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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 2020

FINANCIAL HIGHLIGHTS

	2020	2019	**Change**
	HK$'000	*HK$'000*	
Revenue	**1,050,064**	1,100,649	-4.6%
Gross profit	**74,315**	116,255	-36.1%
Gross profit margin	**7.1%**	10.6%	-3.5 points
Profit/(loss) for the year attributable to equity holders of the Company	**(51,386)**	35,593	N/A
	HK cents	*HK cents*	
Basic earnings/(loss) per share	**(7.50)**	5.14	N/A
	HK cents	*HK cents*	
Proposed final and special dividends			
Interim dividend per share	**–**	2.8	
Special interim dividend per share	**2.0**	1.2	
Final dividend per share	**–**	–	
Special final dividend per share	**2.0**	2.0	
Total dividends per share for the year	**4.0**	6.0	-33.3%

- Cash and cash equivalents of approximately HK$444 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 2020, together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	3	**1,050,064**	1,100,649
Cost of sales		**(975,749)**	(984,394)
Gross profit		**74,315**	116,255
Other income and gains, net		**24,816**	41,152
Distribution and selling expenses		**(22,367)**	(30,555)
Administrative expenses		**(129,774)**	(113,421)
Finance costs	4	**(96)**	(46)
Share of losses of associates		**(20,684)**	(7,429)
PROFIT/(LOSS) BEFORE TAX	5	**(73,790)**	5,956
Income tax credit	6	**20,783**	27,978
PROFIT/(LOSS) FOR THE YEAR		**(53,007)**	33,934
Attributable to:			
Equity holders of the Company		**(51,386)**	35,593
Non-controlling interests		**(1,621)**	(1,659)
		(53,007)	33,934
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK(7.50 cents)**	HK5.14 cents
Diluted		**HK(7.50 cents)**	HK5.13 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(53,007)**	33,934
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(19,550)**	(17,058)
Reclassification adjustment for deregistration of subsidiaries	**1,279**	(1,816)
	(18,271)	(18,874)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Asset revaluation reserve:		
Gain on revaluation of land and buildings	**183,727**	18,751
Deferred tax liabilities on gain on revaluation of land and buildings	**(33,828)**	–
	149,899	18,751
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**131,628**	(123)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**78,621**	33,811
Attributable to:		
Equity holders of the Company	**80,242**	35,470
Non-controlling interests	**(1,621)**	(1,659)
	78,621	33,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**208,531**	250,454
Right-of-use assets		**73,356**	–
Prepaid land lease payments		**–**	85,744
Investment properties		**398,711**	203,565
Investments in associates		**17,817**	38,501
Investments in club memberships		**1,924**	1,970
Total non-current assets		**700,339**	580,234
CURRENT ASSETS			
Inventories		**166,539**	148,321
Accounts receivable	*9*	**137,407**	109,321
Prepayments, deposits and other receivables		**9,668**	14,277
Due from an associate		**69,073**	37,873
Tax recoverable		**619**	763
Cash and cash equivalents		**443,946**	609,834
Total current assets		**827,252**	920,389
CURRENT LIABILITIES			
Accounts payable	*10*	**93,966**	96,391
Accrued liabilities, other payables and contract liabilities		**80,784**	107,912
Lease liabilities		**872**	–
Tax payable		**113,807**	134,511
Total current liabilities		**289,429**	338,814
NET CURRENT ASSETS		**537,823**	581,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,238,162**	1,161,809
NON-CURRENT LIABILITIES		
Lease liabilities	**448**	–
Deposits received	**1,211**	1,005
Deferred tax liabilities	**57,866**	24,151
Total non-current liabilities	**59,525**	25,156
Net assets	**1,178,637**	1,136,653
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**68,443**	68,875
Reserves	**1,091,183**	1,049,057
	1,159,626	1,117,932
Non-controlling interests	**19,011**	18,721
Total equity	**1,178,637**	1,136,653

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 which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for the year ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land, buildings and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the prepaid land lease payments of HK$85,744,000 which were reclassified to right-of-use assets. For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the low-value assets exemptions
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend the lease
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 April 2019 as an alternative to performing an impairment review; and
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	95,486
Decrease in prepaid land lease payments	(85,744)
Decrease in property, plant and equipment	(4,466)
Decrease in prepayments, deposits and other receivables	(2,737)
Increase in total assets	2,539
Liabilities	
Increase in lease liabilities	2,618
Decrease in accrued liabilities, other payables and contract labilities	(79)
Increase in total liabilities	2,539

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	**3,503**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(814)
Commitment relating to leases of low-value assets	(21)
	2,668
Weighted average incremental borrowing rate as at 1 April 2019	3.98%
Lease liabilities as at 1 April 2019	**2,618**

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, non-lease related 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.

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2020 and 2019.

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**1,050,064**	1,100,649	**–**	–	**1,050,064**	1,100,649
Rental income	**–**	–	**13,506**	12,603	**13,506**	12,603
Segment results	**(88,441)**	(15,156)	**12,446**	15,006	**(75,995)**	(150)
Unallocated income and gains/(loss), net					**(7)**	1
Interest income					**12,561**	16,823
Unallocated expenses					**(10,336)**	(10,672)
Finance costs (other than interest on lease liabilities)					**(13)**	(46)
Profit/(loss) before tax					**(73,790)**	5,956
Income tax credit					**20,783**	27,978
Profit/(loss) for the year					**(53,007)**	33,934
Assets and liabilities						
Segment assets	**681,557**	685,372	**398,711**	203,565	**1,080,268**	888,937
Unallocated assets					**447,323**	611,686
Total assets					**1,527,591**	1,500,623
Segment liabilities	**112,135**	148,526	**59,616**	25,628	**171,751**	174,154
Unallocated liabilities					**177,203**	189,816
Total liabilities					**348,954**	363,970

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation of property, plant and equipment:						
Segment	**32,161**	32,794	**–**	–	**32,161**	32,794
Unallocated					**–**	585
					32,161	33,379
Depreciation of right-of-use assets	**3,754**	–	**–**	–	**3,754**	–
Amortisation of prepaid land lease payments	**–**	2,719	**–**	–	**–**	2,719
Capital expenditure	**15,751**	18,085	**–**	–	**15,751**	18,085
Share of losses of associates	**20,684**	7,429	**–**	–	**20,684**	7,429
Impairment of property, plant and equipment	**7,299**	–	**–**	–	**7,299**	–
Impairment allowance of accounts receivable	**4,947**	–	**–**	–	**4,947**	–
Fair value gains on revaluation of investment properties	**–**	–	**(1,490)**	(10,130)	**(1,490)**	(10,130)
Loss/(gain) on deregistration of subsidiaries	**1,279**	(1,816)	**–**	–	**1,279**	(1,816)
Provision for inventories	**1,575**	5,034	**–**	–	**1,575**	5,034
Loss on disposal of investment properties	**–**	–	**–**	3,873	**–**	3,873
Loss/(gain) on disposal of items of property, plant and equipment, net	**3,976**	(2)	**–**	–	**3,976**	(2)

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
The United States of America	**153,893**	130,295
Europe	**298,577**	347,385
Asia	**434,200**	448,552
Others	**163,394**	174,417
	1,050,064	1,100,649

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**93,431**	48,725
Mainland China	**333,266**	217,102
Cambodia	**86,487**	95,251
Vietnam	**166,388**	177,260
Others	**1,026**	1,425
	680,598	539,763

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

Information about major customers

Revenue derived from the manufacturing and sale of footwear products business with over 10% of the total revenue of the Group during the years ended 31 March 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**328,414**	274,562
Customer B	**290,916**	403,260
Customer C	**181,080**	185,868
Customer D	**123,258**	121,139
	923,668	984,829

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

4. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest on bank loans	**13**	46
Interest on lease liabilities	**83**	–
	96	46

5. PROFIT/(LOSS) BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**557,659**	573,848
Depreciation of property, plant and equipment	**32,161**	33,379
Depreciation of right-of-use assets	**3,754**	–
Amortisation of prepaid land lease payments	**–**	2,719
Amortisation of club memberships	**46**	38
Impairment of property, plant and equipment	**7,299**	–
Impairment allowance of accounts receivable	**4,947**	–
Employee termination benefits	**8,823**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**3,976**	(2)
Loss on disposal of investment properties	**–**	3,873
Fair value gains on derivative financial instruments	**–**	(1,295)
Fair value gains on revaluation of investment properties	**(1,490)**	(10,130)
Bank interest income	**(12,268)**	(16,499)
Interest income from accounts receivable	**(293)**	(324)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**33**	28
Current – Elsewhere		
Charge for the year	**4,827**	5,034
Overprovision in prior years	**(27,100)**	(35,000)
Deferred	**1,457**	1,960
Total tax credit for the year	**(20,783)**	(27,978)

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 16.5% (2019: 16.5%), the Vietnam Corporate Tax rates of 15% to 20% (2019: 15% to 20%), the Cambodia Corporate Tax rate of 20% (2019: 20%), the Taiwan Corporate Tax rate of 17% (2019: 17%), the Corporate Income Tax rate in Mainland China of 25% (2019: 25%) and the respective tax holidays granted to the subsidiaries of the Group in Cambodia (2019: Cambodia).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share (2019: basic earnings per share) amount is based on the loss for the year attributable to equity holders of the Company of HK$51,386,000 (2019: profit of HK$35,593,000), and the weighted average number of ordinary shares of 685,096,849 (2019: 693,065,324) in issue during the year, as adjusted to reflect the number of shares of 7,686,000 (2019: Nil) held under the share award scheme of the Company.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2020 in respect of the potentially dilutive ordinary shares in issue during the year as the impact had an anti-dilutive effect on the basis loss per share amount presented.

In prior year, the calculation of diluted earnings per share amount was based on the profit for the year attributable to equity holders of the Company of HK$35,593,000 and 694,213,271 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 end 31 March 2019.

	2020	2019
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the Company:	**(51,386)**	35,593

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares used in calculating the basic earnings per share	**685,096,849**	693,065,324
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	**100,086**	1,147,947
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**685,196,935**	694,213,271

8. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2019 – Nil cents per ordinary share (2019: final dividend of HK2.2 cents per ordinary share, in respect of the financial year ended 31 March 2018)	**–**	15,264
Special in respect of the financial year ended 31 March 2019 – HK2.0 cents per ordinary share (2019: special dividend of HK12.8 cents per ordinary share, in respect of the financial year ended 31 March 2018)	**13,754**	88,806
Interim – Nil cents (2019: HK2.8 cents) per ordinary share	**–**	19,426
Special – HK2.0 cents (2019: HK1.2 cents) per ordinary share	**13,649**	8,326
	27,403	131,822
Proposed dividends		
Final – Nil cents (2019: Nil cents) per ordinary share	**–**	–
Special – HK2.0 cents (2019: HK2.0 cents) per ordinary share	**13,689**	13,775
	13,689	13,775

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

9. ACCOUNTS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**142,354**	109,321
Impairment	**(4,947)**	–
	137,407	109,321

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days of issuance. 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 receivable as at the end of the reporting period, based on the date of goods delivered, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**134,432**	102,710
Between 91 and 180 days	**2,383**	5,392
Between 181 and 365 days	**592**	1,219
	137,407	109,321

10. ACCOUNTS PAYABLE

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

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**87,659**	86,787
Between 91 and 180 days	**3,110**	7,627
Between 181 and 365 days	**1,609**	69
Over 365 days	**1,588**	1,908
	93,966	96,391

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

11. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, Maystar Footwear Company Limited, a wholly-owned subsidiary of the Company, as lessor entered into a lease agreement (the "Lease Agreement") with Zhuhai Jiaxinde Investment Limited (the "Lessee") as lessee in respect of the lease of the Group's properties in Zhuhai, the People's Republic of China to the Lessee on 13 May 2020, for a period of 12 years commencing from 15 May 2020 to 14 May 2032 (both days inclusive). The Lessee shall pay the rent of approximately RMB931,984 per month, for the first year of the lease term. The rent shall be increased each year for the 2nd to 12th years of the lease term. Details of the Lease Agreement are disclosed in an announcement dated 13 May 2020.

DIVIDENDS AND SHARE REPURCHASES

A special dividend of HK2.0 cents per ordinary share was paid on 20 January 2020. The Directors recommend the payment of a special dividend of HK2.0 cents per ordinary share in respect of the year to shareholders on the register of members on Tuesday, 1 September 2020. No final dividend in respect of the year was recommended by the Board. Subject to the passing of the relevant resolution at the forthcoming Annual General Meeting ("AGM") of the Company, the special dividend will be payable on or about Friday, 25 September 2020 in cash in Hong Kong dollars.

In addition to dividend payments, during the course of the financial year, the Company repurchased and cancelled 4,326,000 of its ordinary shares at prices ranging from HK$1.16 to HK$1.20 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, 21 August 2020 to Wednesday, 26 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 August 2020.

(b) Entitlement to the proposed special dividend

The record date for entitlement to the proposed special dividend is Friday, 4 September 2020. The register of members of the Company will be closed from Wednesday, 2 September 2020 to Friday, 4 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed special dividend, 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 Tuesday, 1 September 2020.

CHAIRMAN'S STATEMENT

MACROECONOMIC DISCUSSION

The financial year ended 31 March 2020 witnessed persisting weakness in retail markets across most developed economies. Tensions between the United States (the "US") and mainland China, despite a phase one trade deal signed in January 2020, have also caused global trade disruptions and undermined business confidence. The United Kingdom (the "UK") and European economies also stagnated in 2019.

Impact of the COVID-19 Outbreak

The onset of the COVID-19 outbreak in early 2020 aggravated the disruption to the global supply chain, and has unleashed a series of unprecedented events affecting almost every economy. Global retail spending is expected to fall amid pandemic-led lockdowns.

Challenges including more rapid consumer demand shifts and widespread discounting, compounded by the impact of store shutdowns, have driven footwear brands to step up speed-to-market strategies, thus requiring suppliers to cope flexibly with their conservative procurement plans and short turnaround time.

Volatility and further economic slowdown will most likely be the overriding theme for the year ending 31 March 2021. Across all the markets where the Group's products are shipped, none will have immunity from a growth rate dip as they brace for heightened uncertainties in both the socio-political and economic realms. Further declines in apparel, footwear and outdoor sales are expected, owing to weak retail sentiments and COVID-19 impacts. It will take time for branded customers to digest inventories before order placements can pick up again for the Group. We therefore expect our business to remain slow until at least the end of 2020.

STRATEGIES AND OUTLOOK

Building Resilience Against the Pandemic

The world has changed dramatically since the outbreak of the pandemic. With an unprecedented magnitude and speed of a slowdown in activity, a global recession is widely expected for this year.

With the support of local authorities in Vietnam and Cambodia, as well as our teams' tireless efforts to cope with all necessary safety and health precautionary measures, our manufacturing facilities have not been seriously affected by the outbreak. However, with great uncertainty around how the pandemic may impact orders and sales visibility, the Group's performance throughout the remainder of 2020/21 will likely be affected.

During this challenging time, we seek to tide over the difficulties together with our team members who have always supported our business and corporate developments. As such, we continue to pledge that there will not be layoffs due to the pandemic. I, as Chairman of the Board, have opted to forego remuneration from May through December 2020. As a further measure to cut administrative costs, the other executive directors and the senior management team have accepted a 20% compensation reduction for eight months also commencing May 2020. Middle level team members will take unpaid leave during the period.

For our production centers, we have started to streamline the work forces in anticipation of slower business for the remainder of the financial year. Other cost control measures will include a budgeted decrease in overheads for every operating unit during 2020/21.

With profit margin enhancement remaining our priority goal, we are committed to raising production efficiency and further re-allocating our production capacity from the People's Republic of China (the "PRC") to Southeast Asia. We also continue to proactively manage our product mix, including the development of higher-value leather footwear lines which have met with positive market response.

Most importantly, we will strive to sustain the Group's financial strength by focusing on working capital and risk management. Corresponding measures are implemented to hedge against longer credit periods as requested by clients. Capital expenditure projects will be postponed to after 2020/21.

Another move that we took was to discontinue our manufacturing activity in Zhuhai, PRC in February 2020, and to vacate the production floors for leasing out under an agreement signed in May 2020. This arrangement will serve the dual purposes of reducing manufacturing costs, thus achieving gross profit improvement, and to enhance the Group's working capital.

We will continue to monitor the impacts of the pandemic and may impose any additional measures as deemed appropriate. Our long-standing financial policy has helped us build resilience against uncertainty, and we continue to maintain a healthy financial position. Backed by our financial strength, we have deep confidence in our long-term sustainable development.

A Robust and Scalable Platform to Serve World-leading Brands

Our success is premised on our capability to provide high-quality, reliable and cost-effective production solutions for the world's leading footwear brands. For years, we have sought to strengthen this capability by reinvesting our earnings in our manufacturing and research and development ("R&D") platform. Our existing facilities supplement each other to meet current client needs, and we have made advance capacity planning to ready ourselves for long-term expansion.

This strong and scalable platform strategy has positioned the Group well to respond in time to capture future business rebounds.

Technological and Process Enhancement

In line with the Group's vision to foster sturdy customer relationships, we are committed to helping our clients keep abreast of market trends. The uncertainty and weak retail conditions have reached unprecedented levels, compelling footwear brand owners to adopt an even more conservative procurement strategy. Turnaround time is also shortened as the brands seek to reduce their time to market. In response, we have expanded the concept-line production set-up to cover the majority of our lines.

We also continue to raise the levels of automation and digitalization in our facilities in order to overcome the challenges of short labor supply, while at the same time promoting productivity and quality. With customer interests at the heart of our management and operation, the Group is prepared to go one step further by phasing in the smart manufacturing system, which is an efficient way to achieve production efficiency and flexibility.

Taking initial and small steps towards smart manufacturing, we have incorporated our enterprise resource planning (ERP) system into the manufacturing execution system (MES). In preparation for the next phase, we are exploring ways to establish a smart supply chain and to integrate robotic processes into the current production lines. To advance further in technological applications, we will take reference and learn from our associated plant in central Vietnam, which has already taken steps to implement smart manufacturing.

Talent Development and Leadership Succession

The Group nurtures and retains a team of people with diverse talents. They are committed to making customers successful and to growing a world-class company that can share in that success. A robust second-generation management team is in place to continue the succession of managerial roles.

I must thank Mr. Chan Ho Man, Daniel for his relentless efforts to make possible the smooth transition of our Company's management during very difficult times. The Group has benefited greatly from his leadership. He will remain as a Non-executive Director and continue to offer his advice to the Board.

At the same time, I am delighted to have Mr. Chen Yi Wu, Ares and Mr. Wong Hei Chiu taking up the roles of Chief Executive Officer and Vice Chairman respectively. Mr. Chen is responsible for the execution of the Group's strategic plans and enterprise development, in charge of the management and overseeing the Group's production and customer relations. He and Mr. Wong will work with the other management team members to continue with the Group's key development initiatives.

As the production centers in Vietnam and Cambodia continue to grow and mature, the Group is training local staff members to take up management functions in these facilities. Localization will be an important step to strengthen the long-term development of these manufacturing locations.

In addition to offering competitive compensation packages, the Company also operates a share option scheme and a share award scheme to provide further incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Asset Enhancement

Depending on the Group's business needs and capacity planning, some self-owned factories and office properties may not be fully utilized at times. The Board has initiated a long-term asset enhancement program to consider the potential of sale or leasing in order to create returns on these assets.

Manufacturing activity in the Zhuhai plant has continuously been scaled down in line with the Group's strategy to move production from mainland China to lower-cost locations in Southeast Asia. Save for an R&D center that is being retained, all production lines have ceased to operate in February 2020 and part of the premises has remained idle since then. In May 2020, the Group entered into a lease agreement with an independent third party to lease out the unutilized part of the Zhuhai plant.

The Board considered that there would be potential of capital appreciation for the plant in future in view of the development of the Greater Bay Area. The lessee is engaged in property investment, development and operation. It has plans to transform the premises from a production site to an industrial/commercial project, particularly for new and emerging industries, at its own expense. Consideration was therefore given to the further potential value gain from the change of use of the site, approval of which is expected to be obtained in around two to three years. Upon completion of transformation, the leased premises will house workshops, offices and apartments for rental purposes.

The Board is thus of the view that it can create value for shareholders in the long run by holding the leased properties to generate recurrent rental income, while retaining the opportunity for future capital gains should the Company consider it appropriate to sell the properties at a later time.

This arrangement will help the Group make good use of idle properties, realize the investment value of its assets, and generate additional stable income to enhance working capital. Details of the lease agreement are disclosed in an announcement dated 13 May 2020.

Concluding Remarks

The pandemic has compelled us to think beyond ordinary emergency response mechanisms. We can hardly predict how the pandemic will eventually play out, but with its global impact, no business will be able to stay uneffected.

As a manufacturer operating a multi-country platform, our best defense is to step up working capital and risk management. We foresee that as the crisis unfolds further, liquidity will be the critical issue for businesses to stay afloat. In this connection, the Group is well placed with a sound financial position.

Risk aversion will also be a key theme for footwear brands which need to navigate highly volatile markets. We therefore anticipate that our clients will speed up their globalization footprint and further diversify their procurements. Premised on a diversified production platform, we will steadily grow our capacity to fulfill branded customers' initiatives to apportion sourcing activities among multiple suppliers.

The year ending 31 March 2021 will be even more challenging than the previous year. However, we have weathered a few economic downturns over the past decades, and stand ready to brace for severe headwinds ahead. During trying times like these, it is important that we uphold our much valued principles of manufacturing strength, excellent client services and prudent financial management.

APPRECIATION

There has never been a more important time to thank my fellow directors, senior management and all staff members for standing by the Group with full dedication. I am also thankful to our business partners, clients and shareholders. Your support sustains our confidence that we will emerge from this crisis an even stronger and better Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board is pleased to announce the annual results of Kingmaker Footwear Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2020.

The year under review was fraught with complex challenges. On the sales front, a slower pace of growth in many economies and uncertainties surrounding international trade have taken a toll on the retail environment. Operational challenges also stemmed from clients' requirement for smaller order sizes and quick turnaround time, resulting in frequent assembly line rearrangements which have undermined economies of scale.

The COVID-19 outbreak in China and parts of Asia since January 2020 has brought disruptions to the logistics of the supply chain for the Group's production lines in Vietnam and Cambodia. The situation was exacerbated in March as the United States (the "US") and Europe became hard hit by the pandemic. The subsequent lockdown of many cities resulted in a slowdown for retail businesses in major economies. In the face of the ongoing pandemic, the Group's branded customers have drastically cut back on, or deferred, their orders on consideration of high inventory levels, store closures and retail bankruptcies.

While the Group's performance has already been affected by soft market demand and thus conservative order placements, the pandemic is expected to add tremendous challenge to its business going forward.

In response, the Group has further tightened its cost and risk management measures. The Group's financial position remains healthy, with sufficient cash in hand to meet current business needs. As the pandemic and its aftermath hit economies across the globe, businesses lacking financial resources would suffer from new realities of longer credit periods and harsher transaction terms. The Group believes its financial strength, a result of its prudent financial management policy, will help it steer through this difficult operating environment.

Turnover

During the year ended 31 March 2020, turnover decreased by 4.6% year on year to approximately HK$1,050 million (2019: approximately HK$1,101 million) on a 3.3% decline in business volume (pairs) and a 2.0% drop in the average selling price ("ASP").

The declines were due to the conservative procurement approach of the branded customers as purchasing power remained weak across their target markets, bringing about reduced order batch sizes and delays in the placement of certain orders. Despite the adversities, the Group stays committed to building a healthy portfolio of products that can generate higher value and profit margin over the long run.

In conformity with the Group's forecast, and owing to the marketing efforts expended, orders in the third quarter of the fiscal year saw an upturn. Although the rebound was not sufficient to reverse the sales decline during the first half of 2019/20, the Group managed to achieve a reasonable level of full-year sales with only a mild decrease.

As market visibility remained low, clients were inclined to tightly control their research and development ("R&D") budgets, thus resulting in the introduction of less 'star' footwear products to the market. The ASP of the Group's sales therefore fell slightly despite efforts to secure higher-value orders.

Gross Profit

The further decrease in turnover has undermined the cost advantages derived from economies of scale, and continuously rising costs have remained a major pressure on the gross margin.

To cope with the branded customers' conservative procurement model, the traditional production lines were mostly transformed into concept lines, which can better accommodate small batch size production, as well as fast and frequent assembly line changes. However, with the lack of repeat orders, additional costs were incurred due to frequent re-adaptations to new production processes and thus workers' re-training. Material usage and labor input both increased under this circumstance, while material costs also went up amid disrupted supply of certain raw materials from China.

The gross profit margin was also adversely affected by increased wage levels in Vietnam and Cambodia as labor remained in short supply. When the Group developed production plans for the second half of the fiscal year, a rebound in orders was anticipated based on clients' sales forecasts. Considering the tight labor supply in Vietnam and Cambodia, the Group opted to make available a reserve of skilled workers. Labor costs thus did not drop in line with the decrease in orders.

During the year, wages and salaries, including allowances and other benefits, amounted to approximately HK$318 million (2019: approximately HK$322 million). This cost item's proportion to turnover rose 1.1 percentage points to 30.3% (2019: 29.2%).

Additionally, as some production lines were relocated between the Group's manufacturing centers to cater to clients' adjusted sourcing plans, efficiency loss and subcontracting charges were incurred to a considerable extent.

Costs associated with the furtherance of process automation and lean manufacturing also had an effect on the gross profit.

The gross profit margin dropped to 7.1% (2019: 10.6%) as a result of the above factors.

Net Loss

During the year, the Group recorded a net loss of approximately HK$51 million (2019: profit of approximately HK$36 million) attributable to equity holders of the Company mainly as a result of:

(a) the decrease in the gross profit due to the aforementioned factors;

(b) impairment losses on certain property, plant and equipment and accounts receivable; and

(c) an increase in share of losses from associates, as there was an increase in losses incurred by the Group's associated company operating in Central Vietnam.

These negative factors were partially offset by the reversal of a tax provision in the amount of approximately HK$27 million (2019: approximately HK$35 million) due to an overprovision in prior years' income taxes, as well as a valuation gain of approximately HK$1.5 million (2019: approximately HK$10.1 million) from investment properties.

Impairment losses on property, plant and equipment were incurred for the cessation of manufacturing activity in part of the premises within the plant in Zhuhai and certain machineries in Cambodia. The vacated premises in Zhuhai were subsequently leased out in May 2020. Details of the lease are discussed under the Asset Enhancement section.

A share of losses of associates amounting to approximately HK$20.7 million (2019: approximately HK$7.4 million) was incurred. Despite an increase in orders, the associated factory in Central Vietnam has yet to achieve economies of scale to generate profit.

Loss per share attributable to equity holders of the Company for the year was approximately HK7.5 cents (2019: earnings per share of approximately HK5.1 cents).

Key Financial Ratios

Healthy financial ratios were maintained during the year:

- Debtors' turnover increased to 43 days for the year ended 31 March 2020 (2019: 34 days);

- Stock turnover was 103 days (2019: 101 days) owing to a temporary holding of stock on customers' request;

- Strong liquidity with net cash in hand of approximately HK$444 million as at 31 March 2020 (2019: approximately HK$610 million);

- Current and quick ratios were 2.9 and 2.3 respectively (2019: 2.7 and 2.3 respectively).

Special Dividend

In light of the loss incurred for the year ended 31 March 2020 and in anticipation of ongoing uncertainty surrounding the COVID-19 pandemic, the Board has resolved not to pay a final dividend (2019: HK Nil cent) for the year. However, with dedicated working capital management efforts and plans to postpone all capital expenditure projects, the Company was able to maintain a healthy financial position. The Board therefore recommended to pay a special dividend of HK2.0 cents (2019: HK2.0 cents) per ordinary share for the year. Together with the interim dividend of HK Nil cent and the special interim dividend of HK2.0 cents per ordinary share, the total dividend for the year would amount to HK$4.0 cents per ordinary share, a decrease of approximately 33.3% over the previous financial year.

The Board continues to pledge to share the Company's results with its shareholders, and will review its dividend policy from time to time.

OPERATIONAL REVIEW

Macro Environment

The US economy grew moderately albeit at a slower rate in 2019, with retail sales recording mild growth for the full year. The economy entered 2020 with a fair amount of momentum, and January sales of athletic footwear and activewear showed growth month by month. In the United Kingdom (the "UK"), 2019 witnessed its weakest retail performance on record, but sales rebounded at the start of this year.

However, as the COVID-19 outbreak accelerated in the US and many parts of Europe, these markets reversed their moderate growth trends with sales declines beginning to be recorded in February. A precipitous decline in global economic activity was witnessed from March when many cities were put into lockdown, and as major business, entertainment and sports events, including the Tokyo 2020 Olympic Games, were cancelled or postponed.

Developing economies in East Asia and the Pacific have been struggling with international trade tensions and the virus outbreak, and they are facing a new round of turbulence brought by the economic downturn of the western economies.

As the Group braces for most challenging times ahead, it has taken steps to strengthen its readiness through stringent risk management and backed by strong financial health. It will also continue with its strategy of pursuing a multi-country supply chain and manufacturing platform to provide reliable and premium-quality production solutions for international footwear brands.

Manufacturing Business

The Group currently operates two core manufacturing bases in southern Vietnam and Cambodia, which are equipped with R&D facilities. A supplementary R&D center is in operation in Zhuhai, the PRC. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

The Group's multi-year diversification program has continually geared its production activity away from the higher-cost PRC base to the Southeast Asian sites. As at the year-end date, all production lines were based in Vietnam and Cambodia. In accordance with the Group's plan to further scale down its manufacturing activity in the PRC, the production lines in Zhuhai have ceased to operate since February 2020. An R&D center was maintained on this site to serve the business needs of certain clients.

As at the year-end date, the Group had a combined production scale of 39 processing lines, mostly under the concept-line set-up. They contributed an annual capacity of around 9.4 million pairs, and was 71.0% utilized (2019: 68.9%). The rise in the utilization rate was mainly a result of the termination of manufacturing in PRC, against the efficiency loss due to the relocation of some production lines between different centers to meet clients' sourcing requirements.

In southern Vietnam, there were 25 concept lines and 4 traditional lines in operation, while in Cambodia the Group had 10 concept lines.

In terms of output, the Southeast Asian production base contributed 89.8% of total production (2019: 85.2%) in pairs of footwear, while mainland China's share was reduced to 10.2% (2019: 14.8%) of total output.

The geographical distribution of markets continued to be demand-driven, while the Group supports its clients' efforts to develop markets with good prospects. European markets' contribution dropped to 28.4% (2019: 31.6%), whereas turnover from the US increased to 14.7% (2019: 11.8%). Shipments to other markets, including Asia and other areas, accounted for 56.9% (2019: 56.6%).

Premium casual footwear remained the major product category, accounting for 42.7% (2019: 54.3%) of turnover. The rugged shoes category contributed 34.8% (2019: 22.2%) of the Group's turnover during the year, as this product line is regaining popularity in the market. Contribution of babies' and children's footwear increased to 20.9% (2019: 18.8%), while the performance of the athleisure product category continued to be lackluster with its share dropping to 1.6% (2019: 4.7%).

Major customers for the year included Asics, Clarks, Quiksilver, Skechers and Wolverine, these in aggregate contributed 91.9% (2019: 92.2%) of total turnover.

Key developments in the Group's production centers are summarized below:

Southern Vietnam

Southern Vietnam remained the core manufacturing site for the Group, contributing 72.6% (2019: 68.8%) of total volume output.

As the Phase I factory approached higher utilization, the Group made advance capacity planning by building new premises on an adjacent site. The new plant will prepare the Group for ramping up production capacity within a short lead time. The current plan is to fully utilize the capacity of the Phase I facilities before making moves to install machinery and equipment for the new premises.

The Group has also obtained the land use right of another plot of land in Vietnam Singapore Industrial Park II located about half-an-hour's drive from the existing facilities. This new site will be reserved for long-term expansion purposes.

With a production center in operation, new premises ready to house additional manufacturing within a short lead time, and a plot of land set aside for long-term development, the Group is well covered in fulfilling existing demand and capturing future growth opportunities.

Cambodia

As some clients opted to move their procurement to Cambodia, one concept line was added to this manufacturing site, which in total contributed 17.2% (2019: 16.4%) of output in pairs during the year. Additional workers were also employed during the year, thereby incurring increased labor costs for this center.

The Group will seek to further improve the operational efficiency of the Cambodian factory. This factory will be maintained as a supplementary production center for the core Vietnam site, while serving as an alternative to fulfill the global sourcing plans of clients.

Mainland China

The Group's manufacturing activity in mainland China is based in Zhuhai in southern China. In light of the rising costs in the country and the ongoing Sino-US trade tensions, proportionate output (pairs) from this center has been reduced to 10.2% (2019: 14.8%).

As the Group continued to move its manufacturing activity from mainland China to other Southeast Asian locations, the production lines in Zhuhai discontinued operation in February 2020. At the request of clients, an established R&D center remains in operation with the support of a lean workforce.

Investments in associates

The Group holds a 40% interest in an associated company jointly owned with Evervan Group ("Evervan") in central Vietnam. Evervan is a leading international athletic footwear manufacturer.

This associated company continued to show steady revenue growth. During the year, it delivered an approximately 70.8% increase in turnover to approximately HK$328 million (2019: approximately HK$192 million). However, this business growth still fell short of original forecasts.

An increase in loss was thus incurred as the operation has not yet reached economies of scale. A share of losses from associates amounting to approximately HK$20.7 million (2019: approximately HK$7.4 million) was reported.

During the year, the associates expanded capacity from 10 production lines to 20. More workers have therefore been employed to cope with the expansion, resulting in an increase in labor costs. During its initial stage of ramping up, efforts have to be placed on worker training and adaptation, with optimal efficiency yet to be achieved. Additional costs such as airfreight and subcontracting charges were also incurred.

Given the strong background and expertise of Evervan, the Board believes that as the business scales up further to achieve better cost effectiveness, and with the skill sets of its workers maturing and processes further refined, the efficiency of this operation will improve in the future.

The associated company is mainly engaged in production for a world-leading casual footwear brand. In light of the weak market conditions, it has adjusted its short-term marketing strategy to go for volume business in a bid to seize market share and to achieve higher facilities utilization.

Its long-term goals remains to enhance its competence and efficiency. In this connection, it has continued to increase the level of automation and begun to adopt smart manufacturing for its production process. The Board believes that with more automated processes installed, this operation will be able to improve its competitiveness. It can also provide know-how for the Group's reference.

Management has noted the consistent business growth trend of the associated company. However, in view of its loss-making position and taking a conservative approach, the Group has resolved to suspend any further financial assistance to the associates during the financial year 2020/21.

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 2020, the Group's cash and cash equivalents were approximately HK$444 million (2019: approximately HK$610 million).

The Group is substantially debt-free. As at 31 March 2020, the Group had banking facilities amounted to an aggregate sum of approximately HK$79 million (2019: approximately HK$79 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK$79 million (2019: approximately HK$79 million) in Hong Kong being granted to the Group, no facilities had been utilized as at 31 March 2020 (2019: Nil).

For the year ended 31 March 2020, the current ratio was approximately 2.9 (2019: approximately 2.7) based on current assets of approximately HK$827 million and current liabilities of approximately HK$289 million and the quick ratio was approximately 2.3 (2019: approximately 2.3).

As at 31 March 2020, the Group did not have any interest-bearing bank borrowings (2019: Nil).

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 Renminbi, the Vietnamese Dong and the US dollars. 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$1,160 million as at 31 March 2020 (2019: approximately HK$1,118 million). As at 31 March 2020, the Group did not have any interest-bearing bank borrowings (2019: Nil), resulting Nil% (2019: Nil%) of the shareholders equity.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased and cancelled 4,326,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$5,120,000 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*
August 2019	1,058,000	1.19	1.16	1,250
September 2019	3,268,000	1.20	1.17	3,870
Total	4,326,000			5,120

The premium paid on the repurchase of the shares of approximately HK$4,688,000 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 9,600 employees as at 31 March 2020. 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.

During the year ended 31 March 2020, the trustee of the Company's share award scheme adopted on 26 June 2019 (the "Share Award Scheme") purchased a total number of 7,686,000 shares on the market at a total consideration of approximately HK$7,200,000. No shares have been awarded under the Share Award Scheme for the year ended 31 March 2020.

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 2020 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 2020, 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 auditor 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 2020.

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 2020 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 2020 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 2020 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
HUANG Hsiu Duan, Helen
Chairman

Hong Kong, 24 June 2020

As at the date of this announcement, the three executive directors of the Company are Mdm. HUANG Hsiu Duan, Helen, Mr. WONG Hei Chiu and Mr. Chen Yi Wu, Ares; three non-executive directors are Mr. CHAN Ho Man, Daniel, Mr. KIMMEL Phillip Brian and Dr. 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.