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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)**

### **PROFIT WARNING**

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) under 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 decrease of approximately 85% in profit attributable to equity holders of the Company for the six months ended 30 September 2018 as compared with that for the six months ended 30 September 2017, principally attributable to: (a) the absence of the non-recurring profit of approximately HK\$174 million from the net gain on disposal of Kingmaker Footwear (Zhong Shan) Co., Ltd. recognized for the six months ended 30 September 2017; and (b) the decrease in recurring profit of approximately 30% to 40% as compared with that for the six months ended 30 September 2017.

\* For identification purposes only

Based on the unaudited consolidated management accounts of the Group, revenue attributable to its core business of manufacturing and sale of footwear products is expected to record an increase of approximately 8% for the six months ended 30 September 2018 as compared with that for the six months ended 30 September 2017. However, the Group also incurred rising costs for the period. As disclosed in the annual report of the Company for the year ended 31 March 2018 (the “**Annual Report**”), additional staff training and product development costs were incurred from the conversion of traditional production lines into concept lines. The setting up of the concept lines were also accompanied by further investments in lean manufacturing and process automation. In addition, as disclosed in the Annual Report, continuous rising costs and tightening human rights regulations remain a major pressure for footwear manufacturers.

In view of the above, notwithstanding the expected increase in revenue, the recurring profit of the Group for the six months ended 30 September 2018 is expected to decrease, 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; and (b) 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 in the long run. These factors were nevertheless partially offset by the reversal of a tax provision due to an overprovision in prior years’ income taxes which is still under review by the Company.

The Company is still in the process of preparing the unaudited consolidated financial results of the Group for the six months ended 30 September 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 six months ended 30 September 2018 and the information currently available to the Board, which may be subject to adjustments, and is not based on any information or figures that have been reviewed or audited by the Company’s auditor. Details of the Group’s financial results for the six months ended 30 September 2018 will be disclosed in the interim results announcement, which is expected to be published by the end of November 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, 29 October 2018

*As of the date of this announcement, the Board consists of three executive directors, namely Mdm. HUANG Hsiu Duan, Helen, Mr. MUMMA, Adin David and Mr. WONG Hei Chiu; three non-executive directors, namely Mr. CHAN Ho Man, Daniel, Mr. KIMMEL Phillip Brian 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.*