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Karrie International Holdings Limited

嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

HIGHLIGHTS			
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)	Changes in %
Revenue	2,033,018	2,291,404	–11%
Profit for the year	32,586	39,278	–17%
Basic earnings per share	HK1.7 cents	HK2.0 cents	–15%
Final dividend per share	HK1.0 cent	HK1.2 cents	–17%
Return on Equity Ratio	3.5%	4.2%	–17%

The board (the “Board”) of directors (the “Directors”) of Karrie International Holdings Limited (the “Company”) and its subsidiaries (“collectively”, “we” or the “Group”) announce the consolidated results of the Group for the year ended 31 March 2014 together with the comparative figures for 2013 as follows:

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Land use rights		23,777	24,418
Property, plant and equipment		383,190	345,999
Investment properties		240,000	218,875
Intangible assets		30,964	24,491
Investments in associates		15,930	16,131
Other non-current assets	4	79,390	66,115
Deferred tax assets		602	984
Available-for-sale financial assets		18,380	10,185
		<u>792,233</u>	<u>707,198</u>
Current assets			
Inventories		216,218	223,371
Trade and bills receivable	4	300,077	326,887
Current tax recoverable		2,540	—
Amount due from an associate		6	3,643
Prepayments, deposits and other receivables	4	70,079	69,743
Derivative financial instruments		—	496
Time deposit		25,000	62,500
Cash and cash equivalents		195,793	243,894
		<u>809,713</u>	<u>930,534</u>
Assets of disposal group classified as held-for-sale	5	<u>60,549</u>	<u>60,609</u>
		<u>870,262</u>	<u>991,143</u>
Total assets		<u><u>1,662,495</u></u>	<u><u>1,698,341</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital		199,620	199,620
Other reserves		257,626	256,781
Retained earnings			
— Proposed final dividend		19,962	23,954
— Others		462,177	443,798
		<u>939,385</u>	<u>924,153</u>
Non-controlling interests		<u>(347)</u>	<u>1,358</u>
Total equity		<u><u>939,038</u></u>	<u><u>925,511</u></u>

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 MARCH 2014

	<i>Note</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		13,771	12,527
Deferred revenue		1,752	—
Obligation under finance leases		14,787	—
Provision for long service payments		9,533	11,026
		39,843	23,553
Current liabilities			
Trade payables	6	182,339	226,657
Accruals and other payables		252,419	199,794
Receipts in advance		8,358	5,516
Amount due to an associate		1,037	467
Current tax payable		46,695	43,314
Derivative financial instruments		44,036	—
Obligation under finance leases		7,549	—
Bank borrowings		141,181	271,146
		683,614	746,894
Liabilities of disposal group classified as held-for-sale	5	—	2,383
		683,614	749,277
Total liabilities		723,457	772,830
Total equity and liabilities		1,662,495	1,698,341
Net current assets		186,648	241,866
Total assets less current liabilities		978,881	949,064

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	<i>Note</i>	2014 HK\$'000	2013 <i>HK\$'000</i> (Restated)
Revenue	7	2,033,018	2,291,404
Cost of sales	8	(1,742,286)	(2,049,399)
Gross profit		290,732	242,005
Distribution and selling expenses	8	(52,093)	(41,196)
General and administrative expenses	8	(171,045)	(151,100)
Other (losses)/income and gains	7	(23,395)	16,572
Net valuation gain on investment properties		2,984	804
Operating profit		47,183	67,085
Finance income		799	4,237
Finance costs		(3,487)	(7,536)
Finance costs, net	9	(2,688)	(3,299)
Share of profits less losses of associates		(201)	(3,031)
Impairment loss for investment in an associate		—	(4,864)
Profit before taxation		44,294	55,891
Income tax expense	10	(11,708)	(16,613)
Profit for the year		32,586	39,278
Attributable to:			
Equity shareholders of the Company		34,291	39,308
Non-controlling interests		(1,705)	(30)
		32,586	39,278
Earnings per share of profit attributable to the equity shareholders of the Company			
— Basic and diluted	11	1.7 cents	2.0 cents

Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	2014 HK\$'000	2013 HK\$'000 (Restated)
Profit for the year	32,586	39,278
Other comprehensive income for the year:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of provision for long service payments	1,816	2,659
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences, net of HK\$nil tax	570	5,627
Fair value gains/(losses) on available-for-sale financial assets, net of HK\$nil tax	2,553	(3)
Reclassification of fair value gains on available-for-sale financial assets to profit or loss upon disposal	<u>(44)</u>	<u>—</u>
Other comprehensive income for the year	<u>4,895</u>	<u>8,283</u>
Total comprehensive income for the year	<u>37,481</u>	<u>47,561</u>
Attributable to:		
Equity shareholders of the Company	39,186	47,591
Non-controlling interests	<u>(1,705)</u>	<u>(30)</u>
Total comprehensive income for the year	<u>37,481</u>	<u>47,561</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2014 but are extracted from those financial statements.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year end and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangement for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, available-for-sale financial assets and derivative financial instruments which have been measured at fair value.

2 CHANGES IN 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*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual improvements to HKFRSs 2009–2011 cycle*
- Amendments to HKFRS 7 — Financial instruments: *Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for the Revised HKAS 19, the other developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods:

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which all actuarial gains and losses are recognised immediately in other comprehensive income. The revised standard does not have any impact on the consolidated balance sheet of the Group.

This change in accounting policy has been applied retrospectively by restating the balances at 31 March 2013, with consequential adjustments to comparatives for the year ended 31 March 2013 as follows:

	As Previously Reported HK\$'000	Effect of Adopting Revised HKAS 19 HK\$'000	As restated HK\$'000
Consolidated income statement			
for the year ended 31 March 2013:			
General and administrative expenses	148,441	2,659	151,100
Profit for the year	41,937	(2,659)	39,278
Consolidated statement of comprehensive income			
for the year ended 31 March 2013:			
Remeasurement of provision for long service payments	—	2,659	2,659
Other comprehensive income for the year	5,624	2,659	8,283
Total comprehensive income for the year	47,561	—	47,561
Earnings per share:			
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
— Basic and diluted	2.1	(0.1)	2.0

This change in accounting policy did not have a material impact on current or deferred taxation.

3 SEGMENT REPORTING

The Group's chief operating decision-maker 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.

The Group is organised on a worldwide basis into three main operating segments. They are (i) metal and plastic business; (ii) electronic manufacturing services business and (iii) consumer and services business.

Management considers the business from both a geographic and products and services perspective. From a 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, the People's Republic of China ("PRC"), Asia (excluding Japan, Hong Kong and the PRC), North America and Western Europe). Management assesses the performance of the operating segments based on operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in the financial statements.

The segment results for the year ended 31 March 2014 are as follows:

2014

	Metal and plastic business HK\$'000	Electronic manufacturing services business HK\$'000	Consumer and services business HK\$'000	Total HK\$'000
Segment revenues				
Reportable segment revenue	1,000,378	1,115,715	23,790	2,139,883
Inter-segment revenue	(106,865)	—	—	(106,865)
Revenue from external customers	893,513	1,115,715	23,790	2,033,018
Gross profit	240,209	48,584	1,939	290,732
Distribution and selling expenses and general and administrative expenses	(138,584)	(26,536)	(58,018)	(223,138)
Other (losses)/income and gains	(24,662)	877	390	(23,395)
Net valuation gain on investment properties	—	—	2,984	2,984
Operating profit/(loss)	76,963	22,925	(52,705)	47,183
Operating profit/(loss) includes:				
Depreciation	32,820	2,696	10,642	46,158
Amortisation of land use rights	495	146	—	641
Amortisation of intangible assets	—	—	2,400	2,400
(Reversal of provision)/provision for obsolete and slow-moving inventories	(2,937)	2,436	—	(501)
Reversal of provision for impairment of trade and other receivables	(465)	(48)	—	(513)

The segment results for the year ended 31 March 2013 are as follows:

2013

	Metal and plastic business <i>HK\$'000</i> (Restated)	Electronic manufacturing services business <i>HK\$'000</i> (Restated)	Consumer and services business <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
Segment revenues				
Reportable segment revenue	1,090,702	1,287,365	7,343	2,385,410
Inter-segment revenue	(94,006)	—	—	(94,006)
Revenue from external customers	<u>996,696</u>	<u>1,287,365</u>	<u>7,343</u>	<u>2,291,404</u>
Gross profit	160,196	78,072	3,737	242,005
Distribution and selling expenses and general and administrative expenses	(105,980)	(42,382)	(43,934)	(192,296)
Other income and gains	10,943	5,333	296	16,572
Net valuation gain on investment properties	—	—	804	804
Operating profit/(loss)	<u>65,159</u>	<u>41,023</u>	<u>(39,097)</u>	<u>67,085</u>
Operating profit/(loss) includes:				
Depreciation	34,977	13,686	6,041	54,704
Amortisation of land use rights	280	467	—	747
Amortisation of intangible assets	—	—	600	600
Reversal of provision for obsolete and slow-moving inventories	(369)	(2,171)	—	(2,540)
Reversal of provision for impairment of trade and other receivables	(1,980)	(47)	—	(2,027)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Operating profit	47,183	67,085
Finance income	799	4,237
Finance costs	(3,487)	(7,536)
Share of profits less losses of associates	(201)	(3,031)
Impairment loss for investment in an associate	<u>—</u>	<u>(4,864)</u>
Profit before taxation	<u>44,294</u>	<u>55,891</u>

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and investments in associates ("specified non-current assets"). The geographical location of revenue from external customers is based on the country in which the final destination of shipment is located or services are provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and investments in associates.

	Revenue from external customers		Specified non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong (place of domicile)	640,902	294,221	95,371	71,123
Japan	187,405	276,060	—	—
The PRC	642,263	697,921	598,170	556,401
Asia (excluding Japan, Hong Kong and the PRC)	142,986	304,210	320	2,390
North America	197,003	275,059	—	—
Western Europe	222,459	443,933	—	—
	1,392,116	1,997,183	598,490	558,791
	2,033,018	2,291,404	693,861	629,914

The Group's sales are made primarily to a few key customers. For the year ended 31 March 2014, the revenue derived from five largest customers accounted for approximately 87% (2013: 81%) of the Group's total revenue.

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

	2014 HK\$'000	2013 HK\$'000
Trade and bills receivable	301,927	329,250
Other receivables	71,368	68,509
	373,295	397,759
Less: Provision for impairment of trade, bills and other receivables	(1,850)	(2,363)
	371,445	395,396
Prepayments	29,542	21,332
Deposits	48,559	46,017
	449,546	462,745
Less: Other non-current assets (<i>Note</i>)	(79,390)	(66,115)
	370,156	396,630
Representing:		
Trade and bills receivable, net of provision	300,077	326,887
Prepayments, deposits and other receivables, net of provision	70,079	69,743
	370,156	396,630

Note: Other non-current assets represent deposits paid for the purchases of property, plant and equipment amounting to approximately HK\$35,440,000 (2013: HK\$38,315,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited (the “Government Grant Receivable”) amounting to approximately HK\$21,750,000 (2013: HK\$10,875,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the PRC in 2010, and the prepayments in connection with the change of usage of the factory buildings in Fenggang Dongguan, the PRC from industrial use to commercial use amounted to approximately HK\$22,200,000 (2013: HK\$16,925,000). During the year ended 31 March 2014, the Board of Directors re-evaluated the expected recovery date of the Government Grant Receivable and reclassified the current portion amounted to HK\$10,875,000 to non-current.

The Group generally grants credit periods ranging from 30 to 90 days, except for one of the customers who is granted a credit period of 150 days. An ageing analysis of trade, bills and other receivables, based on invoice date, is as follows:

	2014 HK\$'000	2013 HK\$'000
0 to 90 days	355,660	393,004
91 to 180 days	16,053	2,213
181 to 360 days	1,353	1,608
Over 360 days	229	934
	373,295	397,759

5 DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

During the year ended 31 March 2013, the Group entered into a sale and purchase agreement (the “Agreement”) with a third party (the “Purchaser”) to dispose of its 100% equity interest in Grandway Investment (Group) Limited (“Grandway”) and its subsidiary (collectively the “Disposal Group”) and a shareholder’s loan at a total consideration of approximately HK\$83,936,000. The Disposal Group was principally engaged in the development and production of electrical components. The completion date of the transaction was then expected to be in December 2013. In November 2012, a deposit of RMB10,000,000 (approximately HK\$12,500,000) was received from the Purchaser.

The Group was subsequently notified by the Purchaser that the Purchaser intended to terminate the transaction. According to the Agreement, the deposit of HK\$12,500,000 has been forfeited by the Purchaser. As such, the Group recognised the amount of forfeited deposit as other (losses)/income and gains in the consolidated income statement.

The amount in the consolidated balance sheet at 31 March 2014 represented assets attributable to the 100% equity interest in the Disposal Group. Management is in the progress of locating and negotiating with potential buyers to sell the Disposal Group. 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 consolidated balance sheet.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
An ageing analysis of trade payables, based on invoice date, is as follows:		
0 to 90 days	167,040	198,603
91 to 180 days	13,332	22,968
181 to 360 days	1,459	2,738
Over 360 days	508	2,348
	182,339	226,657

7 REVENUE, OTHER (LOSSES)/INCOME AND GAINS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Sales of merchandise and provision of services		
— Metal and plastic business	893,513	996,696
— Electronic manufacturing services business	1,115,715	1,287,365
— Consumer and services business	23,790	7,343
	2,033,018	2,291,404
Other (losses)/income and gains		
Rental income	3,250	6,774
Management fee income	99	2,643
(Loss)/gain on disposal of property, plant and equipment and land use rights	(1,568)	2,982
Fair value (loss)/gain on derivative financial instruments	(44,036)	496
Income on forfeiture of deposit received in connection with disposal of assets (<i>note 5</i>)	12,500	—
Gain on disposal of available-for-sale financial assets	44	—
Others	6,316	3,677
	(23,395)	16,572

8 EXPENSES BY NATURE

	2014 HK\$'000	2013 HK\$'000 (Restated)
Raw materials and consumables used	1,349,759	1,604,173
Changes in inventories of finished goods and work in progress	96,219	113,868
Depreciation of property, plant and equipment		
— owned assets	45,615	54,704
— leased assets	543	—
Amortisation of land use rights	641	747
Amortisation of intangible assets	2,400	600
Employee benefit expenses (including directors' remuneration)	328,657	348,950
Operating lease rental of premises	25,157	20,950
Net exchange gain	(1,079)	(4,108)
Auditor's remuneration	2,245	2,680
Impairment loss for available-for-sale financial assets	—	6,025
Reversal of provision for impairment of trade and other receivables	(513)	(2,027)
Reversal of provision for obsolete and slow-moving inventories	(501)	(2,540)
Direct operating expenses arising from investment property	481	675
Other expenses	115,800	96,998
	<u>1,965,424</u>	<u>2,241,695</u>
Representing:		
Cost of sales	1,742,286	2,049,399
Distribution and selling expenses	52,093	41,196
General and administrative expenses	171,045	151,100
	<u>1,965,424</u>	<u>2,241,695</u>

9 FINANCE COSTS, NET

	2014 HK\$'000	2013 HK\$'000
Finance costs		
— Interest expense on bank borrowings wholly repayable within five years	7,170	7,536
— Finance charges on obligation under finance leases	95	—
Less: interest expenses capitalised into properties under development [@]	(3,778)	—
	<u>3,487</u>	<u>7,536</u>
Finance income — Interest income from bank deposits	(631)	(4,237)
— Other interest income	(168)	—
	<u>(799)</u>	<u>(4,237)</u>
Finance costs, net	<u>2,688</u>	<u>3,299</u>

[@] The borrowing costs have been capitalised at a rate of 2.88% (2013: nil) per annum.

10 INCOME TAX EXPENSE

The amount of taxation charged to the consolidated income statement represents:

	2014 HK\$'000	2013 HK\$'000
Current taxation		
Hong Kong Profits Tax		
— current year	7,272	8,620
— under/(over)-provision in prior years	75	(4,524)
Overseas taxation		
— current year	2,708	12,838
— over-provision in prior years	—	(1,568)
Deferred taxation	1,653	1,247
	<u>11,708</u>	<u>16,613</u>
Income tax expense	<u>11,708</u>	<u>16,613</u>

11 EARNINGS PER SHARE

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

	2014	2013 (Restated)
Profit attributable to equity shareholders of the Company (<i>in HK\$'000</i>)	<u>34,291</u>	<u>39,308</u>
Weighted average number of ordinary shares in issue (<i>in thousand shares</i>)	<u>1,996,196</u>	<u>1,996,196</u>
Basic earnings per share (<i>HK cents per share</i>)	<u>1.7</u>	<u>2.0</u>

There was no dilutive effect on earnings per share for the year ended 31 March 2013 since all outstanding share options were anti-dilutive. As all outstanding share options had been cancelled pursuant to the approval from an ordinary resolution of the shareholders at the annual general meeting of the Company on 6 September 2013, there was no dilutive effect on earnings per share for the year ended 31 March 2014.

12 DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Interim dividend, declared, of Nil (2013: Nil) per ordinary share	—	—
Final dividend, proposed, of HK1.0 cent (2013: HK1.2 cents) per ordinary share	<u>19,962</u>	<u>23,954</u>
	<u>19,962</u>	<u>23,954</u>

A final dividend in respect of the year ended 31 March 2014 of HK1.0 cent per ordinary share, amounting to a total dividend of HK\$19,962,000, is to be proposed at the annual general meeting on 22 August 2014. This dividend has not been recognised as a liability at the balance sheet date.

PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

- Metal and Plastic (“M&P”) Business: manufacturing and sale of metal and plastic products including server casings, office automation products, video tape cassettes, visual accessories, automobile products, moulds, plastic and metal parts and predominately self-brand household products;
- Electronic Manufacturing Services (“EMS”) Business: manufacturing and sale of magnetic tape drives, laser printers, multi-function facsimile machines, “point-of-sale” (“POS”) system, medical products and other computer peripherals; and
- Consumer and Services Business: provision of wedding-related services including wedding gown, photography, wedding planning, travel, hotel and catering services.

1. Business Review

I. Results

Turnover of the Group decreased by HK\$258,386,000 to HK\$2,033,018,000 for the year ended 31 March 2014 (year ended 31 March 2013: HK\$2,291,404,000). Profit after tax amounted to approximately HK\$32,586,000 (year ended 31 March 2013: HK\$39,278,000).

II. Industrial business — M&P and EMS

- (1) During the year, overall performance of the industrial business remained satisfactory. Although turnover decreased to HK\$2,009,228,000, we still recorded an operating profit of approximately HK\$99,888,000. On the other hand, the performance of the consumer and services business segment was disappointing, with turnover aggregating HK\$23,790,000 only, still failing to break-even and posting an operating loss of approximately HK\$52,705,000.
- (2) Main reasons for the decrease in turnover of industrial business:
 - (a) M&P business: Turnover of the M&P business for the year ended 31 March 2014 decreased by 10% to HK\$893,513,000 compared with the same period last year (year ended 31 March 2013: HK\$996,696,000), which was mainly due to the decrease in both the number of customers and the sales volume.
 - (b) EMS business: Although turnover contribution from two major customers of the Group’s copier business decreased substantially by 50%, the impact was in part offset by the commissioning of a new project of one of these major customers. As such, turnover of the EMS business for the year ended 31 March 2014 only edged lower by 13% to HK\$1,115,715,000 compared with last year (year ended 31 March 2013: HK\$1,287,365,000).
- (3) Industrial profile of the Group:

For the year, turnover from the industrial business illustrated a downward trend, mainly due to the fact that certain office automation products had gradually stepped into the ending stage of a product life cycle and that server casing products were imminent to the initial replacement era, thereby squeezing demands on these fronts. However, the

moulding business witnessed relatively significant growth, as a result of the commencement of development of new models of Fullhouse World household products series, servers and POS machines, which lay a firm foundation for the robust operations of the Group's industrial business in the next three years.

(4) For the year, the industrial business still maintained its efficiency and profitability thanks to each of the followings:

- | | |
|--|--|
| (a) Automation: | Automation of metal stamping robots was fully completed and there are currently over 160 sets of press-related robots in use. Application of welding and spraying robots was completed. Automation of certain parts of the assembly process was completed as well. There were 3 sets of automation workstation equipment installed in the server/casing plants, thereby greatly reducing manpower needs and shoring up production efficiency. |
| (b) Improvement of moulding efficiency: | The issues relating to existing metal/plastic projects have been essentially resolved, bolstering efficiency upon completion of improvement work. |
| (c) Other cost saving initiatives and their effectiveness: | Through reform in painting and heating equipment and the lighting equipment of all workshops, as well as the use of the intelligent press motor switching system, fruitful results has been achieved in saving energy and reducing electricity consumption. The tight rein on the use of various ancillary logistics and instruments has translated into substantial decline in costs. |
| (d) Management system integration: | During the year, the Group adjusted various internal operation processes to adapt to the prevailing market conditions, enabling the Group to achieve remarkable results on the fronts of precision control, prompt response, internal information transparency and cross-over coordination of various segments. The Group is also in the process of launching a logistics management system due for completion by the end of 2014. |
| (e) Human resources structural adjustment and training: | During the year, the Group carried out departmental mergers and functional unit reshuffles to rationalise the proportion of direct and indirect personnel of the industrial business. Moreover, progress has been made on the recruitment of core personnel in the areas of mould design and manufacturing, engineering research and development as well as logistics, together with providing in-house and external training programs, enabling the Group to advance further on the fronts of mould manufacturing technology and management, engineering development capability and logistics operations. |

- | | |
|---|---|
| (f) Provision of quality services to customers: | The Group continues to optimize the service quality. The target of the provision of a timely, flexible and competitive pricing has been broadly achieved, which is better reflected in the new projects mainly from M&P business recently. |
| (g) Enhancement of prototype capability: | Prototype equipment has been put into use. Reshuffling of internal functions is in full swing, which covers the proposed recruitment of high caliber talents and restructuring the prototype development process to enhance the Group's prototype development capability, in a bid to strengthen our customers' confidence towards our development capability and to create the conditions required for attracting a great deal of new projects to the Group. |
| (h) Proactive development of new businesses: | Some progress has been made at the current stage, with efforts mainly geared towards the exploration of machine casing and medical and health care equipment/instruments. Currently, reform of the machine casing production line has been completed and trial run and customer acceptance are underway. The medical and health care equipment/instrument business is still in the process of running-in and development. |
- (5) TIS Karrie Technologies (H.K.) Company Limited, the Group's associate, ceased to operate, thereby reducing the loss suffered by the Group from running the associate, and improving the overall profitability of the industrial business.
- (6) Regarding the disposal of Grandway Investment (Group) Limited, which holds the Yixing plant site, the Group has issued a termination notice to the purchaser and forfeited the deposit of RMB10,000,000 (approximately HK\$12,500,000) given that the purchaser had eventually failed to settle the remaining balance for the conclusion of the deal.
- (7) For the purpose of supporting the policy on upcoming land and city transformation in Fenggang Town, PRC, the Group's plan to develop a multi-functional convention and exhibition centre, an integrated sports/performing hall, budget hotels and real estate projects will remain unchanged and the projects will be implemented successively as scheduled. This approach not only optimizes the use of resources at the Fenggang Plant and it is also in line with the Group's long-term development policy to revitalize the factories.
- (8) Construction of the Yu Quan plant B5 and No. 1 staff dormitory is in progress as scheduled and is due to be completed by the end of March 2015 in phases.

III. Consumer and Services Business

(1) Wedding service

- (a) My Affection Limited (“My Affection”) has set up stores and shops in Tsuen Wan and Tsim Sha Tsui covering a total area of approximately 30,000 square feet, in which we have invested approximately HK\$20,000,000. My Affection mainly provides one-stop wedding services. Apart from selling all sorts of wedding items, it also provides wedding gown rental and sales services, wedding photography, family picture photography, portrait photography and wedding beverages to different customers, including the one-stop wedding services for tourists under the Individual Visit Scheme and local new couples. The Tsim Sha Tsui store exclusively serves partners to create a wedding platform and to expand customer base. Also, the wedding service, complemented by the establishment of The One Travel Co., Ltd. is conducive to developing the business of overseas and PRC photography and sight-seeing packages. The wedding business, albeit its growth potential, is still in the development stage and has yet to generate any real profit to the Group. However, it can be seen that due to the effort devoted in the past year and abiding the objective of providing quality services, the brand has established a sound reputation in the wedding market. The continuously increasing of orders referred by the customers, representing 20% of the new orders, is a sufficient proof of an ongoing development of our service quality and reputation. The turnover for the first quarter of 2014/15 has seen a growth of over 30% compared to the corresponding period last year. We are confident that with the wedding platform from Fullhouse World, the turnover is expected to record a sizable growth.
- (b) Given the impact of the Year of Snake as a “blind year”, ebbing sales were spotted across the sector when compared with that of last year. However, as a new joiner in the wedding business industry, our results are steadily improving. It is hoped that the turnover will register sizable growth on the back of appropriate marketing activities amid effect of the flourishing year of 2014.
- (c) My Affection has created a platform for alliance to attract potential partners from different streams, including makeup artists, photographers, gold and jewelry leasing houses, and wedding planners to join us, in order to further improve the performance of the wedding business.
- (d) After the introduction of the new shooting spot for family photography — Alice in the Wonderland, the business targets on families and a dedicated page in Facebook for family photography has been set up and marketing activities such as promoting free photography have been organized. The growth of the monthly average number of “fans” is encouraging. The fans of our dedicated page will become a major channel for business promotion.

- (e) Since its establishment to date, the My Affection's photography team has successfully left footprints at the following overseas spots: Okinawa, Osaka, Seoul, Jeju, Bali, San Francisco, Paris and Taizhong. My Affection have our own photography samples and overseas photography experience, enabling us to have adequate materials for preparing profiles aiming to attract customers for overseas photography. The Group will capture the photography touring group market, which could be developed into a business segment that features a higher gross profit.
- (f) During the year, the collaboration between My Affection and Fullhouse Signature has secured a number of deals relating to wedding location rental and banquet services. Moreover, My Affection has targeted on customers opting for simple-style wedding. We cooperated with Fullhouse Signature to introduce wedding lunch and dinner packages covering the provision of civil celebrant service, as well as wedding services other than those in the banquet, in order to achieve synergy and create win-win scenarios.
- (g) In response to the feedback collected from our customers over the year or so on wedding photography, My Affection once again introduced the preferential honeymoon "Satin Gold Package" (「沙金套餐」). Also, My Affection owns the exclusive shooting right at "The Wedding City", its strategic partner at Fenggang Town, Dongguan of PRC, and the royal castle in the national grade 4A wedding theme LongFeng Villa Video Resort. Moreover, there is a privileged package of photography at the royal castle with a one-night stay at the unique theme hotel of Fullhouse World. Customers can enjoy photography bases of over 50 different shooting spots and the royal castle exclusively at a preferential price. The package has been warmly embraced by customers, representing over 15% of the total orders, and it is believed that future sales performance of packages will be even better.
- (h) In line with the Group's idea of offering one-stop wedding services, a service platform has been introduced at My Affection and Fullhouse Signature to facilitate customers' enquiries about the information regarding overseas pre-wedding photography and wedding ceremony, as well as procedural formalities for overseas travel.
- (i) Dedicated personnel have been hired to tap into the PRC market and to cooperate with overseas travel agencies for rollout of travel packages covering pre-wedding photography service in Hong Kong.

(2) *Yixing Hotel*

As for the Yixing business hotel project, greening works have commenced and currently the process of implementation of overall planning will be postponed, with priority given to the land and city reformation of Fenggang in the future. The operating model of the hotel will be determined taking into account the experience gained from Fenggang, and further optimized by mingling together such elements as wedding, theme restaurant, Fullhouse World theme park, Tiffani by Fullhouse Patisserie and Fullhouse World household products series, along with local unique styles.

(3) Fullhouse World

- (a) Fullhouse World is a project of theme catering services building on a home-based concept, which includes a wedding theme restaurant, a Tiffani by Fullhouse Patisserie, Fullhouse World household products, as well as a theme hotel and a theme park. With the provision of premium and unique services, we aim to fill customers with joyful experience and sweet memories.
- (b) Fullhouse World not only provides customers with both eastern and western pastry, but also offers them relevant wedding ancillary services covering unique marriage proposals, wedding photography, professional makeup, wedding planning, wedding organizing, honeymoon vacation and family reunion ancillary services, in order to develop the business of fine products and Fullhouse World household products series. We strive to present to our customers the unique and joyful experience at Fullhouse World.
- (c) The flagship store Fullhouse Signature in Hong Kong had its official grand opening on 10 November 2013. Honored and distinguished guests were all around the spot and the scene was phenomenal. The opening of Fullhouse Signature symbolizes a new era for the rise of home-based theme restaurants characterized by elements such as catering, wedding, theme park/resort travel and products.
- (d) Tiffani by Fullhouse Patisserie is the chained pastry brand introduced by Fullhouse World in 2013. The brand has Tiffani, the elder sister in the happy family, as its theme character. The style of Tiffani by Fullhouse Patisserie, characterized by the dominant pink colour, depicts a romantic and sweet home. Tiffani by Fullhouse Patisserie is committed to designing all kinds of unique pastry and creating a well-known chained pastry brand. Currently, there are branch stores of Tiffani by Fullhouse Patisserie in Hong Kong, Dongguan, Shenzhen and Guangzhou, and we also consider setting up overseas stores in Singapore and Malaysia. Looking ahead, Tiffani by Fullhouse Patisserie would invite franchisees to make foray into the market with us, and work together to fulfill the mission of delivering happiness.
- (e) As regards the Malaysian market, efforts were made to consolidate restaurants and close those with low efficiency and at the disadvantaged locations during the year. To prop up profitability, resources were mainly allocated to development and upgrading of upscale restaurants with geographical advantages.
- (f) The operation strategy of Fullhouse World in the PRC continues to be outsourcing operation rights to third parties and receiving management fees. Though total expenses have not been offset, such strategy has created a new brand and helps stabilize income. The Group will facilitate and step up the development of low-cost Tiffani by Fullhouse Patisserie franchised stores and the distribution channels of fashionable Fullhouse World household products with an aim to broadening its income streams.

Profit after tax amounted to approximately HK\$32,586,000 (year ended 31 March 2013: HK\$39,278,000). The decrease in the net profit after tax is attributable to (i) the loss from the Consumer and Services Business (please see the section headed “III Consumer and Services Business” above) and (ii) the fair value loss of certain foreign exchange forward contracts entered into by the Group during the year.

The Group operates primarily in Hong Kong and the PRC and most of its business transactions, assets and liabilities are denominated in Hong Kong dollars (“HKD”), United States dollars (“USD”) and Renminbi (“RMB”). Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency other than the Group’s functional currency. As HKD is pegged against USD, the management of the Group considers that the Group is mainly exposed to foreign currency risk with respect to RMB. In order to mitigate the foreign currency risk with respect of RMB, during the year the Group entered into certain RMB target redemption forward contracts in order to obtain RMB at a lock-in price to fund its operation and development in the PRC. During the year, the Group recognised a fair value loss of HK\$44,036,000 in respect of the RMB target redemption forward contracts. The Board wishes to point out that such fair value loss does not have any significant cash flow impact on the financial strength of the Group.

Conclusion

Despite the hardship faced by the industrial business, the Group has not gone away with its industrial business amid the ever-changing business environment and has made efforts to step up investment in industrial plants. For the year ended 31 March 2014, the Group recorded capital expenditure (“Capex”) of HK\$106,450,000, including the investment in constructing industrial facilities such as Plant B5 and staff dormitory in the Yu Quan industrial area. Industrial plants remain the core of the Group underpinning our expanding consumer base and service business. The Group has also developed a series of simple-style Fullhouse World household products and fine products, which enables the Group to utilise its spare capacities and to balance the OEM production. With the recognition of our shareholders, we hope to tap into new domains and create our “blue ocean” on the back of our diversified business operations which support, inspire and complement each other.

2. Dividend Policy

The Board has adopted a set of “New Dividend Policy” in the announcement of results for the first quarter of 2006/07, which outlines the factors that should be taken into account in determining the dividend for distribution, such as the profit attributable to equity shareholders of the Company, cash flows and investment budgets. After careful considerations of the aforementioned factors, the Board hopes to maintain the Company’s track record of paying dividends to shareholders for seventeen consecutive years, and therefore the Board recommends to pay a final dividend of HK1.0 cent per share to shareholders whose names appear on the register of members of the Company on 29 August 2014.

3. Geographical Distribution

The Group has always adopted a diversified approach in transporting its goods and does not rely on one single market. Details of the Group’s geographical distribution are set out in the segment reporting in Note 3 to the consolidated annual results of this announcement.

4. Prospects

I. Industrial business

(a) Progress on industrial development:

Based on the Group's two-pronged strategy of sticking to its OEM/ODM businesses while establishing its brand, continuous efforts will be made to improve its abilities to enhance and optimize human resources mainly in the fields of metal/plastic/moulds; continually optimize internal management procedures; bolster the efficient yet accurate response and control over operations on all fronts, from new product development and manufacturing to delivery of finished goods; manage order demands in a flexible manner and offer competitive prices. Also, we will continue to enhance our professional services to existing customers in EMS and expand our collaboration with these customers in other areas.

On the other hand, the Group will utilize spare capacities on plastic and moulds to swiftly set up a team responsible for product design, project development, production and marketing of Fullhouse World household products, virtually laying a foundation for the research and development, manufacturing and marketing functions of its brand. Meanwhile, we will look into the possibility of tapping into the areas of medical and healthcare equipment/instrument. It is hoped that in the next three years, the Group can achieve significant progress building on its existing capabilities in OEM/ODM/OBM design and development as well as metal/plastic/moulds manufacturing, eventually turning itself into an industry leader, while ensuring the independent, sustainable and healthy development of its brand business characterized mainly by Fullhouse World household products.

- (b) We will keep facilitating the automation of stamping and riveting to realize unmanned stamping production. Continuous efforts will also be made to promote automation of man-machine hybrid assembly lines and automation of various kinds of high-universality machinery, thereby reducing reliance on manpower during the assembly process and in turn bolstering production efficiency and quality.
- (c) We will keep on enhancing moulding efficiency and automation, consolidating and improving areas with targets accomplished, and continuing to refine and improve working efficiency as well as consolidating the core competitiveness of the Group.
- (d) The construction and interior decoration of Yu Quan Plant B5 and Yu Quan No. 1 dormitory are expected to be completed by the end of March 2015 and commissioned in phases to cope with the production progress of new projects.
- (e) On top of consolidating its existing OEM/ODM business, the Company will take a two-pronged approach by creating its brand utilizing its spare capacities on plastic production. The Company will inject funds to develop Fullhouse World household products in the future. Meanwhile, a clean plastic injection production workshop will be set up to create an environment required for production of plastic containers and medical equipment.

II. Consumer and Services business

(1) Wedding Business:

- (a) In the coming year, My Affection as a new industry joiner in the wedding business will be entering a new phase of development. My Affection will strive to enhance its reputation by promoting services and introducing newly-launched products in wedding expos of various sizes, with an aim to further increase its market share after surviving the intense competition.
- (b) My Affection will also cooperate with Tiffani by Fullhouse Patisserie, coupled with Fullhouse World household products, Fullhouse Signature, hotel and tourism packages and special royal castles destination of its business partners, as well as family photography or wedding photography services, to launch and design new products and services that cater to market needs from time to time. Moreover, My Affection will keep increasing internet penetration to bolster its reputation, propping up turnover and eventually reaping profits.
- (c) Capitalizing on its franchise platform, My Affection provides partners and customers with airline ticket and hotel booking services. Efforts will be made to strengthen ancillary support to wedding services, such as collaborating with overseas hotels for arranging honeymoon photography tours. We will gather more information on the wedding industry related to hotspots for honeymoon photography, contact such tourism bureaus to negotiate consumption incentives and offer suitable and special travel guides to customers. Online sales will also be available enabling customers to select products with ease on their own.
- (d) As the products and services have been under consolidation in the past year, various hardware and software capabilities and ancillaries can cater for further business growth. Enhanced advertisement promotion at television programme and media for My Affection will be initiated in the future, and it is believed that a solid business growth will be generated.

(2) Fullhouse World

- (a) In addition, specific products will be developed for each of the four characters in the Fullhouse World, namely father Thomas, mother Tracy, sister Tiffani and younger brother Tony. The Group plans to establish a pastry house under the name of Tiffani, which may hopefully begin to entice franchisees with distinctive characteristics within a year. Meanwhile, specially-designed products under the brand name of Tiffani and Fullhouse World will be available for sales at franchise stores.
- (b) Besides Tiffani, Fullhouse World household products are the trendy products of our own brand that will be produced using the spare capacities on moulds and plastic from the Karrie plants. On top of achieving synergy, products may also be sold to customers directly through franchise stores of Fullhouse World, Tiffani by Fullhouse Patisserie or in selected supermarkets or gifts or Fullhouse World household products may be redeemed under the membership point scheme, thereby reducing the multi-tier agency transaction fees of the market and in turn lifting our profit margin. Meanwhile, revenue denominated in Renminbi will be increased as well. Moreover, the O2O (Online to Offline) operating model (which refers to information search on the internet first, followed by site inspection of products at the relevant stores before making any purchase

decision) could also be adopted to broaden customer base. Such a diversified and complementary portfolio covering industrial products, catering services and tourist resorts is in line with the Group's development orientation.

- (c) The Group is a green enterprise which encourages the "Reuse, Reduce and Recycle" of resources, and re-purchase plastic goods manufactured under its own brand for recycling through cash rebate/bonus point schemes.
- (d) In the second half of 2014, the Group will bolster market awareness of the brand and products of Fullhouse World by means of, among others, electronic, website and graphic advertisements, in order to enhance reputation of the brand and facilitate promotion of franchise stores. Moreover, Fullhouse World will participate in different marketing activities, such as sponsoring game gifts and launching summer promotion campaigns, making Fullhouse World a brand well known and recognized by the public at large.

Overall outlook

We aim to collaborate with different strategic partners to develop My Affection's wedding business. With the synergy attained, efforts will also be made to bolster the brand reputation of Fullhouse World and Tiffani by Fullhouse Patisserie, thereby enticing a diversified portfolio of franchisees. In this case, My Affection, Fullhouse World and Tiffani by Fullhouse Patisserie along with the franchisees will create a giant channel for effective distribution of Fullhouse World household products, which may bring in more customers and in turn benefit overall business performance. Therefore, the utilization of the spare capabilities of the Group's plants for production of Fullhouse World household products and making it a key business growing point in our industrial manufacturing domain in future may facilitate the Group's transformation from traditional manufacturing to brand creation and servicing. The diversified business lines may complement each other and achieve a win-win scenario.

The unaudited turnover of the Group for the two months ended 31 May 2014 was HK\$379,158,000 (For the two months ended 31 May 2013: HK\$278,020,000). As the unaudited turnover for the two months may not be able to reflect the final results for the year ended 31 March 2015, shareholders and investors are therefore advised to exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

Cash Generating Ability

With the improvement of the manufacturing operations, the financial position remains healthy. Net bank balance^Δ as at 31 March 2014 was about HK\$57,276,000 and the net gearing ratio (being the proportion of net bank balance against total equity) was 6%. (As at 31 March 2013, net bank balance was about HK\$35,248,000 and net gearing ratio was 4%).

Non-current Assets to Total Equity Ratio staying below 100%

The Non-current assets to Total Equity Ratio stayed at a healthy level of 84% (31 March 2013: 76%). This means that the Group is using its stable total equity to finance non-current assets such as plants and machinery.

^Δ Represent cash and cash equivalents plus time deposit less bank borrowings and obligations under finance leases ("interest-bearing borrowings")

Financing for Growth

As at 31 March 2014, net bank balance was approximately HK\$57,276,000. As more funds will be invested in the Yuquan Plant and dormitory, the land and city reformation of Fenggang plant and Tiffani by Fullhouse Patisserie franchising projects, the initial CAPEX Budget for the financial year 2014/15 is about HK\$261,625,000 of which HK\$241,625,000 relates to the Industrial Business and HK\$20,000,000 is for the Consumer and Services Business. We expect the net bank borrowing ratio will stay at a level of below 100% for the financial year 2014/15.

Resources Available

Currently, total interest-bearing borrowings are about HK\$163,517,000. The Group is confident that with the cash in hand and the bank balances of about HK\$220,793,000 and the unutilised banking facilities of HK\$773,592,000, the Group is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

Exchange Rate Exposure

Most of the Group's assets, liabilities and transactions are denominated in HKD, USD and RMB. Currency risk arises from commercial transactions, recognized assets and liabilities and net investments in foreign operations that are denominated in a currency other than the Group's functional currency, which in turn exerts pressure on the Group's production cost. To mitigate the impact of exchange rate fluctuation of the RMB on its business, the Group will actively communicate with its customers in order to adjust the selling prices of its products and use foreign exchange forward contracts to hedge against foreign currency risk.

Contingent Liabilities

As at 31 March 2014, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At the end of March 2014, the Group had 4,374 employees on average (an average of 5,577 employees in the corresponding period last year) during the year. With a good reputation in the local community, the Group has rarely encountered major difficulties in recruiting employees.

Employee remuneration packages are determined in accordance with prevailing market standards and the employee's performance and experience. The Group will also grant bonuses to employees with outstanding performance based on its own audited business performance and the appraisal and reward system. Other employee benefits include medical insurance and mandatory provident fund.

Performance Based Incentives

The Group adopted performance based bonus system and more objective performance assessment. Employees with outstanding performance will receive bonus higher than what they would have received before the new system was implemented.

DIVIDEND

The Board has recommended to pay a final dividend of HK1.0 cent (2012/13: HK1.2 cents) per share to shareholders whose names appear on the register of members of the Company on 29 August 2014. Together with the interim dividend, total dividend paid/payable for this year amounted to HK1.0

cent (2012/13: HK1.2 cents) per share. The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 22 August 2014.

CLOSURES OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM to be held on 22 August 2014, the register of members of the Company will be closed from Tuesday, 19 August 2014 to Friday, 22 August 2014 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 August 2014.

Assuming that the final dividend is approved by the shareholders of the Company at the AGM, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 28 August 2014 to Friday, 29 August 2014 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 27 August 2014. It is expected that the final dividend will be paid to those entitled on or around Thursday, 18 September 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year.

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

CORPORATE GOVERNANCE

The Company is committed to achieving the highest standards of corporate governance. Throughout the year ended 31 March 2014, the Company had applied the principles and complied with the requirements set out in the Corporate Governance Code (“CG Code”) in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited, except the following:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated 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 Company, Mr. Ho has substantial experience in the manufacturing industry, property development and cultural related business. At the same time, Mr. Ho has the appropriate management skills and business acumen which 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 allows the Group to be more effective and efficient in developing long-term business

strategies and execution of business plans. The Board therefore considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and Mr. Ho shall continue in his dual capacity as the Chairman and the Chief Executive Officer.

According to Code Provision A.4.1, non-executive director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-designated as Non-executive Director on 1 June 2007 and he 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 are not appointed for a specific term, they are subject to retirement by rotation according to the bye-laws of the Company.

Code Provision A.4.2 stipulated 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 of Directors 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 each year. Furthermore, any Director appointed to fill a casual 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. 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 Company 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 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 annually and the appointment or re-appointment of Directors 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 his or her own appointment. As such, the Board is of the view that the members of the Board possess the adequate 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.

The Code Provision A.6.7 of the CG Code stipulates that 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 independent non-executive directors did not attend the annual general meeting of the Company held on 6 September 2013 ("2013 AGM") and special general meeting held on 15 November 2013 ("2013 SGM") since they were located overseas. Nevertheless, all other Directors (including Independent Non-executive Directors) were present at the 2013 SGM and 2013 AGM to enable the Board to develop a balanced understanding of the view of the shareholders of the Company.

AUDIT COMMITTEE

The Company has established an audit committee currently made up of one non-executive Director and three independent non-executive Directors whose duties include resolving issues in relation to audit such as reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed the auditing, internal control and financial reporting in the current year with the external auditors. The audit committee has reviewed the consolidated annual results of the Group for the year ended 31 March 2014.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2014. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG 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 KPMG on the preliminary announcement.

APPRECIATION

I would like to thank our customers, suppliers, bankers, shareholders and others who have extended their invaluable support to the Group, and my fellow Directors, managers and all staff for their considerable contributions to the Group.

As at the date of this announcement, the Executive Directors are: Messrs. Ho Cheuk Fai, Lee Shu Ki, Ms. Chan Ming Mui, Sylvia and Messr. 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, 27 June 2014

* *For identification purpose only*