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KINGMAKER FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

DISCLOSEABLE TRANSACTION – DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 28 December 2016 (after trading hours), the Purchaser and the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Equity Interest, representing 100% of the equity interest of the Target Company, an indirect wholly-owned subsidiary of the Company at the Consideration of RMB168,000,000 (equivalent to approximately HK\$187,583,800).

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the Company's financial statements upon Completion.

* *For identification purposes only*

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company.

WARNING NOTICE

Completion of the Disposal is subject to, among other things, fulfillment of the conditions precedent of the Sale and Purchase Agreement as set out in the subsection headed "Principal Terms of the Sale and Purchase Agreement – Condition Precedent". As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board is pleased to announce that on 28 December 2016 (after trading hours), the Purchaser and the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Equity Interest, representing 100% of the equity interest of the Target Company, an indirect wholly-owned subsidiary of the Company at the Consideration of RMB168,000,000 (equivalent to approximately HK\$187,583,800).

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date:

28 December 2016

Parties

Vendor: Profit Success Investment Limited

Purchaser: Talent Union (Hong Kong) Investments Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party to the Company.

Subject matter of the Disposal

The Equity Interest represents 100% of the equity interest of the Target Company.

Consideration, Escrow Arrangement and Manner of Payment

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration shall be RMB168,000,000 (equivalent to approximately HK\$187,583,800).

Escrow Arrangement

Within three business days from the date of the Sale and Purchase Agreement, the Purchaser shall pay HK\$50,000,000 as deposit to an escrow agent as appointed by the Parties (the "**First Deposit**").

Within ten business days from the date the Purchaser issues the confirmation of satisfaction due diligence, the Purchaser will pay an amount equals to the Consideration less the First Deposit to the escrow agent.

Manner of Payment

The Consideration shall be satisfied by the Purchaser in the following manner:

- (a) RMB84,000,000 (equivalent to approximately HK\$93,791,900), representing 50% of the Consideration, shall be released by the escrow agent to the Vendor within three business days from the date of Completion; and
- (b) RMB84,000,000 (equivalent to approximately HK\$93,791,900), representing the remaining 50% of the Consideration, shall be released by the escrow agent to the Vendor within 90 business days from the date of Completion on the condition that the Vendor has settled all the encumbrances (including but not limited to taxes, penalties, utility charges, etc) incurred by the Target Company prior to the date of Completion, failing which the Purchaser is entitled to deduct the amount equals to such encumbrances from the payment of the remaining Consideration at this stage.

Condition precedent

Completion of the Disposal is conditional upon the Purchaser being satisfied with the results of the due diligence exercise on the Target Company which the Purchaser thinks necessary and appropriate to conduct on or before the Long Stop Date.

If the above condition has not been fulfilled (or waived) on or before the Long Stop Date, the obligations of the Purchaser and the Vendor under the Sale and Purchase Agreement shall forthwith cease and terminate and neither the Purchaser nor the Company shall have any claim against the other party, save for any antecedent breach thereof.

Completion

Completion will take place on the date on which the registration process with the relevant industrial and commercial administration in the PRC has been completed. The Vendor shall procure the update of the records in respect of the transfer of Equity Interest with the registration authority.

BASES OF THE CONSIDERATION

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Purchaser and was determined after taking into account the following factors:

- (i) the valuation on the parcel of land and buildings erected thereon owned by the Target Company appraised by an independent valuer in Hong Kong. Under the income capitalisation approach as adopted by the valuer, the value of the land and buildings as at 30 September 2016 was HK\$214,094,000;
- (ii) unaudited carrying amount of the net assets value of the Target Company (which comprised mainly the parcel of land and buildings erected thereon), as approximately HK\$55,000,000 as at 30 September 2016; and
- (iii) any other bases of Consideration as the Company considered.

The Directors (including the independent non-executive Directors) hold the view that the terms of the Sale and Purchase Agreement (including the bases of the Consideration), as determined based on an arm's length negotiations between the Parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a WFOE established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Target Company was principally engaged in the manufacturing of footwear before cessation of operation. Its major assets are a parcel of land in Zhongshan, the PRC with a total site area of approximately 62,690 square meters, together with the manufacturing facilities thereon with gross floor area of approximately 99,363 square meters.

According to the income capitalisation approach, the value of the land and building owned by the Target Company as at 30 September 2016 appraised by the valuer was approximately HK\$214,094,000. The audited financial information of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards for the six months period ended 30 September 2016 and the audited financial information for the year ended 31 March 2016 and 31 March 2015 respectively of the Target Company are set out below:

	For the period from 1 April 2014 to 31 March 2015 <i>HK\$</i> <i>(approximately)</i>	For the period from 1 April 2015 to 31 March 2016 <i>HK\$</i> <i>(approximately)</i>	For the period from 1 April 2016 to 30 September 2016 <i>HK\$</i> <i>(approximately)</i>
Turnover	308,833,000	213,361,000	2,867,000
Profit/(loss) before taxation	4,118,000	(31,790,000)	(27,746,000)
Profit/(loss) after taxation	2,368,000	(31,790,000)	(27,746,000)

FINANCIAL IMPLICATIONS OF THE DISPOSAL

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and accordingly the financial results of the Target Company will no longer be consolidated into the Company's financial statements upon Completion.

Subject to audit by the auditor of the Group, the Group expects to recognize, after transaction costs, a gain of approximately HK\$100,000,000 from the Disposal, which is calculated with reference to the Consideration and the unaudited carrying amount of net assets value of the Target Company (which comprised mainly the parcel of land and the buildings erected thereon) of approximately HK\$55,000,000 as at 30 September 2016.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

As the Target Company had already ceased operation, the Board is of the view that it is in the best interests of the Company and the Shareholders as a whole to realize the Group's investment in the Target Company through the Disposal. In addition, the Disposal can bring in additional source of capital for the Group's business development and to capture other investment opportunities as and when they arise. As such, the Company has decided to dispose of the Equity Interest. The proceeds from the Disposal will be used as general working capital of the Group.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Company and its subsidiaries are principally engaged in the business of manufacturing, trading and retailing of footwear.

The Vendor is a company incorporated in Hong Kong with limited liability. The Vendor is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

INFORMATION ON THE PURCHASER

The Purchaser is an indirect wholly-owned subsidiary of a listed company, the shares of which are listed on the Main Board of the Stock Exchange, which is principally engaged in property development, property investment and construction in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company.

WARNING NOTICE

Completion of the Disposal is subject to, among other things, fulfillment of the conditions precedent of the Sale and Purchase Agreement as set out in the subsection headed "Principal Terms of the Sale and Purchase Agreement – Condition Precedent". As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"business day"	means Monday to Friday (except statutory holidays in the PRC)
"Company"	Kingmaker Footwear Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1170)
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement

“Consideration”	the consideration in relation to the Disposal, the details of which are set out in the subsection headed “Consideration, Escrow Arrangement and Manner of Payment” in this announcement
“Connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Equity Interest by the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Equity Interest”	the 100% equity interest in the Target Company held by the Vendor as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	180 days from the date of the Sale and Purchase Agreement, or any other date as the Vendor and the Purchaser may agree in writing for fulfillment of the Conditions Precedent
“Parties”	the Purchaser and the Vendor

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Purchaser”	Talent Union (Hong Kong) Investments Limited (匯駿(香港)投資有限公司), a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 28 December 2016 entered into between the Purchaser and the Vendor in respect of the Disposal
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	順星制鞋(中山)有限公司 (Kingmaker Footwear (Zhong Shan) Co., Ltd)*, a WFOE established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor”	Profit Success Investment Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“WFOE”	Wholly Foreign-Owned Enterprise
“%”	per cent

On behalf of the Board
Chan Ho-man, Daniel
Chairman

28 December 2016, Hong Kong

As of the date of this announcement, the Board consists of four executive Directors, namely, Mdm. HUANG Hsiu-duan, Helen, Mr. KIMMEL, Phillip Brian, Mr. MUMMA Adin David and Mr. WONG Hei-chiu; two non-executive Directors, namely Mr. CHOW Wing-kin, Anthony and Mr. CHAN Ho-man, Daniel; and three independent non-executive Directors, namely Mr. TAM King-ching, Kenny, Mr. YUNG Tse-kwong, Steven and Ms. CHAN Mei-bo, Mabel.