KINGMAKER

KINGMAKER FOOTWEAR HOLDINGS LIMITED
信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	HK$'000	*HK$'000*	
Revenue	**2,343,201**	2,378,003	-1.5%
Gross profit	**384,215**	345,380	+11.2%
Gross profit margin	**16.4%**	14.5%	+1.9 points
Profit for the year attributable to equity holders of the Company	**120,205**	92,480	+30.0%
Net profit margin	**5.1%**	3.9%	+1.2 points
	HK cents	*HK cents*	
Basic earnings per share	**17.38**	13.41	+29.6%
Diluted earnings per share	**17.28**	13.37	+29.2%
	HK cents	*HK cents*	
Interim dividend per share	**3.8**	2.8	
Final dividend per share	**5.2**	4.2	
Special dividend per share	**4.0**	2.0	
Total dividends per share for the year	**13.0**	9.0	+44.4%

- Cash and cash equivalents of approximately HK$666 million

* *For identification purposes only*

The board (the "Board") of directors (the "Directors") of Kingmaker Footwear Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
REVENUE	*3*	**2,343,201**	2,378,003
Cost of sales		**(1,958,986)**	(2,032,623)
Gross profit		**384,215**	345,380
Other income and gains/(losses), net		**(13,201)**	12,711
Distribution and selling expenses		**(82,613)**	(92,673)
Administrative expenses		**(156,275)**	(163,231)
Finance costs	*4*	**(11)**	(20)
PROFIT BEFORE TAX	*5*	**132,115**	102,167
Income tax expense	*6*	**(12,743)**	(12,853)
PROFIT FOR THE YEAR		**119,372**	89,314
Attributable to:			
Equity holders of the Company		**120,205**	92,480
Non-controlling interests		**(833)**	(3,166)
		119,372	89,314
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**HK17.38 cents**	HK13.41 cents
Diluted		**HK17.28 cents**	HK13.37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	**119,372**	89,314
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment revaluation reserve:		
Changes in fair value	**(403)**	879
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	**–**	(768)
	(403)	111
Exchange differences on translation of foreign operations	**(25,752)**	117
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods	**(26,155)**	228
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(26,155)**	228
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**93,217**	89,542
Attributable to:		
Equity holders of the Company	**94,050**	92,708
Non-controlling interests	**(833)**	(3,166)
	93,217	89,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**523,592**	522,949
Prepaid land lease payments		**86,579**	78,159
Investment properties		**123,247**	115,692
Deposits		**22,440**	24,793
Investments in club memberships		**887**	906
Available-for-sale investments		**489**	892
Total non-current assets		**757,234**	743,391
CURRENT ASSETS			
Inventories		**233,848**	320,800
Accounts and bills receivable	9	**165,549**	240,773
Prepayments, deposits and other receivables		**13,535**	15,799
Tax recoverable		**110**	162
Restricted bank balance		**–**	1,695
Cash and cash equivalents		**665,705**	436,407
Total current assets		**1,078,747**	1,015,636
CURRENT LIABILITIES			
Accounts and bills payable	10	**226,814**	269,544
Accrued liabilities and other payables		**245,851**	173,805
Tax payable		**191,500**	176,321
Due to non-controlling interests		**–**	1,334
Derivative financial instruments		**519**	1,277
Total current liabilities		**664,684**	622,281
NET CURRENT ASSETS		**414,063**	393,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,171,297**	1,136,746
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**16,878**	20,228
Net assets		**1,154,419**	1,116,518
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**69,584**	68,849
Reserves		**1,062,511**	1,028,334
		1,132,095	1,097,183
Non-controlling interests		**22,324**	19,335
Total equity		**1,154,419**	1,116,518

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business activities and has two reportable operating segments as follows:

(a) manufacturing and sale of footwear products; and

(b) retailing and wholesaling business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs and other unallocated income and gains/(losses), net and unallocated expenses are excluded from the measurement.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 31 March 2016 and 2015.

	Manufacturing and sale of footwear products		**Retailing and wholesaling business**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,308,161**	2,326,399	**35,040**	51,604	**2,343,201**	2,378,003
Intersegment sales	**6,684**	8,558	**–**	–	**6,684**	8,558
Other income	**8,556**	7,291	**–**	–	**8,556**	7,291
Total	**2,323,401**	2,342,248	**35,040**	51,604	**2,358,441**	2,393,852
Elimination of intersegment sales					**(6,684)**	(8,558)
Total					**2,351,757**	2,385,294
Segment results	**158,499**	128,593	**(20,841)**	(22,901)	**137,658**	105,692
Unallocated income and gains/(losses), net					**(1,074)**	2,284
Interest income					**8,191**	7,696
Unallocated expenses					**(12,649)**	(13,485)
Finance costs					**(11)**	(20)
Profit before tax					**132,115**	102,167
Income tax expense					**(12,743)**	(12,853)
Profit for the year					**119,372**	89,314
Assets and liabilities						
Segment assets	**1,085,267**	1,214,193	**14,225**	27,623	**1,099,492**	1,241,816
Unallocated assets					**736,489**	517,211
Total assets					**1,835,981**	1,759,027
Segment liabilities	**466,350**	438,718	**2,815**	2,804	**469,165**	441,522
Unallocated liabilities					**212,397**	200,987
Total liabilities					**681,562**	642,509
Other segment information:						
Depreciation:						
Segment	**56,738**	53,145	**1,054**	1,797	**57,792**	54,942
Unallocated					**4,194**	4,297
					61,986	59,239

	Manufacturing and sale of footwear products		Retailing and wholesaling business		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of prepaid land lease payments:						
Segment	**2,546**	2,050	**–**	–	**2,546**	2,050
Unallocated					**–**	–
					2,546	2,050
Capital expenditure:						
Segment	**114,112**	127,272	**1,742**	1,673	**115,854**	128,945
Unallocated					**–**	–
					115,854	128,945
Impairment of property, plant and equipment:						
Segment	**12,302**	8,632	**1,513**	1,190	**13,815**	9,822
Unallocated					**–**	–
					13,815	9,822
Fair value losses/(gains) on revaluation of investment properties:						
Segment	**8,731**	(4,091)	**–**	–	**8,731**	(4,091)
Unallocated					**–**	–
					8,731	(4,091)

Geographical information

(a) ***Revenue from external customers***

	2016	2015
	HK$'000	*HK$'000*
The United States of America	**479,405**	737,701
Europe	**760,308**	756,778
Asia	**796,964**	663,680
Others	**306,524**	219,844
	2,343,201	2,378,003

The revenue information above is based on the locations of the customers.

(b) ***Non-current assets***

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**27,707**	30,313
Mainland China	**301,105**	365,898
Cambodia	**113,984**	112,723
Vietnam	**311,097**	230,172
Others	**1,965**	2,487
	755,858	741,593

The non-current asset information above is based on the locations of the assets and excludes financial instruments and club memberships.

Information about major customers

Revenue derived from the manufacturing and sale of footwear products business with over 10% of the total revenue of the Group during the years ended 31 March 2016 and 2015 is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**687,316**	705,489
Customer B	**416,537**	256,778
Customer C	**366,748**	247,496
Customer D	**346,743**	439,249
Customer E	**334,804**	385,823
	2,152,148	2,034,835

The above amounts include sales to a group of entities which are known to be under common control with these customers.

4. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**11**	20

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**1,201,376**	1,242,063
Depreciation	**61,986**	59,239
Amortisation of prepaid land lease payments	**2,546**	2,050
Amortisation of a club membership	**19**	19
Fair value losses/(gains) on derivative financial instruments	**220**	(1,382)
Fair value losses/(gains) on revaluation of investment properties	**8,731**	(4,091)
Impairment of property, plant and equipment	**13,815**	9,822
Bank interest income	**(7,240)**	(5,807)
Interest income from accounts receivable	**(951)**	(1,889)
Dividend income	**(38)**	(54)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,688**	425
Underprovision in prior years	**127**	–
Current – Elsewhere		
Charge for the year	**27,675**	22,998
Overprovision in prior years	**(14,431)**	(11,703)
Deferred	**(2,316)**	1,133
Total tax charge for the year	**12,743**	12,853

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2015: 16.5%), the Vietnam Corporate Tax rates of 15% to 22% (2015: 15% to 22%), the Cambodia Corporate Tax rate of 20% (2015: 20%), the Taiwan Corporate Tax rate of 17% (2015: 17%), the Corporate Income Tax rate in Mainland China of 25% (2015: 25%) and the respective tax holidays granted to the subsidiaries of the Group in Vietnam and Cambodia.

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$120,205,000 (2015: HK$92,480,000), and the weighted average number of ordinary shares of 691,674,196 (2015: 689,661,585) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$120,205,000 (2015: HK$92,480,000) and 695,800,219 (2015: 691,826,245) ordinary shares, being the weighted average number of ordinary shares in issue during the year, adjusted for the effects of the potentially dilutive ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2016	2015
Weighted average number of ordinary shares used in calculating the basic earnings per share	**691,674,196**	689,661,585
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all dilutive options in issue during the year	**4,126,023**	2,164,660
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**695,800,219**	691,826,245

8. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2015 – HK4.2 cents per ordinary share (2015: final dividend of HK2.2 cents per ordinary share, in respect of the financial year ended 31 March 2014)	**29,088**	15,201
Special in respect of the financial year ended 31 March 2015 – HK2.0 cents per ordinary share (2015: special dividend of HK1.0 cent per ordinary share, in respect of the financial year ended 31 March 2014)	**13,852**	6,910
Interim – HK3.8 cents (2015: HK2.8 cents) per ordinary share	**26,337**	19,285
	69,277	41,396
Proposed final dividend HK5.2 cents (2015: HK4.2 cents) per ordinary share	**36,184**	28,928
Proposed special dividend HK4.0 cents (2015: HK2.0 cents) per ordinary share	**27,834**	13,775
	64,018	42,703

The proposed final dividend and the proposed special dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividends payable.

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts and bills receivable mainly related to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are regularly reviewed by the Group's senior management.

An aged analysis of the accounts and bills receivable as at the end of the reporting period, based on the date of goods delivered, is as follows:

	2016	2015
	HK\$'000	*HK\$'000*
Within 90 days	**163,904**	239,066
Between 91 and 180 days	**1,041**	1,340
Between 181 and 365 days	**78**	261
Over 365 days	**526**	106
	165,549	240,773

10. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the end of the reporting period, based on the date of goods received, is as follows:

	2016	2015
	HK\$'000	*HK\$'000*
Within 90 days	**208,753**	265,681
Between 91 and 180 days	**17,189**	2,146
Between 181 and 365 days	**56**	830
Over 365 days	**816**	887
	226,814	269,544

The accounts payable are non-interest-bearing and are normally settled on 90-day terms.

DIVIDENDS AND SHARE REPURCHASES

To reward our shareholders for their long-term support, the Board recommends the payment of a final dividend of HK5.2 cents per share and a special dividend of HK4.0 cents per share. Together with the interim dividend of HK3.8 cents per share, the Group has delivered a total dividend for the year of HK13.0 cents per ordinary share, an increase of approximately 44.4% over the previous financial year.

The proposed final and special dividends are subject to the approval of the shareholders at the Annual General Meeting ("AGM") which is scheduled to be held on Tuesday, 30 August 2016. The payment of final and special dividends will be payable on or about Wednesday, 28 September 2016.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 2,976,000 of its ordinary shares at prices ranging from HK$1.32 to HK$2.06 per share. We consider such repurchases to be a constructive element in the prudent management of the overall capital structure and in enhancing returns to shareholders over time.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Friday, 26 August 2016 to Tuesday, 30 August 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 August 2016.

(b) Entitlement to the proposed final and special dividends

The record date for entitlement to the proposed final and special dividends is Thursday, 8 September 2016. The register of members of the Company will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Monday, 5 September 2016.

CHAIRMAN'S STATEMENT

A Lasting Legacy

We were deeply shocked and saddened by the passing of our former Chairman and CEO Mr. Chen Ming-hsiung, Mickey on 14 April 2016. With this tragic event the Group loses not only its respected founder and leader, but also a dear friend to all colleagues and business partners.

Mr. Chen co-founded the Group in 1980 as a small start-up in Taichung, Taiwan. Over the past 36 years, he devoted his entire efforts to taking our manufacturing realm to the People's Republic of China (the "PRC"), Vietnam and Cambodia, building strong industry recognition for the Group, as well as creating an array of high-quality products and services that consistently exceed customer expectations.

The Group made another important mark with its listing on the Main Board of The Stock Exchange of Hong Kong Limited in 1994. As the Chairman of the Group, Mr. Chen was committed to consistently enhancing its asset value and return to shareholders. Since the early days of the Group, he had laid down an important corporate mission and strategies to achieve sustainable growth for our shareholders. While achieving fast-paced business growth for the Group, Mr. Chen played a critical role in instilling a strong governance culture that continues to guide our corporate development.

He is also remembered for his personal integrity and genuine respect for others, attributes that have driven us to build a trustworthy enterprise. With focus, passion and a strong sense of responsibility, Mr. Chen made the impossible happen, and inspired us to always do our best. Time and again, he drove himself and the Group to deliver on our promise of quality and accountability, as a manufacturer, a public company and a corporate citizen.

We thank all our customers for their unswerving support and trust, and our business partners and friends for their condolences. Our thoughts are with the family of Mr. Chen. While we mourn the loss of our former Chairman, we pledge our full efforts to stay true to Mr. Chen's vision and objectives. Together, the Kingmaker family will strive to take the Group to new levels, a path Mr. Chen always chose to take.

Our Strategies: Moving Forward on a Solid Foundation

Overview

The Group continued to deliver resilient results during the year ended 31 March 2016. We anticipated a challenging fiscal year, but it turned out to be far more volatile and difficult than expected. Crashing oil prices and a noticeably slowing Chinese economy together with alarming worldwide geopolitical issues were only some of the dark clouds that gathered and plagued the global economy.

Overall, the year 2015 was 'a game of two halves'. In the second half, slowed economic growth, the depreciation of the Renminbi ("RMB"), and weaker and more volatile equity markets in the PRC had an immediate and direct impact on the overall operating environment for manufacturers and retailers in the country and in Hong Kong.

We entered 2016 with a continued commitment to building on our diversified, unique and well-curated business portfolio. Our financial position strength and our dynamic capital management will place us in a strong position to face the headwinds of the coming year. Just as importantly, these competencies will enable us to seek opportunities to make the Group an even stronger company.

Manufacturing Business

Long-term Strategic Goals:

1. Maintain partnership relationships with brand name customers.

2. Constantly broaden our range of quality development and production services to support customers' enhancement and promotion of their brands.

3. Build and manage a diversified portfolio of operations to meet brand name customers' need for risk management.

Operational Objectives:

1. Pursue and continuously refocus on high profit margin products with growth potential.

2. Attract and maintain a professional management talent pool.

Financial Targets:

1. Uphold conservative financial management.

2. Maintain a healthy balance sheet.

3. Maintain a broadly stable dividend policy while seeking to deliver higher payouts if deemed appropriate.

Consolidation of facilities in Mainland China and a shift of manufacturing activities to Vietnam and Cambodia remain the focus of management efforts. Since 2000, we have steadily diversified our manufacturing base, from being clustered around coastal China to locations including inland provinces such as Jiangxi, and Southeast Asia such as Vietnam and Cambodia. In line with this manufacturing optimization strategy, we further established new facilities in Binh Duong, southern Vietnam and Quang Ngai, central Vietnam during the year, ahead of potential capacity demand growth in the near future. These steps have given us better control over labor costs and supply, which have become significant challenges for our manufacturing bases in Jiangxi, Zhongshan and Zhuhai, the PRC.

Our coastal China production cluster, with a longer history of operation, was traditionally our dedicated center for more sophisticated production processes. As we moved ahead smoothly with the optimization of manufacturing bases, we also nurtured the capabilities of new centers to manage more complex processes. This was evidenced by increasing pairs of footwear produced per hour at centers outside coastal China.

With the maturity of our Southeast Asian centers, we started to consolidate our manufacturing facilities in Zhongshan in a bid to reduce costs and preserve our profitability. Going forward, we are considering scaling down the Zhongshan facilities further, and concentrate our PRC manufacturing activities in Zhuhai. This has also enabled us to concentrate our resources on expanding capacity in Southeast Asia. We are pleased to say that the objective of the optimization and diversification program has been achieved without any compromise on the quality and value-added attributes of our footwear products.

At 31 March 2016, approximately 70% of the production capacity was successfully setting up in Vietnam and Cambodia while approximately 30% remaining in Mainland China. In the long run, it is expected that more than 80% of the production capacity will be relocated to Southeast Asia, where footwear manufacturers enjoy lower costs and more attractive tax and customs policies.

The Trans-Pacific Strategic Economic Partnership Agreement (“TPP”) among twelve Pacific Rim countries, including Vietnam, was signed in February 2016. Tariffs on footwear traded among TPP member countries are to be eliminated in future once the agreement is ratified domestically. Our customers can greatly reduce tariff costs incurred and subsequently we expect demands for production in Vietnam will increase. Thus, the Group will expedite the expansion of production facilities in southern Vietnam. The new phase of our southern Vietnam factory will be put into use in the third quarter of 2016.

Apart from nurturing ties with existing customers to ensure a steady growth of orders, the Group will continue to seek out new customers as additional growth drivers. To tap further market potential, the Group will also explore opportunities for vertical integration.

Retailing Business

Our retail unit in Hong Kong and Mainland China continues to face challenges amid slowing economic growth and uncertainty arising from risks in the financial sector.

Following intensive efforts to develop our retailing operations on the Mainland China, we have continued to roll out our business plans in this challenging but fast-growing footwear market. As the market increasingly shifts towards online retailing, which is dominated by lower-priced products, retailers in the higher price range have to work harder to compete.

The retailing business continues to adopt a prudent approach in managing its sales network, which is vital to the performance of the unit. Continuous upgrading and optimization of the network is ongoing, while management will actively seek to accelerate the development of online sales channels.

Tight control is applied to limit the financial exposure of the retailing operation. Management remains highly focused on improving the long-term profitability and competitiveness of the business.

The unit is gradually adopting a lower-cost and more efficient store portfolio management approach. New store openings are evaluated not only by cost efficiency and potential profitability, but also the allocation of existing operational teams for the new opening to ensure effective management.

In the coming year, management will undertake a thorough review of the retail business which may include the seeking of potential buyers looking to participate in the retail market for babies’ and children’s footwear in Hong Kong and Mainland China. We will continue to monitor the performance of the segment, and in the event that its operating results deteriorate further, we will consider various options including a further downsizing or winding down of its operations.

Outlook

The world economy has been encountering significant ups and downs. As the United States (“US”) Federal Reserve opens up the option of further interest rate hikes since the first increase in December 2015, our major customers face greater challenges in sales. In view of spiking inventories to sales ratios and the fragile outlook of the retail market, our customers have tightened inventories.

Looking to fiscal year 2016/17, the global economy is not expected to show significant growth. Taking into account the various uncertainties around the world, including the withdrawal of the United Kingdom (the "UK") from the European Union, recurrence of financial turmoil in the PRC, and the extent and timetable of interest rate hikes in the US, the pace of economic recovery may slow down.

Management stays alert to the market turbulences following the UK European Union membership referendum. Although no sales are currently denominated in sterling pound, we will closely monitor the impact of the fall of the currency on our customers' sales. We believe the event may have a longer-term effect on global retail markets.

Owing to these factors together with geopolitical tension arising from terrorist attacks and disagreements among members of the Organization of the Petroleum Exporting Countries ("OPEC") on oil production quotas, management holds a cautious attitude towards the overall economy and operating environment in the coming year.

We will exercise prudence in unfolding our business plans, with focus on developments in southern Vietnam. At the same time, we will closely monitor the latest market developments before we re-evaluate and execute our planned business strategies for central Vietnam.

We are confident that with the Group's strong competence built on customer partnerships and a forward-looking strategy to broaden our production base to Southeast Asia, we are able to achieve continued business success.

As always, we will continue to be on the lookout for lucrative opportunities to further expand our business portfolio, with the ultimate aim of bringing greater value to our shareholders in the long run.

Concluding Remarks

Kingmaker has a long track record of delivering outstanding success in all economic climates and in the face of the most severe headwinds and difficulties. We continue to hold faith in our ability to progressively build our competitiveness, and turn challenges into opportunities by capturing evolving consumer patterns.

It is our belief that the flexibility of our business model, with our ability to rapidly adapt to new circumstances, markets and trends, will continue to support our position as a leading provider of footwear products in the Asia Pacific. Our long-term growth will also stem from penetration into the less affluent parts of Mainland China.

We also believe that the resilience and adaptability of our loyal staff members and the forward vision of our outstanding management team will ensure that we deliver sustained, satisfying growth for many years to come.

Appreciation

The continued progress of our businesses in the face of challenging market conditions demonstrates the strength of the Group. I would like to thank my fellow directors, senior management and all our staff for their performance and devotion. I would also like to thank all our shareholders, suppliers, business partners and customers, whose support and encouragement have been instrumental to our success, and are much valued by the entire team.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the year ended 31 March 2016, the Group experienced worrying challenges in business due to an abrupt and steep change in market sentiments. While the Group benefited from higher efficiencies achieved upon the smooth operation of the Vietnam and Cambodia production bases, it entered the second half of the year with weaker order books. Second-half manufacturing turnover thus lagged behind original expectation.

As a result, turnover declined slightly by 1.5% year on year to approximately HK$2,343 million (2015: approximately HK$2,378 million). There was a 4.4% increase in the average selling price ("ASP") despite a 5.6% drop in business volume (pairs).

Gross margin was lifted by enhanced efficiencies, and thus reduced material usage, recorded in the southern Vietnam and Cambodia production bases. The retail unit was able to slightly narrow its loss incurred by further reducing the number of loss-making shops and implementing a change in its pricing strategy.

A loss of approximately HK$8.95 million (2015: gain of approximately HK$5.47 million) was incurred on fair value changes of revaluation of investment properties in the PRC and derivative financial instruments. The relocation and consolidation of facilities in Jiangxi and Zhongshan in the PRC, and the upgrading of facilities, also caused an impairment loss of approximately HK$13.8 million (2015: approximately HK$9.8 million). There was a one-off exchange loss of approximately HK$9.75 million (2015: approximately HK$1.12 million) on certain financial assets caused by the depreciation of the RMB.

The increase in labor costs has added pressure to the manufacturing environment, despite being partly mitigated by the positive impact of enhanced efficiencies of the Vietnam and Cambodia factories, and the depreciation of the RMB. Total labor and salaries for the manufacturing segment, including allowances and other benefits, accounted for 28.3% (2015: 28.0%) of turnover. Salaries and wages increased by 18.2% and 15.7% in Vietnam and Cambodia respectively, whereas the PRC recorded a reduction of 23.1% on the depreciation of the RMB. The labor cost inflation was partly/for the most part reflected in the increased ASP.

Subcontracting charges decreased to approximately HK$72 million (2015: approximately HK$105 million), or 3.1% (2015: 4.4%) of turnover, as production lines in Southeast Asia were ramped up smoothly. Transportation expenses were also reduced with better arrangement of the production flow.

Net profit attributable to the equity holders of the Company increased by 30.0% to approximately HK$120 million (2015: approximately HK$92 million).

Earnings per share for the year increased by 29.6% year on year to approximately HK17.38 cents (2015: approximately HK13.41 cents). In anticipation of ongoing strong cash generation from the manufacturing segment and the Group's healthy financial position, the Group pledges to continue its dividend policy of sharing results with shareholders.

Accordingly, the Board recommended the payment of a final dividend and special dividend of HK5.2 cents (2015: HK4.2 cents) and HK4.0 cents (2015: HK2.0 cents) respectively, which together with the interim dividend of HK3.8 cents (2015: HK2.8 cents), represents a payout ratio of 74.8% (2015: 67.1%).

Healthy financial ratios were maintained during the year:

- Debtors' turnover was reduced from 37 days for the year ended 31 March 2015 to 32 days for the year ended 31 March 2016;

- Stock turnover was maintained at the same level as last year at 84 days;

- Creditor turnover was maintained at 75 days;

- Strong liquidity with net cash in hand of approximately HK$666 million (2015: approximately HK$436 million) as at 31 March 2016;

- Quick ratio changed from 1.1 as at 31 March 2015 to 1.3 as at 31 March 2016 as a result of a larger scale of production.

Operational Review

In preparation for the optimistic projection from customers in the first half of the year, management has applied full force to adjust the production mix of the Vietnam and Cambodia factories. As the southern Vietnam base has already reached full production capacity, some orders have been shifted to the central Vietnam factory. Despite the change in market sentiments in the second half, the Group stays committed to its long-term strategy of maintaining a diversified production platform.

This flexibility in production arrangements to adapt to volume and product specification requirements has given the Group a strong advantage.

The retail segment has further consolidated its network and operations, and implemented a change in its pricing strategy in an effort to improve its operating results.

Manufacturing Business

The Group's facilities are designed to accommodate different customers' product development and manufacturing requirements. As at the year-end date, there was a total of 41 production lines: 23 in Vietnam (20 and 3 in southern and central Vietnam respectively), 10 in Cambodia, and 8 in the PRC, comprising 2 in Zhongshan and 6 in Zhuhai. These facilities, aggregating to an annual capacity of around 22 million pairs, were approximately 86% utilized (2015: approximately 85%). The Group's production network includes research and development ("R&D") centers, located in southern Vietnam, Cambodia and the PRC, as well as two outsole factories also in operation in southern Vietnam and Cambodia.

The continued growth in the contribution of Southeast Asia to the Group's output has validated its long-term strategy to diversify the locations of manufacturing activities. During the year, regional output from Southeast Asia contributed 76.3% of total production (2015: 68.8%) in terms of pairs of footwear, an increase of 6.2% year on year.

Market sentiments weakened abruptly as we entered the second half, pushing inventories to sales ratios to high levels for retailers. The manufacturing segment managed to maintain a stable turnover, against a slight drop in output and helped by a 4.4% increase in ASP.

Reflecting increasing demand, the Vietnam production base contributed 62.8% (2015: 56.3%) of total volume output, an increase of 7.3% year on year. Cambodia has also expanded and matured further, producing 13.5% of total output (2015: 12.5%), up 1.0% year on year. In line with the Group's strategy to shift production to Southeast Asia, output from the PRC center accounted for 23.7% of total output (2015: 31.2%) during the year.

With customers' strategy to develop Asian markets, the manufacturing segment's geographical mix has changed significantly. Manufacturing turnover contribution of the United States (the "US") dropped to 20.8% (2015: 31.7%) whereas European markets remained stable with a share of 32.9% (2015: 32.5%). Major growth markets in Asia Pacific included the PRC, Japan and Russia, which in aggregate accounted for 46.3% (2015: 35.8%).

Ath-leisure and premium casual footwear continued to show strong growth, contributing 64.1% of turnover (2015: 54.9%), while babies' and children's footwear and rugged products generated 26.2% (2015: 34.2%) and 9.7% (2015: 10.9%) of turnover respectively.

Major customers for the year included New Balance, Asics, Wolverine, Clarks and Skechers, which in aggregate contributed 91.9% (2015: 85.6%) of total turnover.

The Group will continue to expand and adjust its multi-location facilities to support varying and changing customer requirements. The new plant adjacent to the southern Vietnam center was completed and is expected to commence trial production in August 2016. The first phase of the central Vietnam plant has also become operational, delivering an output amounting to 2.4% of total production during the year. Further production lines will be added to central Vietnam upon maturity of trial production of the initial setup, and as driven by customer demand.

The Group received gross rental income of approximately HK$8.6 million (2015: approximately HK$7.3 million) mainly for the leasing of part of the existing manufacturing plants located in Zhuhai and Jiangxi, the PRC, to independent third parties under operating leases arrangements. Fair value losses on revaluation of these investment properties of approximately HK$8.7 million (2015: gain of approximately HK$4.1 million) were recorded for the year under review.

Retailing Business

The retail business mainly comprises the retailing of babies' and children's footwear and other products under its house brand *Fiona's Prince*.

Despite weak market conditions in the PRC, the retail unit was able to narrow its loss to approximately HK$20.8 million (2015: loss of approximately HK$22.9 million). Turnover decreased by 32.1% to approximately HK$35.0 million (2015: approximately HK$51.6 million) on a scaled-down network.

In an effort to improve segment performance, the Group has continued to close down non-performing shops upon thorough evaluation of shop locations and assessment of management resources. The total number of shops as at 31 March 2016 decreased to 22 (31 March 2015: 35).

Same-store sales dropped 10.3% and 12.5% in the PRC and Hong Kong respectively against a soft retail environment. As the segment adjusted its product pricing in response to market conditions, gross profit margin declined to 49.4% (2015: 56.8%). The segment will maintain tight cost control while striving to enhance individual shop performances.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally and generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 31 March 2016, the Group's cash and cash equivalents were approximately HK$666 million (2015: approximately HK$436 million).

The Group is substantially debt-free. As at 31 March 2016, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (2015: approximately HK$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (2015: approximately HK$99 million) in Hong Kong being granted to the Group, approximately HK$1.3 million (2015: approximately HK$3 million) had been utilized as at 31 March 2016.

For the year ended 31 March 2016, the current ratio was approximately 1.62 (2015: approximately 1.63) based on current assets of approximately HK$1,079 million and current liabilities of approximately HK$665 million and the quick ratio was approximately 1.27 (2015: approximately 1.12).

As at 31 March 2016, the Group did not have any interest-bearing bank borrowings.

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Vietnam and Cambodia in the next two to three years, the Directors are of the opinion that the Group has adequate liquidity to meet its current and future working capital requirements on its operations and expansion.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the RMB and the US dollars ("USD"). It is the Group's policy to adopt a conservative approach on foreign exchange exposure management.

However, the Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finances its operation with internal resources and bank facilities provided by banks in Hong Kong. Interest rates of borrowings are fixed by reference to the Hong Kong Inter-Bank Offered Rate or the London Inter-Bank Offered Rate.

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimize the Group's financial risks. As a measure of additional prudence, the Group cautiously uses derivative financial instruments, principally forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's receivables and payables.

The exposure to foreign currency of the Group mainly arose from the net cash flows and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if consider necessary. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK$1,132 million as at 31 March 2016 (2015: approximately HK$1,097 million). As at 31 March 2016, the Group did not have any interest-bearing bank borrowings (2015: nil), resulting nil% (2015: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 2,976,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$4,686,000 excluding transaction cost. The repurchase of the Company's shares during the year was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Details of the shares repurchase during the year under review are as follows:

Month/Year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration (excluding transaction cost)
		HK$	*HK$*	*HK$'000*
July 2015	540,000	1.49	1.33	746
September 2015	1,416,000	1.45	1.32	1,950
November 2015	78,000	2.06	2.05	160
December 2015	500,000	1.98	1.96	984
March 2016	442,000	1.95	1.89	846
Total	**2,976,000**			**4,686**

The premium paid on the repurchase of the shares of approximately HK$4,388,000 has been debited to the share premium account. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, the PRC, Vietnam and Cambodia, employed approximately 17,000 employees as at 31 March 2016. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options and awarded shares may also be granted in accordance to the terms of the Group's approved share option scheme and share award scheme, respectively.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, for the year ended 31 March 2016 in compliance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviation from provision A.2.1 as explained below.

Under the code provision A.2.1, the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The roles of the Chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Chen Ming Hsiung, Mickey, who passed away on 14 April 2016. The Board believed that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and implementing business plans. The Board considered that this structure had not impaired the balance of power and authority of the Board. In view of the passing away of Mr. Chen Ming-hsiung, Mickey, Mr. Chan Ho Man, Daniel, a non-executive Director, has been appointed as Acting Chairman and Mr. Phillip Brian Kimmel, an executive Director, has been appointed as Acting Chief Executive Officer of the Company. With effect from 29 June 2016, Mr. Chan Ho Man, Daniel has been re-designated from Acting Chairman to Chairman; and Mdm. Huang Hsiu Duan, Helen, an executive Director, has been appointed as Chief Executive Officer subsequent to Mr. Phillip Brian Kimmel's cessation to serve as Acting Chief Executive Officer on the same date. Please refer to the announcement of the Company dated 29 June 2016 for further details regarding the above changes.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive Directors and one non-executive Director. The primary duties of the Committee are to review and supervise the Group's financial reporting process and internal control systems.

As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

The Committee reviewed with the management on the accounting principles and practices adopted by the Group, the Group's auditing, internal control and financial reporting matters and the consolidated results for the year ended 31 March 2016, and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The Committee has also met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the said code of conduct for the year ended 31 March 2016.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2016 is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at http://www.irasia.com/listco/hk/kingmaker/annual/index.htm. An annual report for the year ended 31 March 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Chan Ho Man, Daniel
Chairman

Hong Kong, 29 June 2016

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