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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)

INSIDE INFORMATION

This announcement is made by Kingmaker Footwear Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The board (the “**Board**”) of directors of the Company (the “**Directors**”) wishes to provide an update in relation to the impact of the novel coronavirus (COVID-19) pandemic on the Group’s operations.

COVID-19 has dealt a blow to the global retail sector, as lockdowns led to the temporary closure of stores across major markets while curtailing demand for footwear and severely affecting the business of our branded customers. As mentioned in the Company’s annual report for the year ended 31 March 2020, owing to weak retail sentiments and COVID-19 impacts, further declines in footwear sales are expected, and it will take time for branded customers to digest inventories before order placements can pick up again for the Group. Therefore, it is expected that the Group’s business would remain slow until at least the end of 2020. Based on the information currently available, the Group is expected to record a decrease in sales by approximately 30% during the first quarter of the financial year ending 31 March 2021 as compared to the same period in the previous year. A decrease in profit margin is also expected, mainly attributable to the decline in revenue and thus an increase in the proportionate labor costs to revenue.

* *For identification purposes only*

In response to the adverse impact caused by the COVID-19 pandemic, the Group has adopted stringent cost and risk management measures to guard against heightened uncertainty in the operating landscape. The Group has also started to streamline the work forces at the production centers in anticipation of generally slow business for the financial year. Other cost control measures include a budgeted decrease in overheads for every operating unit during 2020/21. With profit margin enhancement remaining the Group's priority goal, it is committed to raising production efficiency and proactively managing its product mix, while the termination of manufacturing activity in the PRC in February 2020 is expected to help bring down the proportionate cost to revenue.

A gradual recovery of the sales revenue is expected for the coming months, although the pace and extent of bounceback will depend on how new waves of COVID-19 infections are managed in our major retail markets.

As mentioned in our 2019/20 annual report, 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. To make good use of idle properties, realize the investment value of assets, and generate additional stable income to enhance working capital, the Group entered into a lease agreement with an independent third party to lease out the unutilized part of the Zhuhai plant (the "**Property**") in May 2020, details of which were disclosed in the Company's announcement dated 13 May 2020. The Group is expected to record a fair value gain arising from the revaluation of the Property of not less than approximately HK\$100 million for the six months ending 30 September 2020 in this regard, subject to a further valuation on 30 September 2020.

At present, the Group's financial position remains healthy with sufficient cash on hand to meet current business needs. The Board will continue to assess the impact of the COVID-19 pandemic on the Group's financial performance, and will closely monitor the Group's exposure to the risks and uncertainties in this connection.

The information in this announcement is based on a preliminary review of the unaudited financial information currently available to the Group. Such information has not been reviewed or audited by the Company's independent auditor.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Kingmaker Footwear Holdings Limited
HUANG Hsiu Duan, Helen
Chairman

Hong Kong, 24 August 2020

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