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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 a preliminary review of the unaudited consolidated management accounts of the Group, the Group is expected to record a significant decrease in profit attributable to equity holders of the Company for the year ended 31 March 2019 as compared with that for the year ended 31 March 2018. The decrease was 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. as recognized for the year ended 31 March 2018; and (b) the decrease in recurring profit for the year ended 31 March 2019 as compared with that for the year ended 31 March 2018.

* *For identification purposes only*

During the second half of financial year 2018/19, worldwide footwear retail sales continued to be generally weak due to a number of uncertainties including the lack of any strong fashion direction, and marked changes in the spending patterns of younger consumers. In addition, trade frictions between the United States and the People's Republic of China, which earlier seemed close to reaching an agreement; have now cast a cloud over the footwear retail outlook in both countries. 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 a decrease of approximately 5% for the year ended 31 March 2019 as compared with that for the year ended 31 March 2018.

In addition, the Group incurred rising costs for the year ended 31 March 2019. As disclosed in the annual report of the Company for the year ended 31 March 2018 and the interim report for the six months ended 30 September 2018, continuous rising costs and changes in human rights regulations remain a major pressure for footwear manufacturers. 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 process automation.

In view of the above, the recurring profit of the Group for the year ended 31 March 2019 is expected to decrease, mainly attributable to: (a) a decrease in revenue attributable to the Group's core business of manufacturing and sale of footwear products, thereby reducing the cost benefits from scale economies; (b) additional labour costs incurred and associated with the conversion of traditional production lines into concept lines, which were designed to cope with the prevailing business environment of small orders and frequent product model changes; and (c) additional costs incurred and associated with re-evaluation of the business model, client and product mix of the Group aiming at shifting its focus onto products with higher profit margins in the long run. These negative factors were nevertheless partially offset by the reversal of a tax provision due to an overprovision in prior years' income taxes, the amount of which is still under review by the Company.

The Company is still in the process of finalising the financial results of the Group for the year ended 31 March 2019. 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 2019 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 audited nor confirmed by the Company's auditors. Details of the Group's financial results for the year ended 31 March 2019 will be disclosed in the annual results announcement, which is expected to be published by the end of June 2019.

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, 10 June 2019

As of the date of this announcement, the Board consists of three executive Directors, namely Mdm. HUANG Hsiu Duan, Helen, Mr. WONG Hei Chiu and Mr. CHEN Yi Wu, Ares; three non-executive Directors, namely Mr. KIMMEL Phillip Brian, 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.