance. Resolutions in the board meetings shall be passed by simple majority save and except some important matters shall be approved by at least three-fourth of the members of the board of directors of the JV Company, for example, (a) proposal for amendment of articles of associations (including the change of number of directors and quorum), (b) setting up subsidiary and making investment, (c) financing arrangement, and (d) proposal for amalgamation, dissolution, winding up of the JV Company.

**(v) Dividend policy of the JV Company**

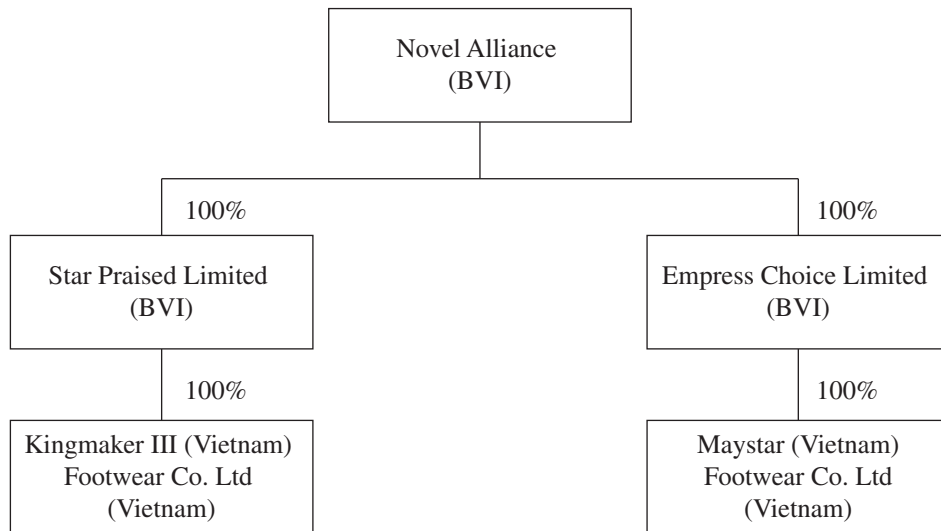
Net profits of the JV Company (revenue minus costs, expenses and tax) shall be distributed amongst the shareholders in accordance with their shareholding percentage in the JV Company. It is expected that not less than 30% of the net profits of the JV Company will be distributed to the shareholders.

**(vi) Business plan of the JV Company**

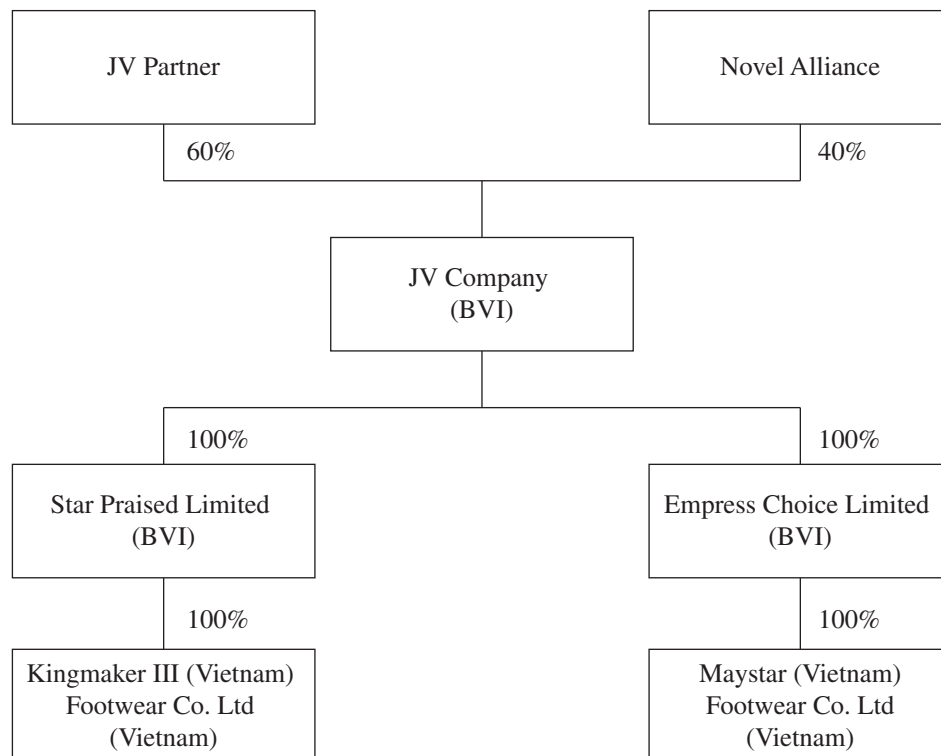
For the period from 2017 to 2018, it is expected that (i) the existing three production lines in central Vietnam plant will be modified and by the end of 2017, the number of production lines will further be increased to 10, and (ii) by the end of 2018, another 10 new production lines will be installed and it is expected that the annual production volume can reach 7,200,000 pairs after the installation of these 10 new production lines. From 2019 onwards, there will be continuous refinement of the management of the production lines and upgrades of the production facilities.

## EXISTING SHAREHOLDING STRUCTURES OF STAR PRAISED GROUP AND EMPRESS CHOICE GROUP AND THE SHAREHOLDING STRUCTURE AFTER THE FORMATION OF THE JOINT VENTURE COMPANY

Set out below is the shareholding structures of Star Praised Group and Empress Choice Group as at the date of this announcement:



After the completion of the formation of the JV Company, the Disposal and the JV Partner's Payment, the shareholding structure of the JV Company will be as follow:



## INFORMATION ON STAR PRAISED GROUP AND EMPRESS CHOICE GROUP

### (i) Star Praised Group

Star Praised Group includes Star Praised Limited and Kingmaker III (Vietnam) Footwear Co. Ltd (a wholly-owned subsidiary of Star Praised Limited). Star Praised Limited is an indirect wholly-owned subsidiary of the Company as at the date of this announcement and is a company incorporated in the BVI with limited liability. Its principal business is investment holding. Kingmaker III (Vietnam) Footwear Co. Ltd is a company incorporated in Vietnam and its principal activity is manufacturing of footwear. The major assets of Kingmaker III (Vietnam) Footwear Co. Ltd are a parcel of land and buildings in central Vietnam with a total site area of approximately 123,100 square meters, together with the manufacturing facilities thereon with gross floor area of approximately 25,300 square meters.

The value of the parcel of land and manufacturing facilities owned by Star Praised Group as at 30 September 2016 appraised by the valuer was approximately HK\$109 million. Set out below is the audited financial information of the Star Praised Group prepared in accordance with Hong Kong Financial Reporting Standards for the six months period ended 30 September 2016 and the audited consolidated financial information for the year ended 31 March 2016 and 31 March 2015 respectively of Star Praised Limited are set out below:

	<b>For the period from 1 April 2014 to 31 March 2015 <i>HK\$'000</i> (approximately)</b>	<b>For the period from 1 April 2015 to 31 March 2016 <i>HK\$'000</i> (approximately)</b>	<b>For the period from 1 April 2016 to 30 September 2016 <i>HK\$'000</i> (approximately)</b>
Turnover	–	14,292	18,381
Loss before taxation	(828)	(21,688)	(10,932)
Loss after taxation	(828)	(21,688)	(10,932)

**(ii) Empress Choice Group**

Empress Choice Group includes Empress Choice Limited and Maystar (Vietnam) Footwear Co. Ltd (a wholly-owned subsidiary of Empress Choice Limited). Empress Choice Limited is an indirect wholly-owned subsidiary of the Company as at the date of this announcement and is a company incorporated in the BVI with limited liability. Its principal business is investment holding. Maystar (Vietnam) Footwear Co. Ltd is a company incorporated in Vietnam and its principal activity is manufacturing of footwear. The major assets of Maystar (Vietnam) Footwear Co. Ltd are a parcel of land in central Vietnam with a total site area of approximately 130,800 square meters.

The value of the parcel of land owned by Empress Choice Group as at 30 September 2016 appraised by the valuer was approximately HK\$34 million. Set out below is the audited financial information of the Empress Choice Group prepared in accordance with Hong Kong Financial Reporting Standards for the six months period ended 30 September 2016 and the audited consolidated financial information for the year ended 31 March 2016 and 31 March 2015 respectively of Empress Choice Limited are set out below:

	<b>For the period from 1 April 2014 to 31 March 2015 <i>HK\$'000</i> <i>(approximately)</i></b>	<b>For the period from 1 April 2015 to 31 March 2016 <i>HK\$'000</i> <i>(approximately)</i></b>	<b>For the period from 1 April 2016 to 30 September 2016 <i>HK\$'000</i> <i>(approximately)</i></b>
Turnover	–	–	–
Profit/(loss) before taxation	12	(65)	(18)
Profit/(loss) after taxation	12	(65)	(18)



## **FINANCIAL IMPLICATIONS OF THE DISPOSAL**

Upon completion of the Disposal, Star Praised Group and Empress Choice Group will cease to be subsidiaries of the Company. Accordingly, their financial results will no longer be consolidated into the Company's financial statements upon completion of the Disposal.

Subject to audit by the auditor of the Group, the Group expects to recognize a gain of approximately HK\$13,000,000 from the Disposal as at 30 September 2016, which is calculated with reference to the unaudited fair amount of net assets value of the Star Praised Group and Empress Choice Group of approximately HK\$143,000,000 as at 30 September 2016.

## **REASONS FOR THE FORMATION OF THE JOINT VENTURE AND THE DISPOSAL**

1. As previously announced, the Board expects that the footwear market is subject to a lot of uncertainties. With a view to enabling the Group to be able to adhere to the principle of steady development, while standing prepared to cope with new market challenges and capture suitable opportunities, the Board considers the needs to further widening its customers and products portfolios, one of the ways to achieve this goal is by forming joint ventures with suitable partners. Having considered the strong background of the Evervan Group (as defined in the paragraph headed "Information of the JV Partner" of this announcement), the Board anticipates that there will be a synergy to be formed between the Group and the Evervan Group which will (i) broaden the Group's customers base; and (ii) widen the product range of the Group, in particular, we can penetrate into the manufacturing of more high-end athletic products. The Board also anticipates that this first collaboration with the Evervan Group, one of the leading international footwear manufacturers, will form a good basis for furthering and strengthening our relationship with them in the future.
2. According to the business plan of the JV Company, the existing three production lines in central Vietnam plant are expected to be modified. By the end of 2017, the number of production lines will further be increased to 10. By the end of 2018, another 10 new production lines will be installed and it is expected that the annual production volume can reach 7,200,000 pairs after the installation of these 10 new production lines. Thus, the Board is of the view that the collaboration with the Evervan Group and the establishment of the JV Company will enable the Group to utilize its production facilities in central Vietnam more effectively and efficiently.

3. Apart from the benefits the Group can obtain in terms of business development, financially there will also be a realization gain of approximately HK\$13,000,000 arising from the Disposal.
4. Finally, the Board sees that the Disposal will allow the Group to reduce any potential risk and uncertainty arise from the potential loss of benefits enjoyed by Vietnam under the Trans Pacific Partnership Agreement with the US government.

Cash proceeds from the Disposal to be received will be retained by the Company as working capital.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

## **INFORMATION OF THE COMPANY AND NOVEL ALLIANCE**

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Company and its subsidiaries are principally engaged in the business of manufacturing, trading and retailing of footwear.

Novel Alliance is a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

## **INFORMATION ON THE JV PARTNER**

The Directors are informed that the JV Partner is a private company incorporated in the BVI with limited liability and it is principally engaged in investment holding. Based on the information provided by the JV Partner, it belongs to Guangzhou Evervan Footwear Co. Ltd. Guangzhou Evervan Footwear Co. Ltd (together with its subsidiaries, the “**Evervan Group**”) is one of the leading international footwear manufacturers and principally engaged in the manufacturing and distribution of footwear products which covers internationally-recognised branded sports shoes, basketball shoes, tennis shoes, baseball shoes and other products. The Evervan Group has production facilities in China, Indonesia, Vietnam and Cambodia and employs around a total of around 70,000 employees. The annual production volume of Evervan Group is around 100 million pairs of shoes.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are an Independent Third Party to the Company.

## **LISTING RULES IMPLICATIONS**

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## **RESUMPTION OF TRADING**

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## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Kingmaker Footwear Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1170)

“Connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“Disposal”	has the meaning as provided in the paragraph headed “Principal Terms of the Joint Venture Agreement – Principal subject matters – (ii) Capital Contributions to the JV Company” of this announcement
“Empress Choice Group”	has the meaning as provided in the paragraph headed “Principal Terms of the Joint Venture Agreement – Principal subject matters – (ii) Capital Contributions to the JV Company” of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“JV Company”	the joint venture company to be formed by Novel Alliance and the JV Partner in BVI in accordance with the terms of the Joint Venture Agreement
“JV Partner”	Vast King International Holdings Limited, a company incorporated in the BVI with limited liability
“Joint Venture Agreement”	the agreement dated 9 January 2017 entered into between the Novel Alliance and the JV Partner in respect of the formation of the JV Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novel Alliance”	Novel Alliance Holdings Limited, a company incorporated in the BVI and is an indirect non-wholly owned subsidiary of the Company
“Shares”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Star Praised Group”	has the meaning as provided in the paragraph headed “Principal Terms of the Joint Venture Agreement – Principal subject matters – (ii) Capital Contributions to the JV Company” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

On behalf of the Board  
**Chan Ho-man, Daniel**  
*Chairman*

Hong Kong, 9 January 2017

*As of the date of this announcement, the Board consists of four executive Directors, namely, Mdm. HUANG Hsiu-duan, Helen, Mr. KIMMEL, Phillip Brian, Mr. MUMMA Adin Daivd and Mr. WONG Hei-chiu; two non-executive Directors, namely Mr. CHOW Wing-kin, Anthony and Mr. CHAN Ho-man, Daniel; and three independent non-executive Directors, namely Mr. TAM King-ching, Kenny, Mr. YUNG Tse-kwong, Steven and Ms. CHAN Mei-bo, Mabel.*