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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

This announcement is made by Kingmaker Footwear Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors of the Company (the “**Directors**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group, the Group is expected to record a profit attributable to equity holders of the Company of not less than HK\$250 million for the year ended 31 March 2018, representing a significant increase as compared to the year ended 31 March 2017. This is principally attributable to: (a) a non-recurring profit of approximately HK\$174 million from the net gain on disposal of Kingmaker Footwear (Zhong Shan) Co., Ltd., which was recognised and reflected in the interim results of the Group for the six months ended 30 September 2017; and (b) an overprovision in prior years’ income taxes which is still under review by the Company.

* For identification purposes only

Notwithstanding the expected increase in the profit attributable to equity holders of the Company, as disclosed in the interim report of the Company for the six months ended 30 September 2017 (the “**Interim Report**”), retail sentiments would likely continue to be subdued in the US and Europe, and such has again reflected in our clients’ orders for the second half of fiscal 2017/18. Further, weakened retail sales for the year coincided with the Group’s efforts to enhance its clientele portfolio and shift its product mix towards higher-margin items.

Due to the above reasons and based on the unaudited consolidated management accounts of the Group, the Group’s revenue attributable to its core business of manufacturing and sale of footwear products is expected to decrease by approximately 35% for the year as foreshadowed in the Interim Report of the Company, with recurring profit expected to decrease as a result. Based on the information currently available to the Group, apart from the macroeconomic reason of a slowdown in the global economy and retail sales in the US and Europe, such decreases are mainly attributable to: (a) additional costs incurred and associated with the conversion of traditional production lines into “concept-lines” with an aim to promote efficiency, lean manufacturing and process automation; (b) decrease in the overall manufacturing capacity of the Group; (c) re-evaluation of the business model, client and product mix of the Group so as to shift its focus onto products with higher profit margins and to achieve higher profit margin in the long run; and (d) increase in share of losses of associates of the Company which are also engaged in the manufacturing of footwear products.

In light of the future trend of the global economy which remains uncertain and various game-changing events and factors of concern, management continues to be cautious towards the market and operating environment in the coming year. Our long-term goals remain to pursue profit margin enhancement and shareholder value. To achieve these goals, we will seek sustainable development through market-driven capacity and business portfolio planning, as we position ourselves as a production partner for global footwear brands.

The Company is still in the process of finalising the financial results of the Group for the year ended 31 March 2018. The information contained in this announcement is only a preliminary assessment by the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2018 and the information currently available to the Board, which have not been confirmed or audited by the Company’s auditors and may be subject to adjustments. Details of the Group’s financial results for the year ended 31 March 2018 will be disclosed in the annual results announcement, which is expected to be published by the end of June 2018.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Kingmaker Footwear Holdings Limited
Chan Ho Man, Daniel
Chairman

Hong Kong, 7 June 2018

As of the date of this announcement, the Board consists of four executive directors, namely Mdm. HUANG Hsiu Duan, Helen, Mr. MUMMA, Adin David, Mr. KIMMEL Phillip Brian and Mr. WONG Hei Chiu; two non-executive directors, namely Mr. CHAN Ho Man, Daniel and Mr. CHOW Wing Kin, Anthony; and three independent non-executive directors, namely Mr. TAM King Ching, Kenny, Mr. YUNG Tse Kwong, Steven and Ms. CHAN Mei Bo, Mabel.