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 2018

FINANCIAL HIGHLIGHTS

	2018	2017	**Change**
	HK$'000	*HK$'000*	
CONTINUING OPERATIONS			
Revenue	**1,164,873**	1,830,267	-36.4%
Gross profit	**182,621**	329,836	-44.6%
Gross profit margin	**15.7%**	18.0%	-2.3 points
Profit for the period attributable to equity holders of the Company			
Recurring profit#	**80,714**	145,488	-44.5%
Non-recurring profit^	**176,546**	(12,932)	
Total	**257,260**	132,556	+94.1%
	HK cents	*HK cents*	
Basic earnings per share			
– For profit for the year	**36.82**	19.05	+93.3%
– For profit for the year from continuing operations	**36.51**	21.51	+69.7%
	HK cents	*HK cents*	
Proposed final and special dividends			
Interim dividend per share	**3.8**	4.2	
Special dividend per share	**11.2**	3.8	
Final dividend per share	**2.2**	5.5	
Special dividend per share	**12.8**	4.5	
Total dividends per share for the year	**30.0**	18.0	+66.7%

- Cash and cash equivalents of approximately HK$804 million

\# *Balance included profit for the period attributable to equity holders of the Company, excluding gain on disposal of subsidiaries from continuing operations and profit/(loss) for the period from discontinued operation*

^ *Balance included profit/(loss) for the year from discontinued operation and gain on disposal of subsidiaries from continuing operations*

* *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 2018, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**1,164,873**	1,830,267
Cost of sales		**(982,252)**	(1,500,431)
Gross profit		**182,621**	329,836
Other income and gains, net		**29,167**	12,192
Distribution and selling expenses		**(26,084)**	(53,573)
Administrative expenses		**(120,819)**	(128,339)
Finance costs	*4*	**(9)**	(4)
Share of losses of associates		**(11,628)**	(1,196)
Gain on disposal of subsidiaries	*12*	**174,381**	4,167
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**227,629**	163,083
Income tax credit/(expense)	*6*	**25,634**	(14,631)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**253,263**	148,452
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	*7*	**2,165**	(17,099)
PROFIT FOR THE YEAR		**255,428**	131,353
Attributable to:			
Equity holders of the Company		**257,260**	132,556
Non-controlling interests		**(1,832)**	(1,203)
		255,428	131,353

	Notes	**2018**	2017
		HK$'000	*HK$'000*
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
Basic			
– For profit for the year		**HK36.82 cents**	HK19.05 cents
– For profit from continuing operations		**HK36.51 cents**	HK21.51 cents
Diluted			
– For profit for the year		**HK36.66 cents**	HK18.94 cents
– For profit from continuing operations		**HK36.36 cents**	HK21.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018 *HK$'000*	2017 *HK$'000*
PROFIT FOR THE YEAR	**255,428**	131,353
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	**82**	41
Reclassification adjustments for gains as disposal included in the consolidated statement of profit or loss	**(540)**	–
	(458)	41
Exchange differences:		
Exchange differences on translation of foreign operations	**25,820**	(25,475)
Reclassification adjustments for a foreign operation disposed of during the year	**(22,441)**	7,279
	3,379	(18,196)
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods	**2,921**	(18,155)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
Asset revaluation reserve:		
Gain on revaluation of buildings	**4,567**	17,313
Income tax effect	**–**	(4,328)
	4,567	12,985
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**4,567**	12,985
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**7,488**	(5,170)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**262,916**	126,183
Attributable to:		
Equity holders of the Company	**264,748**	127,386
Non-controlling interests	**(1,832)**	(1,203)
	262,916	126,183

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**278,740**	338,037
Prepaid land lease payments		**91,048**	51,587
Investment properties		**197,718**	136,484
Deposits		**–**	3,916
Investment in associates		**45,930**	57,558
Investments in club memberships		**858**	870
Available-for-sale investments		**–**	530
Total non-current assets		**614,294**	588,982
CURRENT ASSETS			
Inventories		**169,945**	158,673
Accounts and bills receivable	*10*	**95,886**	141,459
Prepayments, deposits and other receivables		**13,437**	8,410
Due from an associate		**31,633**	11,116
Tax recoverable		**1,336**	207
Cash and cash equivalents		**804,292**	775,816
		1,116,529	1,095,681
Assets of disposal groups classified as held for sale	*7*	**–**	56,524
Total current assets		**1,116,529**	1,152,205
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**132,959**	148,822
Accrued liabilities and other payables		**165,304**	192,067
Tax payable		**165,320**	197,684
Derivative financial instruments		**927**	–
		464,510	538,573
Liabilities directly associated with the assets classified as held for sale	*7*	**–**	17,542
Total current liabilities		**464,510**	556,115
NET CURRENT ASSETS		**652,019**	596,090

	2018	2017
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,266,313**	1,185,072
NON-CURRENT LIABILITIES		
Deposit received	**1,348**	–
Deferred tax liabilities	**23,711**	19,877
Total non-current liabilities	**25,059**	19,877
Net assets	**1,241,254**	1,165,195
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**69,350**	69,969
Reserves	**1,151,524**	1,075,588
	1,220,874	1,145,557
Non-controlling interests	**20,380**	19,638
Total equity	**1,241,254**	1,165,195

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of amendments to HKFRS 12, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's subsidiaries classified as disposal groups held for sale are wholly-owned subsidiaries and so no additional information is required to be disclosed.

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) property investment.

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations 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 2018 and 2017.

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**1,164,873**	1,830,267	**–**	–	**1,164,873**	1,830,267
Intersegment sales	**–**	1,451	**–**	–	**–**	1,451
	1,164,873	1,831,718	**–**	–	**1,164,873**	1,831,718
Elimination of intersegment sales					**–**	(1,451)
Revenue from continuing operations					**1,164,873**	1,830,267
Rental income	**–**	–	**10,539**	8,608	**10,539**	8,608

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment results	**209,991**	162,168	**12,317**	5,079	**222,308**	167,247
Unallocated income and gains/(losses), net					**4,439**	(1,283)
Interest income					**15,562**	9,278
Unallocated expenses					**(14,671)**	(12,155)
Finance costs					**(9)**	(4)
Profit before tax from continuing operations					**227,629**	163,083
Income tax credit/(expense)					**25,634**	(14,631)
Profit for the year from continuing operations					**253,263**	148,452
Assets and liabilities						
Segment assets	**717,148**	717,469	**197,718**	136,484	**914,866**	853,953
Assets of disposal groups classified as held for sale	**–**	51,236	**–**	–	**–**	51,236
Unallocated assets					**815,957**	830,710
Assets related to discontinued operation					**–**	5,288
Total assets					**1,730,823**	1,741,187
Segment liabilities	**294,270**	335,316	**1,878**	892	**296,148**	336,208
Liabilities directly associated with the assets classified as held for sale	**–**	15,980	**–**	–	**–**	15,980
Unallocated liabilities					**193,421**	222,242
Liabilities related to discontinued operation					**–**	1,562
Total liabilities					**489,569**	575,992

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation:						
Segment	**35,432**	51,450	**–**	–	**35,432**	51,450
Unallocated					**2,456**	3,805
					37,888	55,255
Amortisation of prepaid land lease payments	**1,758**	2,325	**–**	–	**1,758**	2,325
Capital expenditure	**59,204**	20,864	**–**	–	**59,204**	20,864
Share of losses of associates	**11,628**	1,196	**–**	–	**11,628**	1,196
Impairment of property, plant and equipment	**9,221**	1,609	**–**	–	**9,221**	1,609
Fair value losses/(gains) on revaluation of investment properties	**–**	–	**(5,449)**	1,703	**(5,449)**	1,703

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
The United States of America	**171,265**	382,199
Europe	**392,686**	578,227
Asia	**417,135**	616,841
Others	**183,787**	253,000
	1,164,873	1,830,267

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**23,097**	24,541
Mainland China	**250,875**	228,033
Cambodia	**100,814**	109,663
Vietnam	**191,896**	166,264
Others	**824**	1,523
	567,506	530,024

The non-current asset information of continuing operations 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 2018 and 2017 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**391,980**	467,716
Customer B	**253,829**	584,265
Customer C	**228,670**	315,475
Customer D	**193,482**	244,842
	1,067,961	1,612,298

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

4. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans	**9**	4

5. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**617,399**	940,490
Depreciation	**37,888**	55,148
Amortisation of prepaid land lease payments	**1,758**	2,325
Amortisation of a club membership	**12**	17
Fair value losses on derivative financial instruments	**7,598**	530
Fair value losses/(gains) on revaluation of investment properties	**(5,449)**	1,703
Impairment of property, plant and equipment	**9,221**	1,609
Impairment of other receivables	**61**	921
Bank interest income	**(14,865)**	(7,944)
Interest income from accounts receivable	**(697)**	(1,334)
Dividend income	**(20)**	(20)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**357**	847
Under/(over) provision in prior years	**(20)**	585
Current – Elsewhere		
Charge for the year	**12,785**	32,394
Overprovision in prior years	**(40,438)**	(18,914)
Deferred	**1,682**	(281)
Total tax charge/(credit) for the year from continuing operations	**(25,634)**	14,631
Total tax position for the year from discontinued operation	**–**	–
	(25,634)	14,631

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2017: 16.5%), the Vietnam Corporate Tax rates of 15% to 20% (2017: 15% to 22%), the Cambodia Corporate Tax rate of 20% (2017: 20%), the Taiwan Corporate Tax rate of 17% (2017: 17%), the Corporate Income Tax rate in Mainland China of 25% (2017: 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, 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.

On 28 May 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest of 上海君勳如舞國際貿易有限公司, a wholly-owned subsidiary of the Company, at a cash consideration of RMB2,962,000, equivalent to HK$3,380,000. The disposal was completed during the year ended 31 March 2018.

The results of the Retailing and Wholesaling Business for the year ended 31 March 2018 are presented below:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**–**	23,099
Cost of sales	**–**	(9,056)
Gross profit	**–**	14,043
Other income and losses, net	**(32)**	(78)
Distribution and selling expenses	**–**	(22,733)
Administrative expenses	**(85)**	(8,331)
Loss before tax from discontinued operation	**(117)**	(17,099)
Income tax expense	**–**	–
Loss for the year before gain on disposal of a subsidiary	**(117)**	(17,099)
Gain on disposal of a subsidiary *(note 12(a))*	**2,282**	–
Profit/(loss) for the year from discontinued operation	**2,165**	(17,099)

(a) **Discontinued operation**

The major classes of assets and liabilities of the Retailing and Wholesaling Business are as follows:

	2018	2017
	HK$'000	*HK$'000*
Assets		
Accounts and bills receivable	–	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) Disposal group held for sale

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"), to dispose of 100% equity interest of Kingmaker Footwear (Zhong Shan) Co., Ltd. ("Kingmaker Zhong Shan"), a wholly-owned subsidiary of the Group which held the site and manufacturing facilities in Zhongshan, at a cash consideration of RMB168,000,000, equivalent to HK$187,584,000.

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 as at 31 March 2017.

During the year ended 31 March 2018, condition precedent was fulfilled and the disposal of Kingmaker Zhong Shan was completed.

Pursuant to the sale and purchase agreement, 50% of the consideration was released by the escrow agent to the Group during the year ended 31 March 2017, while the remaining 50% of the consideration was released by the escrow agent to the Group during the year ended 31 March 2018.

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

	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

Details of the disposal of Kingmaker Zhong Shan were disclosed in note 12(b).

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$257,260,000 (2017: HK$132,556,000), and the weighted average number of ordinary shares of 698,709,631 (2017: 695,673,705) 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$257,260,000 (2017: HK$132,556,000) and 701,663,133 (2017: 699,920,106) 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.

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**255,095**	149,655
From discontinued operation	**2,165**	(17,099)
	257,260	132,556

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares used in calculating the basic earnings per share	**698,709,631**	695,673,705
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	**2,953,502**	4,246,401
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**701,663,133**	699,920,106

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2017 – HK5.5 cents per ordinary share (2017: final dividend of HK5.2 cents per ordinary share, in respect of the financial year ended 31 March 2016)	**38,434**	36,072
Special in respect of the financial year ended 31 March 2017 – HK4.5 cents per ordinary share (2017: special dividend of HK4.0 cents per ordinary share, in respect of the financial year ended 31 March 2016)	**31,446**	27,747
Interim – HK3.8 cents (2017: HK4.2 cents) per ordinary share	**26,562**	29,375
Special – HK11.2 cents (2017: HK3.8 cents) per ordinary share	**78,287**	26,578
	174,729	119,772
Proposed final dividend		
HK2.2 cents (2017: HK5.5 cents) per ordinary share	**15,257**	38,483
Proposed special dividend		
HK12.8 cents (2017: HK4.5 cents) per ordinary share	**88,768**	31,486
	104,025	69,969

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 minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management.

An ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**95,515**	141,441
Between 91 and 180 days	**366**	13
Between 181 and 365 days	**1**	5
Over 365 days	**4**	–
	95,886	141,459

11. ACCOUNTS AND BILLS PAYABLE

An ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**115,162**	129,954
Between 91 and 180 days	**13,201**	14,757
Between 181 and 365 days	**220**	547
Over 365 days	**4,376**	3,564
	132,959	148,822

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

12. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 March 2018

Disposal of 上海君勳如舞國際貿易有限公司

	HK$'000
Net assets disposed of:	
Accounts receivable	**1,098**
Inventories	**–**
	1,098
Gain on disposal of a subsidiary *(note 7)*	**2,282**
	3,380
Satisfied by:	
Cash consideration	**3,380**

(b) For the year ended 31 March 2018

Disposal of Kingmaker Zhong Shan

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**43,441**
Prepaid land lease payments	**7,440**
Accrued liabilities and other payables	**(6,255)**
Tax payables	**(8,982)**
	35,644
Exchange fluctuation reserve	**(22,441)**
Gain on disposal of a subsidiary	**174,381**
	187,584
Satisfied by:	
Cash consideration	**187,584**

(c) For the year ended 31 March 2017

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, 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 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.

	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 HK2.2 cents per share and a special dividend of HK12.8 cents per share. Together with the interim and special dividends of HK15.0 cents per share, the Group has delivered a total dividend for the year of HK30 cents per ordinary share, an increase of approximately 66.7% 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 Wednesday, 22 August 2018. The payment of final and special dividends will be payable on or about Thursday, 27 September 2018.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 8,274,000 of its ordinary shares at prices ranging from HK$2.08 to HK$2.48 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, 17 August 2018 to Wednesday, 22 August 2018, 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, 16 August 2018.

(b) Entitlement to the proposed final and special dividends

The record date for entitlement to the proposed final and special dividends is Thursday, 6 September 2018. The register of members of the Company will be closed from Tuesday, 4 September 2018 to Thursday, 6 September 2018, 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, 3 September 2018.

CHAIRMAN'S STATEMENT

MACROECONOMIC OVERVIEW

Notwithstanding the increase in our reported profit, retail sentiments have remained subdued in our major markets, in particular the United States (the "US") and the United Kingdom (the "UK"), as discussed in the interim report of the Company for the six months ended 30 September 2017 (the "Interim Report"). Weak market conditions continued to reflect in our clients' orders for the second half of fiscal 2017/18.

Looking back at 2017, it was a year full of surprises and unexpected political events. Despite maintaining moderate growth in 2017, the global economy was clouded by geopolitical instability.

Brexit was only one of the examples of the renegotiations happening around the world as a result of inward-looking policies. The ongoing trade disputes between the US and her many trading partners, including China, have raised concern over the prospects for global trade and an increase in trade barriers has weighted on the global economy.

In Asia, Japan continued to be caught in its lingering economic structural problems, while the US' withdrawal from the Trans-Pacific Partnership ("TPP") has posed further risks to the trading environment of the region.

In respect of the footwear industry, the US and UK markets recorded sluggish sales performance owing to weak store traffic and problems with inventory. The filing for bankruptcy protection by several footwear brands and retail chains also reflected the unfavorable market situation.

GROWTH STRATEGIES

Strategic goals:

1. Taking a prudent and proactive approach to growth.

2. Investing in technology and innovation to provide effective solutions to customers.

3. Asset enhancement.

4. Talent development.

Operational goals:

1. Seek an optimal scale to balance business volume and profitability, by focusing on high profit products with long-term growth potential.

2. Continue with the deployment of lean manufacturing and semi-automation in the southern Vietnam and Cambodia production bases.

3. Enforce stringent cost control measures in light of weak market conditions.

4. Attract, retain and engage talents from diverse backgrounds to strengthen the Group's professional management.

Financial goals:

1. Adopt prudent financial management.

2. Maintain a healthy financial position.

3. Improving the Return on Investment (ROI) in the long-term.

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

Look Forward to a Rebound

In spite of the continued challenging environment, our will remains strong to adopt appropriate and timely strategies to lead our Group to walk through this temporary shady moment. In the past two years, the Group has been focusing on consolidating and renovating its production capacities and facilities. We are now ready to rebuild our sales force and take further actions to transform Kingmaker's business in line with its strategy to capture new market trends and demands.

Shareholders can expect to see the first stage of this transformation to play out over the next three to five years as we plan to invest to respond to the strong "pull" from the market for our products. At the same time, we will embrace digitalization as the essential means to sustain our long-term competitiveness.

To maintain resilience amid lackluster market conditions, the Group will continue to uphold its core business strategic goals towards the pursuit of profit margin enhancement and shareholders' value.

A Prudent and Proactive Approach to Growth

We seek to grow by focusing on serving customers whose products are aligned to key underlying trends that drive long-term consumer demand.

As footwear fashion is in a constant state of flux and fluidity, it is imperative for the Group to proactively evaluate its existing customers as well as potential new customers. We therefore have to always take a step ahead of the worldwide trends and evaluate individual brand's business direction before sales problems emerge, thereby effectively managing our risks.

We seek to establish long-term partnership relationships with brands, and all new business starts on this premise. A prerequisite is for the brand to be able to provide a consistent order flow over the annual work cycle. Seasonal plans must also be provided in order to better manage our factories. New customers are evaluated on their potential growth and current financial stability. A series of check and evaluation processes also apply to the vetting of new customers.

In addition to serving major footwear brands, the Group's new concept line production setting can also accommodate smaller niche brands which represent the upcoming trend of the industry. These currently include German brand K1X and US brand McCubbin.

Investing in Technology and Innovation to Deliver Differentiation

At Kingmaker, the ultimate objective is to help customers to differentiate their products in the marketplace. It can also mean designing and delivering a solution that offers lower total transaction costs.

To achieve this goal, the transition from traditional production line setup to concept lines and more automation is underway.

Compared to traditional line processing, the number of workers on a concept line can be significantly reduced. The design of a concept line allows us to improve our quality checks with immediate spotting and correction of errors. While traditional line processing allows us to count for output on certain days of each month, daily output of a concept line is more transparent. The concept line production method certainly enables faster shipment to customers.

Innovation and digitalization will also be our main focuses, as they represent the means by which we can deliver quality products, while at the same time addressing increasingly short production lead times.

We will therefore continue to explore and apply innovative technologies, including lean manufacturing and semi-automation processes to raise operational efficiency and reduce reliance on manual labor. We will also seek digitalization to achieve real-time monitoring and prompt reaction to various operational processes, from production planning to products delivery.

Other investments will include the establishment of an additional R&D center and factory equipment. These planned investments are estimated to aggregate to more than US$10 million over the next few years.

Asset Enhancement to Improve Long Term Return on Investment

During the year, the Group has leased out its self-owned property in Shanghai to independent third parties. In Hong Kong, the Group will reorganize the office and warehouse, and seek to lease out some self-owned properties to independent third parties as soon as practicable. These will further generate yields on the assets.

As the investment properties now generate a stable rental income and return on investment (ROI), we have separated the operating results and position from the continuing operations to property investment held by the Group under the heading “Operating Segment Information”. More importantly, this will provide a clearer picture to assess the overall financial performance and position of the Group.

The Group continues to explore and evaluate the potential value of the Zhuhai factory premises. Considering the development of the Greater Bay Area, the Group is formulating the development potential of this property and may include it in the asset enhancement program and transfer it to investment properties if appropriate.

Talent Development

We develop and retain a diverse and talented team of people who are committed to making our customers successful and to growing a world-class company that can share in that success.

We believe that to maintain Kingmaker’s competitive edge, we must attract, select and retain motivated employees from a diverse range of backgrounds. To succeed, it requires more than ensuring competitive compensation, benefit and incentive structures. It means implementing a range of talent management programs designed to match the right people to the right jobs; and offering our employees rewarding work at different phases of their careers.

Succession Planning

As the Group's business grows, we continue to recruit and nurture young talents with a view to building a robust second-generation management team within the next three to five years. Another ongoing task is to train local staff members of various centers to take up local management roles in future.

The injection of new blood into management will not only lower the overall age profile of the executive team, but also ensure the smooth implementation of our long-term business development and facilities reengineering plans.

Our experienced senior management members, who are approaching their retirement ages, will gradually take up non-executive and mentoring roles to ensure a smooth transition.

I would like to thank Mr. Phillip Kimmel for his 24 years of contribution to the Group. During his tenure, he assisted the Group to build and maintain a strong client base and business network. After the forthcoming Annual General Meeting, he will be re-designated as a Non-executive Director and continue to serve our major customers and investment community.

With dedicated efforts, the Group is well on track to achieve its succession goals. I take pleasure to welcome Mr. Todd Wertz who will take up the role of Vice President of Marketing and Business Development.

OUTLOOK

Continuous rising costs and tightening human rights regulations will remain a major pressure for footwear manufacturers. Continuous economic development and an ageing population are also posing increasing recruitment difficulties for the industry.

In light of the prevailing uncertainty of the global economy, management continues to be cautious towards the market and operating environment in the coming year. Our long-term goals remain to pursue profit margin enhancement and shareholder value. To achieve these goals, we will remain selective in ongoing investments and capacity development, led by careful business portfolio planning.

Looking to the coming year, the global economy is not expected to show significant growth. Nevertheless, new trends in fashionable athleisure footwear are expected to bring this product category back to a growth track in fiscal 2018/19.

While we are cautiously optimistic about a rebound in the next financial year, we will stay alert to potential external risks that may have an impact on market demand. To maintain its cost advantage, tight cost control principles will continue to be applied to the corporate and manufacturing operations.

Despite some challenges in the macroeconomic environment, we are confident that the trend towards a healthy lifestyle will continue to drive demand for sportswear products.

Our manufacturing business will seek to capitalize on this trend.

Concluding Remarks

We are excited by the path of development of our business and are optimistic that the investments we are making will position Kingmaker for enduring success. The Board is of the view that the Group has the competence and right strategies to rebound from the trough.

The Group has a long track record of delivering results amid cyclical changes and macroeconomic challenges. Our time-proven business model will help the Group in bracing for the new challenges of tomorrow. It will also support our long-term mission of being a leading provider of footwear products in the Asia Pacific region.

Our strong customer relationships and renewed capability in serving customers' new product development requirements in today's challenging marketplace are favorable to our continued success.

We take pride in our loyal staff team, who have demonstrated resilience and adaptability to realize the Group's development blueprint, as well as the forward vision of our outstanding management team to ensure sustainable growth.

A strong financial position is central to the Group's success. We will continue to adopt prudent financial management to ensure the Group's healthy growth, while allowing us to invest in promising projects and to maintain a healthy dividend payout. With every plan and move, the Board upholds the principle of consistently creating shareholder value.

APPRECIATION

The continued progress of our businesses in the face of challenging market conditions validates the strength of the Group and the capabilities of our team. I wish to take the opportunity to thank my fellow directors, senior management and all staff members for their performance and service. I would also like to thank all our shareholders, suppliers, business partners and customers, whose support has contributed to our resilience over a period of macro challenges, business remodeling and production competence uplift.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board is pleased to report the annual results of Kingmaker Footwear Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2018. Set out below are discussions on the various aspects of the Group's financial results.

Turnover

During the year ended 31 March 2018, turnover from continuing operations thus decreased by 36.4% year on year to approximately HK$1,165 million (2017: approximately HK$1,830 million) while business volume (pairs) dropped by 41.2%.

The decline in turnover was mainly attributable to sluggish retail sales in the US and Europe, as reflected in slowed orders in particular during the second half of the financial year. Apart from the macroeconomic reasons, the decrease was also resulted from the Group's more selective sales strategy after it undertook a re-evaluation of its business model, client and product mix. With this refined strategy, the Group aims to shift its focus onto products with higher profits and value in the long run. These have led to a decrease in the overall manufacturing scale of the Group.

Gross Profit

As one of the measures to enhance production efficiency and to cope with the industry trend towards smaller batch sizes and more product styles, the Group expanded the conversion of traditional production lines into concept lines during the year. The setting up of the concept lines were also accompanied by further investments in lean manufacturing and process automation. While management is pleased to witness initial results of the concept lines in improving the speed, flexibility and efficiency of delivery, additional staff training and product development costs were inevitably incurred in the short term.

Other cost factors including increasing minimum wages in Vietnam, rising leather and other material costs, and the appreciation of the Renminbi and Vietnam Dong, also had a negative impact on the gross profit.

On the other hand, as a result of less labor input for each concept line and a reduced production scale, labor and salaries decreased significantly by approximately HK$127 million. However, its proportion to turnover rose 0.7 percentage point to 20.9% (2017: 20.2%) owing to the significant drop in the topline. Subcontracting charges also decreased by 61.0% to approximately HK$14 million (2017: approximately HK$36 million), or 1.2% (2017: 1.9%) of turnover.

The gross profit margin dropped to approximately 15.7% (2017: approximately 18.0%) as a result of the above factors.

Net Profit

The Group recorded a net profit from continuing operations attributable to equity holders of the Company of approximately HK$257 million (2017: approximately HK$133 million), representing a significant increase of 94.1% year on year. This was principally attributable to: (a) a non-recurring profit of approximately HK$174 million from the net gain on disposal of Kingmaker Footwear (Zhong Shan) Co., Ltd., which was recognized and reflected in the interim results of the Group for the six months ended 30 September 2017; and (b) the writing back of an overprovision for prior years' income taxes in the amount of approximately HK$40 million. Excluding the one-off items, recurring profit declined 44.5% year on year.

The net profit also took into account a share of losses of associates amounting to approximately HK$11.6 million (2017: approximately HK$1.2 million).

On a positive note, product mix enhancement efforts have yielded a 4.8% increase in the average selling price ("ASP"). Going forward the Group aims to move its ASP further up by engaging in the production of more higher-value products.

Earnings per share for the year increased by 93.3% year on year to approximately HK36.82 cents (2017: approximately HK19.05 cents).

Key Financial Ratios

Healthy financial ratios were maintained during the year:

- Debtors' turnover increased to 37 days for the year ended 31 March 2018 (2017: 31 days);
- Stock turnover was 97 days (2017: 76 days) owing to a temporary holding of stock on customers' request;
- Creditor turnover increased to 82 days (2017: 79 days);
- Strong liquidity with net cash in hand of approximately HK$804 million as at 31 March 2018 (2017: approximately HK$776 million);
- Current and quick ratios were 2.4 and 2.1, respectively (2017: 2.1 and 1.8, respectively).

Final Dividend

In anticipation of ongoing strong cash generation from the manufacturing and investment properties segments and considering 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 HK2.2 cents (2017: HK5.5 cents) and HK12.8 cents (2017: HK4.5 cents), respectively, which together with the interim dividend of HK3.8 cents (2017: HK4.2 cents) and special interim dividend of HK11.2 cents (2017: HK3.8 cents), represents a payout ratio of 81.5% (2017: 94.5%).

OPERATIONAL REVIEW

We work alongside customers as their production partner, and provide a broad range of quality manufacturing solutions in support of the customers' brand building and enhancement efforts. We also provide a diversified operational platform to meet customers' risk management requirements.

Continuing Operations – Manufacturing Business

The Group operates two core manufacturing bases in southern Vietnam and Cambodia. Our production network also includes research and development ("R&D") centers, located in southern Vietnam, Cambodia and the People's Republic of China (the "PRC"), as well as two outsole factories in southern Vietnam and Cambodia. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

The relocation of production activities from our higher-cost base in Mainland China to more cost-effective sites in Southeast Asia has helped renew our cost competitiveness against rising manufacturing expenses and squeezing margins. Management believes the current geographical mix will enable the Group to maintain flexibility in adjusting its production to cope with clients' needs and market changes.

The relocation program has brought 88.9% of the Group's total production lines to bases in southern Vietnam and Cambodia, with 11.1% being retained in Mainland China. In the long run, it is expected that more than 90% of our production capacity will be located in Southeast Asia, where the Group can enjoy lower costs and more attractive tax and customs policies.

As at the year-end date, the Group had a combined production scale of 38 concept and traditional processing lines, aggregating to an annual capacity of around 12.3 million pairs, which were 70.0% utilized (2017: 85.0%).

In southern Vietnam, there were 21 concept lines and 5 traditional lines in operation, while in Cambodia we had expanded to 5 concept lines and 3 traditional lines. Upon successful trial of the concept lines during the year, we plan to set up additional concept lines in southern Vietnam and Cambodia in the coming years. By the end of year 2020, we expect to have an aggregate of 18 traditional lines and 32 concept lines mainly in Southeast Asia.

In terms of output, the Southeast Asian production base contributed 82.2% of total production (2017: 85.9%) in pairs of footwear, while Mainland China accounted for 17.8% (2017: 14.1%) of total production.

The geographical distribution of markets shifted as a result of the change in client portfolio. European markets' contribution increased to 33.7% (2017: 31.6%) whereas turnover from the US dropped to 14.7% (2017: 20.9%). Turnover generated from Asia and other areas increased to 35.8% and 15.8% respectively (2017: 33.7% and 13.8% respectively).

Premium casual footwear was still the major product category, accounting for 55.5% (2017: 52.8%) of turnover. Babies' and children's footwear and rugged products generated 18.2% (2017: 18.2%) and 15.5% (2017: 12.4%) of turnover respectively. The clearance sale effect on the athleisure product category, due to an over-expectation of demand back in 2015, continued to see its contribution reduced to 10.8% (2017: 16.6%).

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-profit products and brands. Management will cautiously monitor and adjust the client portfolio and product mix in order to maintain profitability and to capture market trends.

Major customers for the year included Asics, Clarks, KIX, Skechers and Wolverine, with the top five customers' aggregate contribution remaining quite stable at 93.7% (2017: 93.5%) of total turnover. With a flexible production setup and specialized services, the Group is confident of securing new customers and products targeting different market segments.

Key developments in the Group's production centers include:

Southern Vietnam

Our southern Vietnam production base has over the years successfully built a healthy client mix with balanced geographical distribution. The US' exit from TPP therefore had only minimal impact on our business in southern Vietnam. Management will, however, maintain caution with regard to the development of recent protests in Vietnam.

Having completed the construction of new factories on an adjacent site, the Group has set up another manufacturing platform for upcoming new orders. As at 31 March 2018, the Group also completed in obtaining the land use right of another plot of land with a site area of 100,000 square meters located about half-an-hour's drive from the existing facilities. This new site will be reserved for future expansion purposes.

The southern Vietnam production base contributed 62.1% (2017: 58.4%) of total volume output.

Cambodia

Capacity in Cambodia underwent enhancement and improvement during the year with the setting up of more concept lines. The Group will seek to further improve the operational efficiency of the Cambodian factory, as this is a key to fulfilling future orders.

It contributed 20.1% (2017: 20.8%) of total output in terms of pairs of footwear despite the removal of 2 of its production lines to southern Vietnam.

Mainland China

Our manufacturing activity in Mainland China is mainly based in Zhuhai in southern China. Despite a reduced scale, the proportionate contribution of this production base to the Group's overall output increased slightly owing to an upgrade to the facilities.

Management has continued to restructure and integrate resources in Mainland China to ensure a stable output of niche products to supplement the Southeast Asian centers. The center in Mainland China will also maintain its function as an R&D platform.

In line with our relocation program, management will continue to explore any feasible solutions to make good use of our remaining facilities in China.

Investment in associates

The operation of the 40%-held joint venture with Evervan Group ("Evervan") in central Vietnam commenced in March 2017. Evervan is a leading international footwear manufacturer. As at 31 March 2018, 3 production lines were in operation.

In view of the operating results and performance of the associates during the year, the business plan has lagged behind the original schedule. In the coming year, management will undertake a thorough review and will continue to monitor its performance, and in the event that its operating results deteriorate further, we may consider suspend our further capital investment.

A share of losses from associates amounting to approximately HK$11.6 million (2017: approximately HK$1.2 million) was incurred during the year.

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.

Discontinued Operation – Retailing Business

The retail unit gradually wound down its operation from September 2016 and all major retail operations were ceased as at 31 March 2017. During the year, the retailing unit recorded a gain on disposal of a subsidiary of approximately HK$2.3 million (2017: HK$Nil).

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 2018, the Group's cash and cash equivalents were approximately HK$804 million (2017: approximately HK$776 million).

The Group is substantially debt-free. As at 31 March 2018, the Group had banking facilities amounted to an aggregate sum of approximately HK$99 million (2017: approximately HK$99 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$99 million (2017: approximately HK$99 million) in Hong Kong being granted to the Group, HK$0 (2017: approximately HK$0.8 million) had been utilized as at 31 March 2018.

For the year ended 31 March 2018, the current ratio was approximately 2.40 (2017: approximately 2.07) based on current assets of approximately HK$1,117 million and current liabilities of approximately HK$465 million and the quick ratio was approximately 2.04 (2017: approximately 1.79).

As at 31 March 2018, 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, the Vietnamese Dong ("VND") and the US dollars ("US$"). 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 minimise the Group's financial risks. As a measure of additional prudence, the Group cautiously uses derivatives 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 and Vietnam 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$1,221 million as at 31 March 2018 (2017: approximately HK$1,146 million). As at 31 March 2018, the Group did not have any interest-bearing bank borrowings (2017: nil), resulting nil% (2017: nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 8,274,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$18,566,000 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** *HK$*	**Lowest price per share** *HK$*	**Aggregate consideration (excluding transaction cost)** *HK$'000*
July 2017	230,000	2.33	2.31	534
August 2017	2,172,000	2.42	2.32	5,183
September 2017	384,000	2.48	2.46	950
January 2018	1,068,000	2.13	2.08	2,252
February 2018	3,254,000	2.22	2.09	7,020
March 2018	1,166,000	2.28	2.20	2,627
Total	8,274,000			18,566

The premium paid on the repurchase of the shares of approximately HK$17,739,000 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 9,700 employees as at 31 March 2018. 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 2018 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.

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 2018, 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 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 March 2018 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 2018 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 2018

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.