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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 2017

FINANCIAL HIGHLIGHTS

	2017	2016	**Change**
	HK$'000	*HK$'000*	
		(Re-presented)	
CONTINUING OPERATIONS			
Revenue	**1,830,267**	2,308,161	-20.7%
Gross profit	**329,836**	366,901	-10.1%
Gross profit margin	**18.0%**	15.9%	+2.1 points
Net profit margin	**8.1%**	6.1%	+2.0 points
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	**(17,099)**	(20,682)	-17.3%
Profit for the period attributable to equity holders of the Company	**132,556**	120,205	+10.3%
	HK cents	*HK cents*	
Basic earnings per share			
– For profit for the year	**19.05**	17.38	+9.6%
– For profit for the year from continuing operations	**21.51**	20.37	+5.6%
	HK cents	*HK cents*	
Interim dividend per share	**4.2**	3.8	
Special dividend per share	**3.8**	–	
Final dividend per share	**5.5**	5.2	
Special dividend per share	**4.5**	4.0	
Total dividends per share for the year	**18.0**	13.0	+38.5%

- Cash and cash equivalents of approximately HK$776 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 2017, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	3	**1,830,267**	2,308,161
Cost of sales		**(1,500,431)**	(1,941,260)
Gross profit		**329,836**	366,901
Other income and gains/(losses), net		**16,359**	(12,324)
Distribution and selling expenses		**(53,573)**	(54,384)
Administrative expenses		**(128,339)**	(147,385)
Finance costs	4	**(4)**	(11)
Share of losses of associates		**(1,196)**	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**163,083**	152,797
Income tax expense	6	**(14,631)**	(12,743)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**148,452**	140,054
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	7	**(17,099)**	(20,682)
PROFIT FOR THE YEAR		**131,353**	119,372
Attributable to:			
Equity holders of the Company		**132,556**	120,205
Non-controlling interests		**(1,203)**	(833)
		131,353	119,372

	Notes	**2017**	2016
		HK$'000	*HK$'000*
			(Re-presented)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
Basic			
– For profit for the year		**HK19.05 cents**	HK17.38 cents
– For profit from continuing operations		**HK21.51 cents**	HK20.37 cents
Diluted			
– For profit for the year		**HK18.94 cents**	HK17.28 cents
– For profit from continuing operations		**HK21.38 cents**	HK20.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	2017 *HK$'000*	2016 *HK$'000*
PROFIT FOR THE YEAR	**131,353**	119,372
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	**41**	(403)
Exchange differences:		
Exchange differences on translation of foreign operations	**(25,475)**	(25,752)
Reclassification adjustments for a foreign operation disposed of during the year	**7,279**	–
	(18,196)	(25,752)
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods	**(18,155)**	(26,155)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
Asset revaluation reserve:		
Gain on revaluation of a building	**17,313**	–
Income tax effect	**(4,328)**	–
	12,985	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**12,985**	–
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	**(5,170)**	(26,155)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**126,183**	93,217
Attributable to:		
Equity holders of the Company	**127,386**	94,050
Non-controlling interests	**(1,203)**	(833)
	126,183	93,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**338,037**	523,592
Prepaid land lease payments		**51,587**	86,579
Investment properties		**136,484**	123,247
Deposits		**3,916**	22,440
Investment in associates		**57,558**	–
Investments in club memberships		**870**	887
Available-for-sale investments		**530**	489
Total non-current assets		**588,982**	757,234
CURRENT ASSETS			
Inventories		**158,673**	233,848
Accounts and bills receivable	*10*	**141,459**	165,549
Prepayments, deposits and other receivables		**8,410**	13,535
Due from an associate		**11,116**	–
Tax recoverable		**207**	110
Cash and cash equivalents		**775,816**	665,705
		1,095,681	1,078,747
Assets of disposal groups classified as held for sale	*7*	**56,524**	–
Total current assets		**1,152,205**	1,078,747
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**148,822**	226,814
Accrued liabilities and other payables		**192,067**	245,851
Tax payable		**197,684**	191,500
Derivative financial instruments		**–**	519
		538,573	664,684
Liabilities directly associated with the assets classified as held for sale	*7*	**17,542**	–
Total current liabilities		**556,115**	664,684
NET CURRENT ASSETS		**596,090**	414,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,185,072**	1,171,297
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**19,877**	16,878
Net assets		**1,165,195**	1,154,419

	2017	2016
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**69,969**	69,584
Reserves	**1,075,588**	1,062,511
	1,145,577	1,132,095
Non-controlling interests	**19,638**	22,324
Total equity	**1,165,195**	1,154,419

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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is manufacturing and sale of footwear products after the discontinuation of the retailing and wholesaling business (the "Discontinuation") in the current year. Further details of the Discontinuation are set out in note 7 to the financial statements. Since the manufacturing and sale of footwear products business is the only continuing operating segment of the Group, no further analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000* *(Re-presented)*
The United States of America	**382,199**	479,405
Europe	**578,227**	760,308
Asia	**616,841**	761,924
Others	**253,000**	306,524
	1,830,267	2,308,161

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**24,541**	27,707
Mainland China	**228,033**	301,105
Cambodia	**109,663**	113,984
Vietnam	**166,264**	311,097
Others	**1,523**	1,965
	530,024	755,858

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

Information about major customers

Revenue from continuing operations derived from the manufacturing and sale of footwear products business with over 10% of the total revenue from continuing operations of the Group during the years ended 31 March 2017 and 2016 is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**584,265**	334,804
Customer B	**467,716**	416,537
Customer C	**315,475**	366,748
Customer D	**244,842**	346,743
Customer E	**N/A***	687,316
	1,612,298	2,152,148

* *Sales to the customer during the year ended 31 March 2017 amounted to less than 10% of the total revenue from continuing operations of the Group other than those disclosed in the above table.*

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

4. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**4**	11

5. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Cost of inventories sold	**940,490**	1,182,847
Depreciation	**55,148**	60,934
Amortisation of prepaid land lease payments	**2,325**	2,546
Amortisation of a club membership	**17**	19
Fair value losses on derivative financial instruments	**530**	220
Fair value losses on revaluation of investment properties	**1,703**	8,731
Impairment of property, plant and equipment	**1,609**	12,302
Impairment of other receivables	**921**	–
Bank interest income	**(7,944)**	(7,081)
Interest income from accounts receivable	**(1,334)**	(951)
Dividend income	**(20)**	(38)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**847**	1,688
Underprovision in prior years	**585**	127
Current – Elsewhere		
Charge for the year	**32,394**	27,675
Overprovision in prior years	**(18,914)**	(14,431)
Deferred	**(281)**	(2,316)
Total tax charge for the year	**14,631**	12,743

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2016: 16.5%), the Vietnam Corporate Tax rates of 15% to 22% (2016: 15% to 22%), the Cambodia Corporate Tax rate of 20% (2016: 20%), the Taiwan Corporate Tax rate of 17% (2016: 17%), the Corporate Income Tax rate in Mainland China of 25% (2016: 25%) and the respective tax holidays granted to the subsidiaries of the Group in Vietnam and Cambodia.

7. DISCONTINUED OPERATION AND DISPOSAL GROUPS HELD FOR SALE

(a) On 29 August 2016, the Company announced the decision of its board of directors to wind down, discontinue or sell its retailing and wholesaling business (the "Retailing and Wholesaling Business"). The Group has decided to cease the Retailing and Wholesaling Business because it plans to focus its resources on its manufacturing and sale of footwear products business. As at 31 March 2017, final negotiations for the sale of the Retailing and Wholesaling Business were in progress and the Retailing and Wholesaling Business was classified as a disposal group held for sale and as a discontinued operation. With the Retailing and Wholesaling Business being classified as a discontinued operation, the retailing and wholesaling business is no longer included in the note for operating segment information.

The results of the Retailing and Wholesaling Business for the year are presented below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**23,099**	35,040
Cost of sales	**(9,056)**	(17,726)
Gross profit	**14,043**	17,314
Other income and losses, net	**(78)**	(877)
Distribution and selling expenses	**(22,733)**	(28,229)
Administrative expenses	**(8,331)**	(8,890)
Loss before tax from discontinued operation	**(17,099)**	(20,682)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(17,099)**	(20,682)

The major classes of assets and liabilities of the Retailing and Wholesaling Business as at 31 March 2017 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Accounts and bills receivables	**647**	–
Prepayments, deposits and other receivables	**568**	–
Cash and cash equivalents	**4,073**	–
Assets classified as held for sale	**5,288**	–
Liabilities		
Accounts and bills payable	**(464)**	–
Accrued liabilities and other payables	**(1,098)**	–
Liabilities directly associated with the assets classified as held for sale	**(1,562)**	–
Net assets directly associated with the disposal group	**3,726**	–

(b) On 28 December 2016, the Group entered into a sale and purchase agreement with an independent third party, Talent Union (Hong Kong) Investments Limited (the "Purchaser"), pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to dispose of 100% equity interest of Kingmaker Footwear (Zhong Shan) Co., Ltd. ("Kingmaker Zhong Shan"), a wholly-owned subsidiary of the Group, at a cash consideration of RMB168,000,000, equivalent to approximately HK$188,000,000. As at 31 March 2017, the disposal of Kingmaker Zhong Shan was not completed and subject to the fulfilment of condition precedent. Kingmaker Zhong Shan was classified as a disposal group held for sale. Subsequent to year end, the registration process with the relevant industrial and commercial administration in the PRC in respect of the transfer of the entire equity interest in Kingmaker Zhong Shan had been completed in April 2017. Pursuant to the sale and purchase agreement, 50% of the consideration had already been released by the escrow agent to the Group, while the remaining 50% of the consideration is expected to be released by the escrow agent to the Group before late July 2017 on the condition that the Group has settled all the encumbrances (including but not limited to taxes, penalties, utility charges, etc) incurred by Kingmaker Zhong Shan prior to the date of completion, failing which the purchaser is entitled to deduct the amount equals to such encumbrances from the payment of the remaining consideration. Please refer to the announcement of the Company dated 28 December 2016 for further details.

The major classes of assets and liabilities of Kingmaker Zhong Shan classified as held for sale as at 31 March 2017 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Property, plant and equipment	**43,441**	–
Prepaid land lease payments	**7,440**	–
Cash and cash equivalents	**355**	–
Assets of a disposal group classified as held for sale	**51,236**	–
Liabilities		
Accrued liabilities and other payables	**(6,998)**	–
Tax payable	**(8,982)**	–
Liabilities directly associated with the assets classified as held for sale	**(15,980)**	–
Net assets directly associated with the disposal group	**35,256**	–

8. 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$132,556,000 (2016: HK$120,205,000), and the weighted average number of ordinary shares of 695,673,705 (2016: 691,674,196) 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$132,556,000 (2016: HK$120,205,000) and 699,920,106 (2016: 695,800,219) 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.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**149,655**	140,887
From discontinued operation	**(17,099)**	(20,682)
	132,556	120,205

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares used in calculating the basic earnings per share	**695,673,705**	691,674,196
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	**4,246,401**	4,126,023
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**699,920,106**	695,800,219

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2016 – HK5.2 cents per ordinary share (2016: final dividend of HK4.2 cents per ordinary share, in respect of the financial year ended 31 March 2015)	**36,072**	29,088
Special in respect of the financial year ended 31 March 2016 – HK4.0 cents per ordinary share (2016: special dividend of HK2.0 cent per ordinary share, in respect of the financial year ended 31 March 2015)	**27,747**	13,852
Interim – HK4.2 cents (2016: HK3.8 cents) per ordinary share	**29,375**	26,337
Special – HK3.8 cents (2016: Nil) per ordinary share	**26,578**	–
	119,772	69,277
Proposed final dividend		
HK5.5 cents (2016: HK5.2 cents) per ordinary share	**38,483**	36,184
Proposed special dividend		
HK4.5 cents (2016: HK4.0 cents) per ordinary share	**31,486**	27,834
	69,969	64,018

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.

10. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**141,441**	163,904
Between 91 and 180 days	**13**	1,041
Between 181 and 365 days	**5**	78
Over 365 days	**–**	526
	141,459	165,549

11. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**129,954**	208,753
Between 91 and 180 days	**14,757**	17,189
Between 181 and 365 days	**547**	56
Over 365 days	**3,564**	816
	148,822	226,814

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

12. DISPOSAL OF SUBSIDIARIES

On 9 January 2017, the Group entered into a joint venture agreement with an independent third party, Vast King International Holdings Limited, to establish Alliance Investment Development Limited ("Alliance Investment") with a registered capital of US$28,120,000. Pursuant to the agreement, the Group transferred its entire equity interests in Star Praised Limited and its subsidiary (the "Star Praised Group") and Empress Choice Limited and its subsidiary (the "Empress Choice Group") to Alliance Investment at a cash consideration of approximately US$20,000,000 (subject to adjustment), of which approximately US$8,000,000 was used for paying up the Group's 40% equity interests in Alliance Investment. The difference between the final adjusted consideration amount and US$8,000,000 was paid by Alliance Investment to the Group in cash. Vast King International Holdings Limited subscribed for 60% equity interests in Alliance Investment at a cash consideration of approximately US$12,000,000. On 1 March 2017, the Star Praised Group and the Empress Choice Group ceased to be the Group's subsidiaries and became associates. Further details of the transaction were disclosed in the Company's announcement dated 9 January 2017.

For the year ended 31 March 2017

	HK$'000
Net assets disposed of:	
Property, plant and equipment	86,232
Prepaid land lease payments	23,078
Deposits paid for the lease of a parcel of land	27,546
	136,856
Exchange fluctuation reserve	7,279
Gain on disposal of subsidiaries	4,167
	148,302
Satisfied by:	
Investments in associates	58,724
Cash consideration	89,578
	148,302

DIVIDENDS AND SHARE REPURCHASES

To reward our shareholders for their long-term support, the Board recommends the payment of a final dividend of HK5.5 cents per share and a special dividend of HK4.5 cents per share. Together with the interim and special dividends of HK8.0 cents per share, the Group has delivered a total dividend for the year of HK18 cents per ordinary share, an increase of approximately 38.5% 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, 29 August 2017. The payment of final and special dividends will be payable on or about Tuesday, 26 September 2017.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 3,406,000 of its ordinary shares at prices ranging from HK$1.67 to HK$1.94 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 Thursday, 24 August 2017 to Tuesday, 29 August 2017, 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 Wednesday, 23 August 2017.

(b) Entitlement to the proposed final and special dividends

The record date for entitlement to the proposed final and special dividends is Thursday, 7 September 2017. The register of members of the Company will be closed from Tuesday, 5 September 2017 to Thursday, 7 September 2017, 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, 4 September 2017.

CHAIRMAN'S STATEMENT

Succession and Transition

Last year, we sadly lost our former Chairman and Chief Executive Officer Mr. Chen Ming-hsiung, Mickey, who remains dearly missed by all our colleagues and business partners. One year on, Mr. Chen's drive to excellence and commitment to the Company continue to stay with us. There have been a number of new appointments and reassignments, and I would like to report to our shareholders a smooth succession to key management posts.

The leadership transition has brought stability and continuity for the Group. Building on Mr. Chen's legacy, the Kingmaker team will continue to deliver high-quality products to customers and sustainable growth for shareholders. We are bonded by his spirit and will carry on the philosophy he instilled.

During the year ended 31 March 2017, the Group achieved an approximately 10.3% year-on-year growth in profit attributable to equity holders of the Company against a backdrop of global economic uncertainty and a weakened footwear retail market. Our gratitude goes to all customers, business partners and shareholders, whose support has been instrumental in our transition during this challenging time.

Overview

Management stays alert to a world economy that has been encountering significant ups and downs. The year 2016 was one full of unexpected events, as highlighted by the Brexit vote in the United Kingdom (the "UK") and the presidential election in the United States (the "US"). The global economy was clouded by uncertainties caused by these political events, and was further impacted by the spate of terrorist attacks and the migrant crisis in Europe.

With a new administration in power in the US, significant changes are expected in terms of the country's economic policies, including its orientation towards the Federal Funds Rate and its tax system, as well as in the Sino-US trade relationship. There are also concerns about the ability of the UK's new minority administration to carry out effective and smooth Brexit negotiations with the European Commission.

Geopolitical tension arising from terrorist attacks and disagreements within the Organization of Petroleum Exporting Countries ("OPEC") on production quotas will continue to weigh on the uncertain environment.

Uncertainty associated with the Renminbi ("RMB") is another risk factor that is worth noting. Although the RMB has been included in the Special Drawing Right ("SDR") valuation basket by the International Monetary Fund, which thereby acknowledged the recent economic development of China, the currency seems inevitably be subject to continued depreciation against the strong United States Dollar. The resulting decline in China's foreign exchange reserves may impact the US and indeed global economies.

In light of the ongoing lackluster market conditions, we continue to unfold corporate and business plans to pursue enhancements in both our profit margin and shareholder value. On the one hand, we set out to improve profitability by taking steps to optimize the clientele portfolio and constantly phase out lower-margin products, as well as to raise operational efficiency. These efforts have led to a drop in turnover from continuing operations but an improved gross profit margin of 18% (2016: 15.9%). On the other hand, we aim to maximize shareholder value through continuous asset enhancement.

Manufacturing Business

Strategic Goals:

1. Achieve sustainable development through long-term capacity and business planning.

2. Affirm the Group's position as a partner of brand customers.

3. Provide an extensive range of production solutions for innovative products and services in support of customers' brand enhancement and promotional work.

4. Maintain diversification in manufacturing operations to help branded customers meet risk management needs.

Operational Objectives:

1. Consolidate product offerings to focus on high profit margin products with strong growth potential.

2. Attract and maintain a talent pool to support professional management.

3. Extend lean manufacturing and semi-automation initiatives in our southern Vietnam factory.

Financial Targets:

1. Prudent management to sustain a strong financial position.

2. Maintain a healthy financial position.

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

Market-Driven Capacity Planning

The Group maintains a robust manufacturing platform primarily based in southern and central Vietnam and Cambodia, supplemented by facilities in Zhuhai, the People's Republic of China (the "PRC"). Relocation of production activities from PRC to Southeast Asia is an ongoing strategy in seeking to move from higher-cost to lower-cost bases. However, we currently intend to continue to operate a production center in PRC as a part of the Group's total production service offering, as well as a means to diversify overall operational risk. As validated by the performance of the Vietnam and Cambodia centers, our relocation efforts are believed to be on the right track at an appropriate pace, and have yielded satisfactory results.

The performance and developments of our different production centers will be discussed in greater detail in the Management Discussion and Analysis section. In summary, the southern Vietnam center has successfully built a solid geographical market mix with balanced sales to the US, Europe and Asia, enabling it to weather the shocks brought by the US withdrawal from the Trans-Pacific Partnership ("TPP") agreement.

As announced on 9 January 2017, a company was set up as joint venture with Evervan Group, to hold and develop the business operations in central Vietnam. Evervan Group has a strong background in the production of international branded sports shoes, and operates facilities in different parts of Asia. Having considered the complementary expertise and market strengths of the two joint-venture partners, the Board anticipates synergies to be achieved through this collaboration. The Group currently holds 40% of this joint venture.

The joint-venture operation in central Vietnam will seek to broaden its customer base and product range, in particular to penetrate into the manufacturing of more high-end athletic products.

The Cambodia center underwent enhancement works during the year with the setting up of more sewing lines. We will seek to further improve its operational efficiency as this is key to fulfilling future orders.

Production in PRC was maintained at a satisfactory and stable level, but with expanding capacities in Southeast Asia, its proportionate contribution has decreased. The gradual restructuring and consolidation of resources in PRC will nonetheless continue to ensure a stable operation.

At 31 March 2017, approximately 85% of the production output was based in Vietnam and Cambodia while approximately 15% was retained in PRC. In the long run, it is expected that more than 90% of our production output will be located in Southeast Asia, where the Group can enjoy lower costs and more attractive tax and customs policies.

Lean Manufacturing in Vietnam and Cambodia

With strong experience in lean manufacturing in PRC, the Group has started going lean within the Vietnam and Cambodia factories. At the same time, the facilities are currently undertaking trial runs of a new modular production system engaging multi-skilled workers to take up multiple processes as a team. This system features team work and performance and enables quick response to changes in production requirements.

Compared to the traditional batch processing, the new system enables a typical production line to reduce worker deployment. Increased daily output, faster shipment and improved quality checking have also been recorded. Four trial production lines have been set up in southern Vietnam, and upon a review of the trial, more production lines will be set up under the modular system in both Vietnam and Cambodia.

Focus on Value Addition and Continuity

As the Group plans the geographical distribution of its production platform, facilities are expanded, downsized or relocated accordingly. Most importantly, in this process of ramping up or relocating facilities, the focus is always on maintaining their value-adding attributes and continuity in providing customized production services to clients.

Wherever the facilities are located, we continue to upgrade our ability to manage increasingly complex processes. We also constantly refine the work flow and production system, thus enabling us to increase the output per hour per production line at new facilities during the process of relocation from PRC to Southeast Asia. We are also pleased to report that the relocation process has not been at the expense of any compromise on product quality.

Retailing Business

In view of the difficult operating environment on the retail front, the Group decided to gradually wind down, discontinue or sell the entire retail operation in 2016. The divestment will remove further long-term impact from the retail unit on the Group's financial performance.

As discussed in the interim report of 2016/17, the operation of all retail businesses in Hong Kong and PRC have been discontinued. Despite some short-term negative impacts owing to one-off costs incurred, this decision will remove a major financial burden from the unit in fiscal year 2017/18.

Outlook

Looking to fiscal 2017/18, the global economy is not expected to show significant growth. In light of the various game-changing events and factors of concern, management holds a cautious attitude towards the market and operating environment in the coming year.

The rise in the US Federal Reserve interest rate will remain a threat to the sales of our major customers, who continue to hold high inventory-to-sales ratios. The Group anticipates a challenging first half of 2017/18, but looks forward to some recovery in the second half after its customers clear out their inventories.

Core Manufacturing Strengths

We continue to observe and adapt to market trends in order to stay competitive. Management notes that the trend continues to evolve towards a healthy lifestyle, which is a positive development for sportswear products. We will engage product development efforts/explore development opportunities in this direction in order to capture the trend.

Innovation and digitalization will be the main focus of management efforts in the coming year, as they represent the means by which we can deliver quality products, while at the same time accommodating increasingly short production lead times.

To this end, we will explore and apply innovative technologies, including leaner manufacturing and semi-automation processes that can raise operational efficiency and reduce our reliance on manual labor. In respect of digitalization, we will introduce technologies to enhance operational management, enabling real-time monitoring and faster work processes from production planning through to products delivery.

In another significant development through a joint venture with Evervan Group in central Vietnam, the Group has equipped itself with innovative new footwear technologies to expand its manufacturing operations into products outside the footwear arena.

Crashing oil prices and a weaker RMB and Vietnam Dong ("VND") are favorable to the manufacturing business. Hence, the Group will continue with its development plans for southern Vietnam and Cambodia. On the other hand, the Group will cautiously evaluate the strategic role of its facilities in PRC, and will devise appropriate plans while closely monitoring the latest market developments.

The Group's strong customer relationships, together with the forward-looking strategy to relocate production facilities to Southeast Asia, are all favorable factors for the continued success of our future business and operations.

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

Asset Enhancement

The Group holds certain assets to support its manufacturing activities and operations. In an effort to increase shareholder value, the Group has put in place an asset enhancement program to review the value of assets it holds against their functions.

As part of this program, the Group announced on 28 December 2016 the disposal of its subsidiary holding the site and manufacturing facilities in Zhongshan, the PRC, for a consideration of RMB168,000,000 (equivalent to approximately HK$188,000,000). As the Zhongshan center has already ceased operation, the Board is of the view that it is in the best interest of the Company and the shareholders to realize the Group's investment in the subsidiary through this disposal. In addition, the disposal will generate an additional source of capital for the Group's business development or plans to capture other investment opportunities as and when they arise.

Cash proceeds from the disposal will be retained by the Company as working capital. Upon the Group's receipt of the remaining consideration in late July 2017, the Board may consider distributing a special interim dividend for the six months ending 30 September 2017.

The Group will also explore and evaluate the value of its Zhuhai facilities and may consider including this asset as a part of the asset enhancement program. A feasibility study is currently underway. However, we believe that it is beneficial to the Group's long-term development to maintain a manufacturing base in PRC. The Board will carefully evaluate the situation and explore any feasible solutions that can cope with both the overall relocation plan and risk management needs.

Concluding Remarks

Kingmaker Footwear continues to build on its long track record of delivering outstanding success in varying economic climates, even in the face of severe headwinds and difficulties. We maintain our faith that we can steadily build our competitiveness in the years ahead, and our determination to turn challenges into opportunities by taking advantage of evolving consumer patterns and the continuing economic growth of PRC.

We firmly believe that our flexible business model, which enables us to rapidly adapt to new circumstances, markets and trends, will continue to underpin our position as a leading provider of footwear products in the Asia Pacific. This position is further supported by the resilience and adaptability of our loyal staff and the forward vision of our exceptional management team. This combination will ensure that we deliver sustained growth for many years in the future.

Appreciation

As always, the 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 also wish to thank all our shareholders, suppliers, business partners and customers, whose support have contributed to our success in the past year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The year ended 31 March 2017 was a challenging period for the footwear industry in the US and Europe. The Group's branded customers in the US were challenged by pressures from both weak retail traffic and a strong US Dollar, while retailers in the Europe also faced tough times under the threat of political instability and a consumer slowdown. Weakened retail sales have translated into slower orders for the Group.

At the same time, the Group has taken steps to enhance its clientele portfolio in an effort to shift its product mix towards higher-margin items. Consequently, turnover from continuing operations declined by 20.7% year on year to approximately HK$1,830 million (2016: approximately HK$2,308 million). Efforts to enhance the product mix have resulted in a 1.7% increase in the average selling price ("ASP") while business volume (pairs) dropped by 22.7%.

Gross margin continued to improve on the back of further enhanced efficiencies in the southern Vietnam and Cambodia production centers. The operation of retail unit has been discontinued by March 2017.

During the year, the increase in labor and salaries, including allowances and other benefits, was largely neutralized by the depreciation of the RMB and Vietnam Dong ("VND"). This neutralization was also helped by the efficiency enhancements achieved in Vietnam and Cambodia, which contributed to improved gross margins for these two centers. Salaries and wages decreased by 17.5% in Vietnam and increased by 3.1% in Cambodia, whereas the PRC recorded a drop of 51.7% on a reduced production scale.

As a result of efficiency enhancements, subcontracting charges decreased further to approximately HK$36 million (2016: approximately HK$72 million), or 1.9% (2016: 3.1%) of turnover.

During the year, owing to downsizing certain facilities in the PRC, the Group incurred an impairment of property, plant and equipment from continuing operations of approximately HK$1.6 million (2016: approximately HK$12.3 million). There was also exchange loss from continuing operations of approximately HK$6.5 million (2016: approximately HK$10.3 million) on certain financial assets caused by the depreciation of the Renminbi ("RMB").

A gain of approximately HK$4.2 million was realized on the disposal of 60% equity interest in subsidiaries in central Vietnam. The realized gain is less than the initial estimated gain as disclosed in the Company's announcement dated 9 January 2017 primarily due to derecognition of the cumulative debit translation differences of these subsidiaries in the equity.

Net profit from continuing operations attributable to the equity holders of the Company grew 6.4% to approximately HK$150 million (2016: approximately HK$141 million).

Earnings per share for the year increased by 9.6% year on year to approximately HK19.05 cents (2016: approximately HK17.38 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 HK5.5 cents (2016: HK5.2 cents) and HK4.5 cents (2016: HK4.0 cents) respectively, which together with the interim dividend of HK4.2 cents (2016: HK3.8 cents) and special dividend of HK3.8 cents (2016: Nil), represents a payout ratio of 94.5% (2016: 74.8%).

Healthy financial ratios were maintained during the year:

- Debtors' turnover was reduced from 32 days for the year ended 31 March 2016 to 31 days for the year ended 31 March 2017;

- Stock turnover was 76 days as compared to last year's 84 days;

- Creditor turnover was 79 days compared to last year's 74 days;

- Strong liquidity with net cash in hand of approximately HK$776 million (2016: approximately HK$666 million) as at 31 March 2017;

- Quick ratio changed from 1.3 as at 31 March 2016 to 1.8 as at 31 March 2017.

Operational Review

During the year, to cope with a slackened demand for casual footwear, the Group adjusted its overall strategy with emphasis on asset and efficiency enhancements instead of capacity expansion. The Vietnam and Cambodia production centers have been ramped up to smooth and efficient production, with their lines adjusted to accommodate the new product mix. As the relocation process continued, production in Zhuhai and Jiangxi, the PRC has been scaled down and facilities were leased out or in the process of disposal. This will allow the Group to derive a higher overall yield from the assets it owns. In June 2017, the Group has received from the Yifeng County Land and Resources Bureau a notice of idle land investigation in respect of the land on which the Group's facilities in Jiangxi are located. The Group will provide all necessary information to the land authority to cooperate with such investigation. Further update on this will be provided by the Company as and when appropriate.

A joint-venture partner has been introduced to the operation in central Vietnam with the aim of expanding its customer portfolio and skill sets. At the same time, an upgrade of production facilities in southern Vietnam has delivered higher productivity, and in the longer term will help the center cope with new and more innovative products. The Group continued to maintain flexibility in manufacturing in order to preserve and improve profitability in the face of rapid market changes.

Manufacturing Business

As at the year-end date, the Group has a total of 32 production lines: 18 in Vietnam, 10 in Cambodia, and 4 in Zhuhai, the PRC. These facilities, aggregating to an annual capacity of around 17 million pairs, were approximately 85% utilized (2016: approximately 86%).

The Group's production network also 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 R&D centers have been able to deliver fruitful development solutions for customers, while the outsole factories provide additional value-added production services.

Key developments in the Group's production centers include:

Vietnam

The southern Vietnam production center continued to mature and the expansion of facilities on a site adjacent to the existing plant has been completed. Despite the US exit from the Trans-Pacific Partnership ("TPP") trade pact, the southern Vietnam center was able to enhance its contribution to the Group by improving its efficiency and cost control.

The operation of joint venture with Evervan Group in central Vietnam started in March 2017. It is at the operation's earlier set-up stage. The management is optimistic of the future development of this unit.

According to the business plan of the joint venture, the existing three production lines in the central Vietnam plant are expected to be modified to suit new production requirements. By the end of 2017, the number of production lines is expected to increase to 10. By the end of 2018, another 10 new production lines is planned to install, and it is expected that the annual production volume can reach 7 million pairs after the second-phase expansion. It is also expected that the joint venture will help lead the Group's foray into more complicated and innovative athletic footwear products. According to this plan, the Group is committed to finance the joint venture in proportion to the equity interest owned by the Group in the coming year for its further development.

The Vietnam production base as a whole contributed 65.1% (2016: 62.9%) of total volume output, an increase of 2.2% year on year.

Cambodia

The center underwent further enhancement during the year and more sewing lines have been set up. It contributed 20.8% (2016: 13.5%) of total output in terms of pairs of footwear, up 7.3% year on year.

The growth and maturing of the Group's Southeast Asia production base is evidenced by a 9.5% year-on-year growth of its regional output to 85.9% of total production (2016: 76.4%) in terms of pairs of footwear.

PRC

Four production lines remained in operation in Zhuhai, mainly for the production of footwear products with higher complexity and commanding higher margins, to cope with the rising costs in coastal China. The Group will further upgrade the R&D capabilities of this center to enable it to meet the requirements of innovative products. At the same time, the Group remains open to consider any opportunity of capitalization or redevelopment potential of its assets and facilities in the PRC.

As a result of the cessation of operations at the Zhongshan factory in September 2016, the contribution of PRC facilities to overall output dropped to 14.1% (2016: 23.7%).

Geographically, Asian and European markets remained stable. Turnover to the US remained stable to approximately 20.9% (2016: 20.8%), while European markets drop to approximately 31.6% (2016: 32.9%). Major growth markets in Asia and other regions included the PRC, South Korea, Australia and Russia, and this segment accounted for 47.5% (2016: 46.3%) of total turnover.

Athleisure and premium casual footwear were still the major products of the Group, which accounted for 69.4% (2016: 64.1%) of turnover. Babies' and children's footwear and rugged products generated 18.2% (2016: 26.2%) and 12.4% (2016: 9.7%) of turnover respectively.

The Group was able to utilize its flexible production capability to cope with changing customer preferences. The ongoing strategy is to consistently shift to higher-margin products and brands. We will cautiously monitor the customer portfolio and product mix, and adjust our production capacities according to market trends.

Major customers for the year included Asics, Clarks, New Balance, Skechers and Wolverine, with their aggregate contribution remaining quite stable throughout the past few years. During the year, they contributed 93.5% (2016: 91.9%) of total turnover.

The Group received gross rental income of approximately HK$8.6 million (2016: approximately HK$8.6 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$1.7 million (2016: loss of approximately HK$8.7 million) were recorded for the year under review.

Retailing Business

The retail unit gradually ceased operation since September 2016. Turnover during the year decreased by HK$12 million, to approximately HK$23 million (2016: approximately HK$35 million). The impact of the unit's termination, including all the inventories and major possible expenditure, has been accounted for in the results of this year.

Establishment of Joint Venture and disposal of subsidiaries

As disclosed in the Company's announcement dated 9 January 2017, the Group proposed to establish a joint venture with Evervan Group and transfer the entire interests in Star Praised Limited, Kingmaker III (Vietnam) Footwear Co. Ltd, Empress Choice Limited and Maystar (Vietnam) Footwear Co. Ltd to the joint venture to hold and develop the business operations in central Vietnam. The establishment of the joint venture and the disposal of the above companies to the joint venture had been completed in February 2017, and thus the above companies had ceased to be subsidiaries of the Group. The Group currently holds 40% of the joint venture.

Subsequent Event

On 28 December 2016, the Group as vendor entered into a sale and purchase agreement with a purchaser for the disposal of a subsidiary ("Kingmaker Zhong Shan") holding the site and manufacturing facilities in Zhongshan, the PRC, for a consideration of RMB168,000,000 (equivalent to approximately HK$188,000,000). The registration process with the relevant industrial and commercial administration in the PRC in respect of the transfer of the entire equity interest in Kingmaker Zhong Shan had been completed in April 2017. Pursuant to the sale and purchase agreement, 50% of the consideration had already been released by the escrow agent to the Group, while the remaining 50% of the consideration is expected to be released by the escrow agent to the Group before late July 2017 on the condition that the Group has settled all the encumbrances (including but not limited to taxes, penalties, utility charges, etc) incurred by Kingmaker Zhong Shan prior to the date of completion, failing which the purchaser is entitled to deduct the amount equals to such encumbrances from the payment of the remaining consideration. Please refer to the announcement of the Company dated 28 December 2016 for further details. Further update will be provided by the Company as and when appropriate.

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 2017, the Group's cash and cash equivalents were approximately HK$776 million (2016: approximately HK$666 million).

The Group is substantially debt-free. As at 31 March 2017, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (2016: approximately HK$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (2016: approximately HK$99 million) in Hong Kong being granted to the Group, approximately HK$0.8 million (2016: approximately HK$1.3 million) had been utilized as at 31 March 2017.

For the year ended 31 March 2017, the current ratio was approximately 2.07 (2016: approximately 1.62) based on current assets of approximately HK$1,152 million and current liabilities of approximately HK$556 million and the quick ratio was approximately 1.79 (2016: approximately 1.27).

As at 31 March 2017, 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$1,146 million as at 31 March 2017 (2016: approximately HK$1,132 million). As at 31 March 2017, the Group did not have any interest-bearing bank borrowings (2016: nil), resulting nil% (2016: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 3,406,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$6,276,000 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*
June 2016	100,000	1.68	1.67	168
July 2016	2,382,000	1.94	1.75	4,404
October 2016	924,000	1.90	1.70	1,704
Total	3,406,000			6,276

The premium paid on the repurchase of the shares of approximately HK$5,935,000 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 11,000 employees as at 31 March 2017. 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 2017 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 2017, 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 2017.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2017 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 2017 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, 28 June 2017

As at the date of this announcement, the four executive directors of the Company are Mdm. HUANG Hsiu Duan, Helen, Mr. KIMMEL Phillip Brian, Mr. MUMMA, Adin David 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.