Karrie International Holdings Limited
嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

HIGHLIGHTS

— Revenue decreased by 25 % to HK$901,123,000

— Profit attributable to equity holders of the Company was HK$17,002,000

— Basic earnings per share was HK0.85 cents

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Karrie International Holdings Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 as follows:

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2013

	Note	30 September 2013 (Unaudited) HK$'000	31 March 2013 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**24,494**	24,418
Property, plant and equipment		**350,026**	345,999
Investment properties		**221,572**	218,875
Intangible assets		**23,291**	24,491
Investments in associates		**15,938**	16,131
Available-for-sale financial assets		**9,986**	10,185
Other non-current assets	4	**73,369**	66,115
Deferred tax assets		**984**	984
		719,660	707,198
Current assets			
Inventories		**210,290**	223,371
Trade and bills receivables	4	**297,018**	326,887
Amount due from an associate		**400**	3,643
Prepayments, deposits and other receivables	4	**96,552**	69,743
Derivative financial instruments		**287**	496
Time deposit		**25,000**	62,500
Cash and bank balances		**241,792**	243,894
		871,339	930,534
Assets of disposal group classified as held-for-sale	5	**60,549**	60,609
		931,888	991,143
Total assets		**1,651,548**	1,698,341
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**199,620**	199,620
Other reserves		**254,273**	256,781
Retained earnings		**463,034**	467,752
		916,927	924,153
Non-controlling interests		**471**	1,358
Total equity		**917,398**	925,511

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2013

	Note	30 September 2013 (Unaudited) HK$'000	31 March 2013 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**12,527**	12,527
Provision for long service payments		**11,026**	11,026
		23,553	23,553
Current liabilities			
Trade payables	6	**219,628**	226,657
Accruals and other payables		**239,148**	199,794
Receipts in advance		**3,506**	5,516
Amount due to an associate		**724**	467
Tax payable		**47,874**	43,314
Short-term bank borrowings	7	**199,717**	271,146
		710,597	746,894
Liabilities of disposal group classified as held-for-sale	5	**—**	2,383
		710,597	749,277
Total liabilities		**734,150**	772,830
Total equity and liabilities		**1,651,548**	1,698,341
Net current assets		**221,291**	241,866
Total assets less current liabilities		**940,951**	949,064

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Note	For the six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	8	**901,123**	1,194,458
Cost of sales		**(765,061)**	(1,092,927)
Gross profit		**136,062**	101,531
Distribution and selling expenses		**(23,684)**	(21,350)
General and administrative expenses		**(93,528)**	(65,732)
Other income and gains	8	**6,618**	4,396
Operating profit		**25,468**	18,845
Finance income		**708**	2,729
Finance costs		**(1,356)**	(3,932)
Finance costs, net	10	**(648)**	(1,203)
Share of losses of associates		**(193)**	(785)
Profit before income tax		**24,627**	16,857
Income tax expense	11	**(8,512)**	(3,424)
Profit for the period		**16,115**	13,433
Profit attributable to:			
Equity holders of the Company		**17,002**	13,433
Non-controlling interests		**(887)**	—
		16,115	13,433
Earnings per share attributable to equity holders of the Company *(HK cents)*			
— Basic and diluted	12	**0.85**	0.67

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**16,115**	13,433
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**—**	6,329
Fair value losses on available-for-sale financial assets, net of tax	**(274)**	(3,678)
Total comprehensive income for the period	**15,841**	16,084
Total comprehensive income attributable to:		
Equity holders of the Company	**16,728**	16,084
Non-controlling interests	**(887)**	—
Total comprehensive income for the period	**15,841**	16,084

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cash generated from operations	**88,794**	6,550
Interest paid	**(1,356)**	(3,932)
Hong Kong Profits Tax paid	**(3,602)**	(1,921)
Overseas tax paid	**(350)**	(360)
Net cash generated from operating activities	**83,486**	337
Net cash generated from/(used in) investing activities	**9,795**	(112,244)
Net cash used in financing activities	**(95,383)**	(106,193)
Net decrease in cash and cash equivalents	**(2,102)**	(218,100)
Cash and cash equivalents at 1 April	**243,894**	410,669
Effect of foreign exchange rate changes	**—**	1,714
	241,792	194,283
Cash and cash equivalents of disposal group classified as held-for-sale	**—**	(9)
Cash and cash equivalents at 30 September	**241,792**	194,274

Analysis of cash and cash equivalents:

	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cash and bank balances	**241,792**	194,274

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 September 2013 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information has not been audited, but has been reviewed by the Group's audit committee.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2013, as described in those annual financial statements, except for the adoption of the relevant new and revised HKFRSs that are first effective for the current accounting period of the Group.

Adoption of these new and revised HKFRSs does not result in a significant impact on the Group's results of operations and financial position for the current or comparative accounting period.

2 ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income
- Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT INFORMATION

The Group's chief operating decision-maker ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from both the geographic and the products and services perspective. From the products and services perspective, management assesses the performance of metal and plastic business, electronic manufacturing services business and consumer and services business. And there is further evaluation on a geographic basis (Japan, Hong Kong, Mainland China, Asia (excluding Japan, Hong Kong and Mainland China), North America and Western Europe). Management assesses the performance of the operating segments based on the operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in the financial statements.

Revenue consists of sales from metal and plastic business, electronic manufacturing services business and consumer and services business, which are approximately HK$411,116,000, HK$477,956,000 and HK$12,051,000 respectively for the six months ended 30 September 2013 and HK$523,024,000, HK$670,047,000 and HK$1,387,000 for the six months ended 30 September 2012.

Revenues recognised during the period are as follows:

	For the six months ended 30 September 2013 (Unaudited)				
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Consumer and services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue					
Total segment revenue	**437,060**	**477,956**	**12,051**	**—**	**927,067**
Inter-segment revenue	**(25,944)**	**—**	**—**	**—**	**(25,944)**
Revenue from external customers	**411,116**	**477,956**	**12,051**	**—**	**901,123**
Gross profit	**93,224**	**35,546**	**7,292**	**—**	**136,062**
Distribution and selling expenses and general and administrative expenses	**(59,909)**	**(22,843)**	**(34,460)**	**—**	**(117,212)**
Other income and gains	**—**	**—**	**689**	**5,929**	**6,618**
Operating profit/(loss)	**33,315**	**12,703**	**(26,479)**	**5,929**	**25,468**

	For the six months ended 30 September 2012 (Unaudited)				
	Metal and plastic business *HK$'000*	Electronic manufacturing services business *HK$'000*	Consumer and services business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue					
Total segment revenue	581,693	670,047	1,387	—	1,253,127
Inter-segment revenue	(58,669)	—	—	—	(58,669)
Revenue from external customers	523,024	670,047	1,387	—	1,194,458
Gross profit	65,438	36,041	52	—	101,531
Distribution and selling expenses and general and administrative expenses	(54,736)	(19,574)	(12,772)	—	(87,082)
Other income and gains	—	—	5	4,391	4,396
Operating profit/(loss)	10,702	16,467	(12,715)	4,391	18,845

A reconciliation of operating profit to profit before income tax is provided as follows:

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2013	2012
	HK$'000	*HK$'000*
Operating profit	**25,468**	18,845
Finance income	**708**	2,729
Finance costs	**(1,356)**	(3,932)
Share of losses of associates	**(193)**	(785)
Profit before income tax	**24,627**	16,857

Geographical information

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2013	2012
	HK$'000	*HK$'000*
Japan	**91,929**	149,360
Hong Kong	**217,193**	209,768
Mainland China	**314,121**	349,827
Asia (excluding Japan, Hong Kong and Mainland China)	**79,840**	94,814
North America	**90,991**	146,989
Western Europe	**107,049**	243,700
Total revenue	**901,123**	1,194,458

Revenue is allocated based on the country in which the final destination of shipment is located or services are provided.

The Group's sales were made primarily to a few key customers. For the six months ended 30 September 2013, the revenue derived from the five largest customers accounted for approximately 82% (2012: 80%) of the Group's total revenue.

4 TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
Trade and bills receivables	**299,356**	329,250
Other receivables	**92,361**	68,509
	391,717	397,759
Less: Provision for impairment of trade and bills receivables	**(2,338)**	(2,363)
	389,379	395,396
Prepayments	**25,222**	21,332
Deposits	**52,338**	46,017
	466,939	462,745
Less: Other non-current assets *(Note)*	**(73,369)**	(66,115)
	393,570	396,630
Representing:		
Trade and bills receivables, net of provision	**297,018**	326,887
Prepayments, deposits and other receivables, net of provision	**96,552**	69,743
	393,570	396,630

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment amounting to approximately HK$42,794,000, non-current portion of government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately HK$10,875,000 in relation to the acquisition of a piece of land and a hotel development project in Yixing, Jiangsu, the People's Republic of China (the "PRC") in 2010, and the prepayments in connection with the change of usage of the factory buildings in Fenggang Dongguan, PRC from industrial use to commercial use amounted to approximately HK$19,700,000.

The Group generally grants credit periods ranging from 30 to 90 days. Ageing analysis of trade, bills and other receivables, based on the due date, is as follows:

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
0 to 90 days	**386,876**	394,653
91 to 180 days	**4,387**	695
181 to 360 days	**107**	1,390
Over 360 days	**347**	1,021
	391,717	397,759

5 DISPOSAL GROUP

The amount at 30 September 2013 represented assets attributable to the 100% equity interest in Grandway Investment (Group) Limited ("Grandway") and its subsidiary (the "Disposal Group"). Management is in the progress of locating and negotiating with potential buyers to sell the Disposal Group. The Disposal Group is principally engaged in the development and production of electrical components. The Disposal Group is expected to be sold within twelve months and has been classified as disposal group classified as held-for-sale and presented separately in the condensed consolidated balance sheet.

The major classes of assets and liabilities of the Disposal Group are as follows:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Assets classified as held-for-sale:		
Land use rights	**5,446**	5,446
Property, plant and equipment	**55,103**	55,103
Trade receivables	**—**	60
Total assets of the Disposal Group	**60,549**	60,609
Liabilities directly associated with assets classified as held-for-sale:		
Accruals and other payables	**—**	2,383
Total liabilities of the Disposal Group	**—**	2,383
Net assets of the Disposal Group	**60,549**	58,226

6 TRADE PAYABLES

Ageing analysis of trade payables, based on the due date, is as follows:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
0 to 90 days	**216,266**	221,328
91 to 180 days	**1,495**	818
181 to 360 days	**317**	2,116
Over 360 days	**1,550**	2,395
	219,628	226,657

7 BORROWINGS

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
Trust receipt loans	**21,383**	75,151
Portion of bank borrowings repayable within one year	**122,000**	168,000
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clause	**56,334**	27,995
Total borrowings	**199,717**	271,146

All borrowings are with a contractual maturity within one year or subject to repayment on demand clauses.

The average effective interest rates of the Group's bank borrowings at the balance sheet date are as follows:

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
Bank borrowings, at floating rate	**2.62%**	2.03%
Trust receipt loans	**2.50%**	2.51%

8 REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Revenue		
Sales of merchandise and provision of services		
— Metal and plastic business	**411,116**	523,024
— Electronic manufacturing services business	**477,956**	670,047
— Customer and services business	**12,051**	1,387
	901,123	1,194,458
Other income and gains		
Rental income	**2,014**	3,052
Management fee income	**99**	1,344
Gain on disposal of property, plant and equipment	**3,323**	—
Fair value gain of derivative financial instruments	**287**	—
Others	**895**	—
	6,618	4,396
	907,741	1,198,854

9 EXPENSES BY NATURE

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**24,535**	23,534
Amortisation of land use rights	**326**	377
Amortisation of license rights	**1,200**	—
Employee benefit expenses (including directors' emoluments)	**160,219**	179,686

10 FINANCE COSTS, NET

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
— Interest income from bank deposits	**633**	2,729
— Other interest income	**75**	—
	708	2,729
Finance costs		
— Interest expenses on bank borrowings wholly repayable within five years	**(3,213)**	(3,932)
Less: interest expenses capitalised into properties under development	**1,857**	—
	(1,356)	(3,932)
Finance costs, net	**(648)**	(1,203)

11 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Overseas tax is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. The amount of tax charged to the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong Profits Tax	**8,162**	3,064
— Overseas taxation	**350**	360
Income tax expense	**8,512**	3,424

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(in HK$'000)*	**17,002**	13,433
Weighted average number of ordinary shares in issue *(in thousand share)*	**1,996,196**	1,996,196
Basic earnings per share *(HK cents per share)*	**0.85**	0.67

There was no dilutive effect on earnings per share for both periods ended 30 September 2012 and 2013 since there were no dilutive potential ordinary shares in respect of share options under the Company's share option scheme.

13 DIVIDENDS

The dividend for the year ended 31 March 2013 amounting to HK$23,954,000, representing HK1.2 cents per share, was paid in September 2013 (2012: HK$9,981,000, representing HK1.0 cent per share).

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2013 (30 September 2012: Nil).

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (the "Relevant Period") (for the six months ended 30 September 2012: nil) in order to reserve funds for future development of the Group.

Review of operations

1. Although the negotiation on the U.S. debt-ceiling had temporarily reached an agreement, the resulting suspension of U.S. government offices will drag down the gross domestic product (GDP), thus endanger the U.S. economy and may even undermine the performance of the global economy. The U.S. government could only maintain an easing stance on its monetary policy so as to offset the damage caused by the conflicts between the congress and the government. The latest data from the manufacturing and services sectors showed that, China's economy has stabilized and suggested an upturn in the third quarter, where the upturn of the services sector was more significant. This means that China's "structural adjustment" policy (being the transformation from the processing and manufacturing sector of low profit margin to the services sector of high profit margin) effectively unleashed the consumer demand in the services sector. Shanghai Pilot Free Trade Zone ("FTZ") was formally established on 29 September 2013, symbolizing the official launch and operation of the FTZ, thus unveiling a fresh round of reform and opening, as well as economic transformation and upgrading of China.

2. For the six months ended 30 September 2013, the turnover of the Group decreased by approximately 25% to HK$901,123,000 (for the first half year of 2012/13: HK$1,194,458,000). Profit attributable to the equity holders of the Company was increased by approximately 27% to HK$17,002,000 (profit for the first half year of 2012/13: HK$13,433,000).

Industrial domain:

3. The turnover of the metal and plastics business for the six months ended 30 September 2013 decreased by approximately 21% to HK$411,116,000 compared to the same period last year (for the six months ended 30 September 2012: HK$523,024,000). Although there was a decrease in the revenue, the Group was still able to maintain its profits. This was mainly due to (a) the benefits from termination of the operation of a joint venture company, TIS Karrie Technologies (H.K.) Company Limited which resulted in a decrease in loss; (b) all 175 sets of six-axis robots in the metal department that were put into production, which increased the production efficiency in the components and assembling departments; and (c) the effective implementation of the cost-saving measures.

4. There was a decrease in the electronic manufacturing services business as a result of the significant decrease of 52% in the turnover of two major customers of the Group's printer segment. The turnover for the six months ended 30 September 2013 decreased approximately 29% to HK$477,956,000 compared to the same period last year (for the six months ended 30 September 2012: HK$670,047,000).

5. For the industrial domain, the Group was still seeking to increase the production of metal and plastic parts and moulds, while reducing the electronic manufacturing services business. Other than the reason that the production of metal and plastic parts and moulds could generate a better profit margin, the electronic manufacturing services business was predominately a labour-intensive one, which therefore could not be easily automated to increase its production efficiency. As a result, the Group will put more emphasis on the production of metal and plastic parts and moulds, in order to increase the Group's profits and production efficiency.

6. During the Relevant Period, the Group had further invested to purchase a total of 19 sets of six-axis robots. With the remarkable results in the automated production, the production headcount and wage expenses could be reduced significantly and the production speed could be improved, thus enhancing the degree of accuracy and increasing stability. Therefore, not only the production efficiency could be improved, but also the customers' requirements could be further fulfilled so as to achieve the objective of cost savings, resulting in a multiple winning situation. The benefits from the automation enhancement have given the Group the edges that no other companies would have. Furthermore, during the Relevant Period, the raw materials price and the RMB exchange rate were relatively stable, therefore the profits in the industrial domain could still maintain at HK$40,954,000, and the results were brilliant.

7. During the Relevant Period, new professionals were introduced to the metal/plastic moulds departments through different channels. With the internal enhancement in the technical trainings and process management, the standards of moulds manufacturing had greatly improved. Therefore, both the moulds manufacturing techniques and moulds manufacturing management concepts had been in line with the advanced level of the industry, and had further increased the competitiveness of the Company.

8. The Group also responded to the policies of the local government of "Policy Reform, Business Structural Evolution, Land and City Transformation". In order to make better use of land resources, except for reserving lands for industrial development purposes, the Group had redeveloped the idle plastic plant into a multi-functional convention and exhibition centre and integrated sports/performing hall. The Group had successfully organized various carnival concerts and exhibitions for branded children wear and underwear and tea expo, so as to leverage the land resources and generate profits for the Group. The launch of the construction of the new plant B5 in Yuquan in September 2013 will allow more plants in Fenggang to be used for upgrading and transformation.

9. It is intended that the Group will negotiate with independent third parties on the disposal of the land where the Yixing plant is located (the "Plant"). The proceeds from disposal can be used for operation and diversified business development funding. Management is in the progress of locating and negotiating with potential buyers to sell the Plant.

10. Castfast Hotel in Yixing ("Yixing Business Hotel") had completed several model rooms to act as the standard for decorating various types of rooms. The construction of greening projects around the hotel had also already started. It is intended that the hotel can be opened for business as scheduled in 2015.

11. The business in the industrial domain is relatively stable. Therefore, the existing industrial business is able to provide stable cash flow for its diversified businesses (including the wedding projects and the restaurant business).

Consumer and Services domain:

12. During the Relevant Period, the services and consumer business was unable to turn around in terms of profitability. The result was unsatisfactory. The major reason was that the services and consumer business was still in the investment stage. It takes time for the operation to be ramped-up and generate synergy, therefore no profit contribution can be recorded at the moment. During the Relevant Period, the loss incurred in the services and consumer domain for the Group amounted to an aggregate of approximately HK$23,952,000, which was mainly attributable to the wedding business segment of approximately HK$8,902,000 and the Fullhouse World of approximately HK$14,415,000.

13. Wedding and travel services domain: the average turnover per month during the Relevant Period was approximately HK$494,000, which was mainly generated from the wedding photography. The One Travel Co., Ltd was in a major role to assist My Affection Limited ("My Affection") to undertake the overseas wedding photography travel services, and the main shooting spot was a video resort of wedding theme recognized as a national grade 4A resort. That resort is able to provide new and unique spots for shooting, and is an important strategic partner of My Affection.

14. In order to turn around in terms of profitability, My Affection has adopted the following measures:

    (a) to launch two designer collections each year under the brand name of My Affection, in order to signify the unique and innovative image of the wedding dress of My Affection;

    (b) to cooperate with shopping malls to promote marketing activities Events such as "My Affection Dad Party" and "BB & Kids Carnival" were held at Discovery Park in Tsuen Wan and Plaza Hollywood in Diamond Hill respectively. The results of these promotional activities were quite impressive and the turnovers were satisfactory;

    (c) to cooperate with other products interactively in order to launch wedding and family photography packages, so as to generate mutual benefits;

    (d) to complement Full House in order to generate synergy effects, we provide banquet spots at Full House, while My Affection offers wedding dress or banquet photography services. Moreover, we have set up a concessionaire of My Affection at the Full House restaurant in Hong Kong, and cute cartoon characters from the Full House restaurant are used to promote the wedding dresses and family photography packages to boost sales; and

    (e) in order to meet additional demand for family photography, the photography venues of My Affection in Tsuen Wan have changed the two shooting spots into the photography venues with the theme of Alice in the Wonderland. Unique customs for children are also provided.

15. The flagship store of Full House in Hong Kong only began its operations and trial run at the end of June 2013, therefore it can be foreseen that no profit contribution will be recorded. The Full House in Hong Kong had its official grand opening on 10 November 2013. The Full House in Hong Kong can also provide a platform for wedding banquet. At present, one wedding banquet is being held every month on average. It is believed that more wedding banquets will be held in the future. To complement the wedding theme, the elegant interior design of the restaurant can offer a warm and romantic atmosphere to the customers. In addition to international cuisines, the restaurant has also included a number of retail elements of wedding, such as setting up a concessionaire of My Affection to offer a one-stop wedding service for the customers, in order to capture the lucrative opportunities of the wedding business.

    The operation strategy in China is to subcontract the operation of the Fullhouse World to a third party for the moment to receive management fees, establish the brand and stabilize the revenue. However, certain marketing and operating expenses of headquarters cannot be offset. With the effort from all parties and the corresponding measures adopted by the Full House restaurants in Malaysia in all aspects to reduce the operating costs, its loss had been gradually cut down.

Geographical Distribution

The Group does not rely on one single market, but always adopts diversified approaches to expand its businesses. During the Relevant Period, Asia (except Japan, Hong Kong and the PRC) recorded a revenue of HK$79,840,000. Revenue from Japan amounted to HK$91,929,000, that from Hong Kong amounted to HK$217,193,000 and that from the PRC amounted to HK$314,121,000. Revenue from Western Europe amounted to HK$107,049,000 and revenue from North America amounted to HK$90,991,000.

Capital expenditure ("Capex")

It is expected that in the year of 2013/14,

(i) The Capex in the industrial domain will be approximately HK$97,000,000, which will be mainly used in the construction of Yu Quan Plant B5 and for the renewal, upgrade of machinery and the enhancement of automation.

(ii) Wedding business and Fullhouse World Project will amount to approximately HK$20,000,000.

(iii) The aggregate amount of capital investment in Yixing Business Hotel in the financial year of 2013/14 will be approximately HK$94,000,000.

For the Relevant Period, the Capex amounted to HK$32,862,000. In particular, the Capex in Yixing Business Hotel, the industrial domain and the wedding business and Fullhouse World Project are HK$2,696,000, HK$14,394,000 and HK$14,952,000 respectively.

Prospects

Four Major Platforms:

(1) Industrial;

(2) Theme Restaurant;

(3) Wedding Supermarket;

(4) Yixing Business Hotel.

Adhering to the main direction of "transformation, complementary, creativity", the Group will continue to consolidate our businesses on different platforms, while dedicating to promoting the collaboration among our businesses and strategic partners, in order to create synergies and facilitate the sustainable development of the Group.

1. Industrial

(i) In earnest response to the policy of the local government of Business Structural Evolution and Land and City Transformation, the Group has begun to revitalize the Fenggang Plant by increasing its involvement in the cultural and services industries, and then achieving the diversified use of industrial land. In addition to the development of convention and exhibition centres, shopping malls and economical hotels, the land may also be used to build residential buildings.

(ii) Since the server projects are currently confirmed to start moulding and trial production in the second half of the financial year of 2013/14, and certain models of bank inquiry machines developed in the first half of the year were put into mass production, these two businesses will generate profit for the moulding and CNC segment and will make positive contribution to the total net profit of the Company. However, profit will be compromised in part as a result of the rise in the staff wage and benefits as from September 2013 and the effect of the 2014 Lunar New Year holiday.

(iii) To enhance the efficiency of special types of work (including welding, assembly and paint spray), the Group is actively developing (a) 6-axis robot for welding automation, which is estimated to be completed and formally put into production in the second half of the year 2013/14; and (b) manual and machinery mixed assembly production line of flexible automation and 6-axis robot for paint spray full automation, both are scheduled to be put into use in the first half of the financial year of 2014/15. With the combination of automation station and manual operation station, the Group will be able to realize the collinear production of multiple products as the flexibility of product ranking is increased. The flexible automation will further increase the competitiveness of the Company.

(iv) As the Company has adjusted its operation policy to be principally engaged in the metal/plastic parts production with the assembly as a complement, and our stamping automation was put into full use, the Company was granted the manufacturing tasks of the main server projects from two leading server manufacturers in the world in the financial year of 2013/14. As the business focuses on metal/plastic production, it will generate more profit than that from pure assembly projects. It is expected that the industrial business of the Company will maintain a momentum of steady growth in the coming years, which will bring the Company stable profit.

(v) The construction of Yu Quan Plant B5 was formally launched in September this year. As planned, the plant would be built into a building of four and a half floors, with a gross floor area of approximately 35,000 square meters, mainly used as robot metal stamping and shearing workshop, office, metal dehumidifying warehouse, server assembly workshop and paint spray workshop. It is expected to be completed and utilized in phases during September to November of 2014. All industrial productions will then be centralized and integrated at the Yu Quan industrial area by the time, and the original plant district at Fenggang will be left out for the purpose of Land and City Transformation.

(vi) Thanks to the ever-improving automation and cost control measures, as well as the steady economic growth expected in China, the Directors are optimistic about the development of our industrial business for the coming year.

2. Theme Restaurant

(i) The newly-opened flagship store in Hong Kong recorded a pretty satisfactory turnover. The store, which is intended to integrate the catering and wedding businesses, aims to boost the profits of these two businesses. With the introduction of its four theme characters, the Group plans to extend into different creative businesses, ranging from introducing lifestyle products to offering specialty desserts. Leveraging its solid industrial business foundation, the Group can utilize the production facilities of its factory to manufacture the related products. In addition, "The Wedding City", our strategic partner in Fenggang, Dongguan of China, and the national grade 4A wedding theme video resort also contribute the related resources and ancillary facilities to complement other business development of the Group. Besides, the businesses in Malaysia and Singapore are believed to start recording break-even results next year with the implementation of saving measures and stores integration.

(ii) Looking ahead, the Group also aims to expand the Fullhouse World business into China and Southeast Asia. Even more, it aims to bring an innovative theme catering experience to markets around the world. The Group will continue to pursue business innovation and diversification. With the plan of operating the business as a chain franchise and charging operating fees, a steady income can be ensured while rapidly expanding the branch network to enhance brand awareness. The Group will devote efforts to initially developing the China market while opening more branches in Hong Kong and the Southeast Asia.

3. Wedding Supermarket

My Affection is committed to standing out above the rest and to turning around amid the intense competition. In addition to the adoption of the measures for the Relevant Period, My Affection is proactively developing a franchise platform for the local quality wedding service providers. Moreover, in order to attract more franchisers, the Tsim Sha Tsui store was upgraded to be the dedicated store of wedding dress rental for franchise providers, and the number of wedding dress has increased sharply to more than 500 pieces.

The objective for the year is to get a foothold on the operation, and the Group has no intention of opening branches separately. All of its wedding services and products are included in the operation of the Fullhouse World restaurants to achieve synergies of complementing each other.

The One Travel will cooperate with China Travel Service (Hong Kong) Ltd in opening up the overseas wedding photography markets and events.

4. Yixing Business Hotel

Yixing Business Hotel is currently undergoing interior decoration, which is intended to start a trial operation by the end of 2014. As planned, the hotel will offer 320 rooms. Based on the successful model of Fenggang, we will build a Yixing Platform which will include, among others, Fullhouse World, My Affection wedding service package, wedding photography base and multi-function rooms.

5. Conclusion

(i) The overall strategy of the Group remains unchanged, being to derive a stable stream of industrial income and to support the fast growing consumer and services business. In turn, there will be sufficient time and room for the consumer and services business to realize its potential. It will ultimately bring the shareholders with profit contribution and sustainable growth, creating a profitable win-win situation for both the industrial business and consumer and services business.

(ii) In October of the year, the unaudited turnover decreased by 19% to approximately HK$167,000,000 (October 2012: HK$206,000,000).

However, this unaudited turnover figure is not sufficiently representative to reflect the performance and results for the year ending 31 March 2014. Investors and shareholders shall be cautious in trading the shares of the Company.

Liquidity resources and financing policies

The unaudited net bank balance amounted to HK$67,075,000, with the net bank balance ratio at approximately 7% (the unaudited net bank balance ratio was approximately 2% as at 30 September 2012). We expect the net bank borrowing ratio for the financial year of 2013/14 will remain at the level below 40% whereas the ratio of non-current assets and shareholders' capital has stood at 78%. The management pays close attention to the liquidity requirement of the Group and considers that the financial condition is acceptable.

The bank borrowings were HK$199,717,000. The cash and bank deposit amounted to HK$266,792,000 with the unutilised banking facilities of HK$1,332,303,000 in total. We are confident that these are sufficient to meet the funding needs for the current and future operation and the investment in fixed assets of the Group.

FOREIGN EXCHANGE RISK EXPOSURE

All the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar, US dollar or RMB. As the exchange rates of the RMB against Hong Kong dollar and the US dollar rose continuously during the Relevant Period, the Group was exposed to certain exchange rate fluctuation pressures and risks on its operation cost. The Group will actively negotiate with its customers for adjusting the selling prices of its products to mitigate the impact of the appreciation of the RMB on its business.

CONTINGENT LIABILITY

As at 30 September 2013, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

During the Relevant Period, the number of employees had dropped from about 5,600 in average during the same period last year to around 4,500 as at 30 September 2013. With a strong reputation in the local community, the Group had not experienced any major difficulties in recruiting employees.

Like many other manufacturing industries in the Guangdong Province, the Group had also experienced the situations of labour shortage and high turnover rate. We still adopt "human" approach to manage our staff so as to establish a harmonious working atmosphere. We work together for a "New Sky".

Employee remuneration is determined in accordance with prevailing market rates and employees' performance and experiences. The Group will also grant bonuses to employees with outstanding performance based on the Company's audited business performance and by the appraisal and reward system. Other employee benefits include medical insurance, "housing subsidy scheme" and mandatory provident fund.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the Relevant Period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Company established an Audit Committee in January 1999 which now comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is responsible for dealing with matters relating to the audit area, which include the review of financial statements and internal control, in order to protect the interests of the shareholders of the Company. The unaudited interim results for the Relevant Period of the Company now reported on have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Saved as explained below, the Company had complied with the code provisions of the Corporate Governance Practices Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the Relevant Period:

- Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of its Chairman and Chief Executive Officer and Mr. Ho Cheuk Fai ("Mr. Ho") currently holds both positions.

  Being the founder of the Group, Mr. Ho has substantial experience in the manufacturing industry, as well as in real estate and culture related industries. At the same time, Mr. Ho has the appropriate management skills and business acumen that are necessary and are the pre-requisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and both roles should continue to be performed by Mr. Ho.

- According to Code Provision A.4.1, the Non-executive Director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-appointed as Non-executive Director on 1 June 2007 and was re-designated as Non-executive Director and Deputy Chairman on 1 May 2011 without a specific term. Mr. Ho Kai Man was re-designated as the Non-executive Director on 1 November 2012 without a specific term. Although Mr. Ho Cheuk Ming and Mr. Ho Kai Man were not appointed for a specific term, they are subject to retirement by rotation according to the Bye-laws of the Company.

- Moreover, Code Provision A.4.2 stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  According to the Company's Bye-Laws, at each annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's Bye-Laws, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. However, with the introduction of the CG Code and to comply with Code

Provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

- According to Code Provision A.5 of the CG Code, the Company should establish a nomination committee, which is chaired by the chairman of the Board or an Independent Non-executive Director and comprises a majority of the Independent Non-executive Directors. The Company has not established a nominee committee due to the fact that the function of the nomination committee was delegated to the Board, which is responsible for reviewing its own structure, size and composition in accordance with the board diversity policy adopted by the Company (the "Policy") annually; considering the re-appointment of Directors; evaluating the Policy as well as assessing the independence of Independent Non-executive Directors. The Board has taken sufficient measures to avoid the conflict of interests in carrying out such functions. For instance, the relevant Director would abstain from voting for any resolution relating to his or her own re-appointment. As such, the Board is of the view that the members of the Board possess the necessary experience and knowledge to discharge the functions of a nomination committee. The Board shall review the composition and operation of the Board from time to time and shall consider establishing a nomination committee if such need arises.

- According to Code Provision A.6.7 of the CG Code, Independent Non-executive Directors and other Non-executive Directors should attend general meetings in order to develop a balanced understanding of the views of shareholders.

  Two of the Independent Non-executive Directors were unable to attend the Annual General Meeting of the Company held on 6 September 2013 (the "AGM") as they had travelled abroad at the time being. However, all other Directors (including the Independent Non-executive Directors) were present at the AGM to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

The Company will continue to review its practices from time to time to achieve a high standard of corporate governance.

COMPLIANCE WITH THE MODEL CODE

During the Relevant Period, the Company has adopted stringent procedures in governing the Directors' securities transactions in compliance with the requirements contained in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon due enquiry by the Company, all Directors had confirmed that, they had complied with the required standards as set out in the Model Code throughout the Relevant Period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, the executive Directors are: Messrs. Ho Cheuk Fai, Lee Shu Ki, Ms. Chan Ming Mui, Silvia and Zhao Kai; the Non-executive Directors are: Messrs. Ho Cheuk Ming and Ho Kai Man; the Independent Non-executive Directors are: Messrs. So Wai Chun, Chan Sui Sum, Raymond and Fong Hoi Shing.

By order of the Board
Karrie International Holdings Limited
HO CHEUK FAI
Chairman

Hong Kong, 28 November 2013

* *For identification purposes only*