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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 loss attributable to equity holders of the Company of not more than approximately HK\$35 million for the six months ended 30 September 2019 as compared with the profit attributable to equity holders of the Company for the six months ended 30 September 2018.

As disclosed in the annual report of the Company for the year ended 31 March 2019, the subdued retail conditions in major footwear markets have continued in 2019, reflected in the conservative procurement patterns of the Group's brand customers. The Company has yet to see major breakthroughs in the order book during the first half of the financial year 2019/20. In addition, trade frictions between the United States and the People's Republic of China (the "PRC") have dragged on longer than expected, casting a cloud over the footwear retail markets in major economies. 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 16% for the six months ended 30 September 2019 as compared with that for the six months ended 30 September 2018.

In addition, the Group incurred further cost increases during the six months ended 30 September 2019. An increase in materials usage and some staff efficiency loss were incurred owing to the moving of production lines between manufacturing centers to accommodate some customers' requests to shift manufacturing locations to meet their business and operational needs. Additional staff training and product development costs were also incurred due to the conversion of traditional production lines into concept lines. Continued investments in process automation were called for to secure long-term competitiveness of the manufacturing operations.

In view of the above, the Group is expected to record an interim loss. This was mainly attributable to:

- (a) a further decrease in turnover attributable to the Group's core business of manufacturing and sale of footwear products, thereby reducing the cost benefits from scale economies, owing to:
 - (i) weak retail conditions, and
 - (ii) the Group's adoption of a more selective sales strategy with an aim to shifting its focus to products with higher value and margins;
- (b) cost increases as additional costs were incurred on and associated with the moving of production lines between manufacturing centers upon clients' requests;
- (c) fair value losses on revaluation of investment properties; and

- (d) increase in share of losses from associates as there was an increase in losses incurred by the Group's affiliated company operating in Central Vietnam. Despite an increase in orders, the factory has yet to achieve economies of scale to generate profit.

At present, the Group's financial position remains healthy with sufficient cash on hand to meet current business needs. The Group will continue to enhance its profit margin as its priority goal, and remains committed to enhancing its production efficiency, further re-allocating its production capacity from the PRC to Southeast Asia, and managing its product mix.

The Company is still in the process of finalising the unaudited consolidated financial results of the Group for the six months ended 30 September 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 six months ended 30 September 2019 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 six months ended 30 September 2019 will be disclosed in the interim results announcement, which is expected to be published by the end of November 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, 4 November 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. 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.

* *for identification purposes only*