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 2014

HIGHLIGHTS

— Revenue increased by 36% to HK$1,221,429,000

— Profit attributable to equity shareholders of the Company was HK$38,628,000

— Basic earnings per share was HK1.94 cents

— Dividend per share at HK0.50 cent

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 2014 as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2014

	Note	30 September 2014 (Unaudited) *HK$'000*	31 March 2014 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**23,456**	23,777
Property, plant and equipment		**462,188**	383,190
Investment properties		**244,577**	240,000
Intangible assets		**29,764**	30,964
Investments in associates		**30,893**	15,930
Other non-current assets	4	**84,797**	79,390
Deferred tax assets		**602**	602
Available-for-sale financial assets		**16,680**	18,380
		892,957	792,233
Current assets			
Inventories		**291,714**	216,218
Trade and bills receivables	4	**424,990**	300,077
Current tax recoverable		**3,195**	2,540
Amount due from an associate		**8**	6
Prepayments, deposits and other receivables	4	**55,769**	70,079
Time deposits		**12,500**	25,000
Cash and cash equivalents		**282,431**	195,793
		1,070,607	809,713
Assets of disposal group classified as held-for-sale	5	**60,549**	60,549
		1,131,156	870,262
Total assets		**2,024,113**	1,662,495
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital		**199,620**	199,620
Other reserves		**255,992**	257,626
Retained earnings		**500,805**	482,139
		956,417	939,385
Non-controlling interests		**(869)**	(347)
Total equity		**955,548**	939,038

	Note	30 September 2014 (Unaudited) HK$'000	31 March 2014 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**13,771**	13,771
Deferred revenue		**1,717**	1,752
Obligation under finance leases		**10,877**	14,787
Provision for long service payments		**9,533**	9,533
		35,898	39,843
Current liabilities			
Trade payables	6	**234,711**	182,339
Accruals and other payables		**281,719**	252,419
Receipts in advance		**4,655**	8,358
Amounts due to associates		**2,644**	1,037
Current tax payable		**53,565**	46,695
Derivative financial instruments		**33,006**	44,036
Obligation under finance leases		**7,718**	7,549
Bank borrowings	7	**414,649**	141,181
		1,032,667	683,614
Total liabilities		**1,068,565**	723,457
Total equity and liabilities		**2,024,113**	1,662,495
Net current assets		**98,489**	186,648
Total assets less current liabilities		**991,446**	978,881

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2014

	Note	For the six months ended 30 September **2014** (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*
Revenue	3	**1,221,429**	901,123
Cost of sales		**(1,062,907)**	(765,061)
Gross profit		**158,522**	136,062
Distribution and selling expenses		**(28,488)**	(23,684)
General and administrative expenses		**(98,162)**	(93,528)
Other income and gains	8	**11,213**	6,618
Operating profit		**43,085**	25,468
Finance income		**1,470**	708
Finance costs		**(3,275)**	(1,356)
Finance costs, net	10	**(1,805)**	(648)
Share of losses of associates		**(37)**	(193)
Profit before taxation		**41,243**	24,627
Income tax expense	11	**(3,137)**	(8,512)
Profit for the period		**38,106**	16,115
Attributable to:			
Equity shareholders of the Company		**38,628**	17,002
Non-controlling interests		**(522)**	(887)
		38,106	16,115
Earnings per share of profit attributable to equity shareholders of the Company			
— Basic and diluted (HK cents)	12	**1.94**	0.85

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**38,106**	16,115
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available-for-sale financial assets, net of HK$Nil tax	**(1,832)**	(274)
Total comprehensive income for the period	**36,274**	15,841
Attributable to:		
Equity shareholders of the Company	**36,796**	16,728
Non-controlling interests	**(522)**	(887)
Total comprehensive income for the period	**36,274**	15,841

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation	**41,243**	24,627
Adjustments for non-cash items	**16,823**	23,788
Operating profit before changes in working capital	**58,066**	48,415
Changes in working capital	**(111,932)**	40,379
Cash (used in)/generated from operations	**(53,866)**	88,794
Interest paid	**(5,167)**	(1,356)
Hong Kong Profits Tax refund	**6,187**	—
Hong Kong Profits Tax paid	**(2,863)**	(3,602)
Overseas tax paid	**(246)**	(350)
Net cash (used in)/generated from operating activities	**(55,955)**	83,486
Cash flows from investing activities		
— Payment for acquisition of an associate	**(15,000)**	—
— Purchase of property, plant and equipment	**(103,908)**	(29,763)
— Other investing activities	**11,736**	39,558
Net cash (used in)/generated from investing activities	**(107,172)**	9,795
Cash flows from financing activities		
— Dividend paid	**(19,962)**	(23,954)
— Proceeds from new bank borrowings	**867,094**	304,615
— Repayment of bank borrowings	**(593,626)**	(376,044)
— Other financing activities	**(3,741)**	—
Net cash generated from/(used in) financing activities	**249,765**	(95,383)
Net increase/(decrease) in cash and cash equivalents	**86,638**	(2,102)
Cash and cash equivalents at 1 April	**195,793**	243,894
Cash and cash equivalents at 30 September	**282,431**	241,792

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 September 2014 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, 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

This condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2014, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2015. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
- HK(IFRIC) 21, Levies

These amendments and new interpretation do not have a significant impact on the Group's results of operations, financial position and the condensed consolidated financial information for the current accounting period.

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.

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, 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 operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in this condensed consolidated financial information.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Segment results for the six months ended 30 September 2014 are as follows:

	For the six months ended 30 September 2014 (Unaudited)			
	Metal and plastic business	**Electronic manufacturing services business**	**Consumer and services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenues				
Reportable segment revenue	**577,333**	**668,987**	**12,236**	**1,258,556**
Inter-segment revenue	**(37,127)**	**—**	**—**	**(37,127)**
Revenue from external customers	**540,206**	**668,987**	**12,236**	**1,221,429**
Gross profit/(loss)	**133,987**	**33,825**	**(9,290)**	**158,522**
Distribution and selling expenses and general and administrative expenses	**(85,889)**	**(19,163)**	**(21,598)**	**(126,650)**
Other income and gains	**7,265**	**2,075**	**1,873**	**11,213**
Operating profit/(loss)	**55,363**	**16,737**	**(29,015)**	**43,085**

	For the six months ended 30 September 2013 (Unaudited)			
	Metal and plastic business	Electronic manufacturing services business	Consumer and services business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues				
Reportable 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	2,950	2,979	689	6,618
Operating profit/(loss)	36,265	15,682	(26,479)	25,468

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

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2014	2013
	HK$'000	*HK$'000*
Operating profit	**43,085**	25,468
Finance income	**1,470**	708
Finance costs	**(3,275)**	(1,356)
Share of losses of associates	**(37)**	(193)
Profit before taxation	**41,243**	24,627

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

	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**426,723**	301,927
Other receivables	**54,287**	71,368
	481,010	373,295
Less: Allowance for impairment of trade and bills receivables	**(1,733)**	(1,850)
	479,277	371,445
Prepayments	**27,965**	29,542
Deposits	**58,314**	48,559
	565,556	449,546
Less: Other non-current assets (Note)	**(84,797)**	(79,390)
	480,759	370,156
Representing:		
Trade and bills receivables, net of allowance for impairment	**424,990**	300,077
Prepayments, deposits and other receivables, net of allowance for impairment	**55,769**	70,079
	480,759	370,156

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment amounting to approximately HK$40,847,000 (31 March 2014: HK$35,440,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately HK$21,750,000 (31 March 2014: HK$21,750,000) in relation to the acquisition and property development of a piece of land in Yixing, Jiang Su, 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$22,200,000 (31 March 2014: HK$22,200,000).

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. Ageing analysis of trade, bills and other receivables before allowance for impairment, based on invoice date, is as follows:

	30 September 2014	31 March 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 to 90 days	**467,568**	355,660
91 to 180 days	**4,703**	16,053
181 to 360 days	**8,083**	1,353
Over 360 days	**656**	229
	481,010	373,295

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, deposits and other receivables stated above. The Group did not hold any collateral as security.

5 DISPOSAL GROUP

The amount at 30 September 2014 represented assets attributable to the 100% equity interest in Grandway Investment (Group) Limited 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 was 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 of the Disposal Group are as follows:

	30 September 2014	31 March 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Assets classified as held for sale:		
Land use rights	**5,446**	5,446
Property, plant and equipment	**55,103**	55,103
Total assets of the Disposal Group	**60,549**	60,549

6 TRADE PAYABLES

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

	30 September 2014	31 March 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 to 90 days	**222,786**	167,040
91 to 180 days	**11,121**	13,332
181 to 360 days	**70**	1,459
Over 360 days	**734**	508
	234,711	182,339

7 BANK BORROWINGS

	30 September 2014 (Unaudited) *HK$'000*	31 March 2014 (Audited) *HK$'000*
Trust receipt loans	**9,398**	9,764
Portion of bank borrowings repayable within one year	**311,705**	77,000
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clause	**93,546**	54,417
Total bank borrowings	**414,649**	141,181
Representing:		
Current liabilities		
— Unsecured	**284,944**	141,181
— Secured	**129,705**	—
Total bank borrowings	**414,649**	141,181

All bank borrowings are with a contractual maturity of within one year or are subject to repayment on demand clauses. Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2014, none of the covenants relating to the drawn down facilities had been breached.

As at 30 September 2014, certain banking facilities of the Group were secured by land and buildings with an aggregate carrying value of HK$103,675,000 (31 March 2014: HK$Nil). Such banking facilities amounted to HK$129,705,000 (31 March 2014: HK$Nil). The facilities were utilised to the extent of HK$129,705,000 (31 March 2014: HK$Nil).

8 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*
Rental income	**1,139**	2,014
Management fee income	**273**	99
Gain on disposal of property, plant and equipment	**37**	3,323
Fair value gain on derivative financial instruments	**7,813**	287
Others	**1,951**	895
	11,213	6,618

9 EXPENSES BY NATURE

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**24,364**	24,535
Amortisation of land use rights	**321**	326
Amortisation of intangible assets	**1,200**	1,200
Employee benefit expenses (including directors' emoluments)	**185,581**	160,219

10 FINANCE COSTS, NET

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
— Interest income from bank deposits	**1,338**	633
— Other interest income	**132**	75
	1,470	708
Finance costs		
— Interest expenses on bank borrowings wholly repayable within five years	**(5,167)**	(3,213)
Less: Interest expenses capitalised into properties under development	**1,892**	1,857
	(3,275)	(1,356)
Finance costs, net	**(1,805)**	(648)

11 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2013: 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax		
— Current period	**5,797**	8,162
— Over-provision in prior years	**(6,187)**	—
— Overseas taxation		
— Current period	**3,527**	350
Income tax expense	**3,137**	8,512

12 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 period.

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company (in HK$'000)	**38,628**	17,002
Weighted average number of ordinary shares in issue (in thousand shares)	**1,996,196**	1,996,196
Basic earnings per share (HK cents)	**1.94**	0.85

There was no dilutive effect on earnings per share for both periods ended 30 September 2013 and 2014 since there were no dilutive potential ordinary shares in respect of share options under the Company's share option scheme.

13 DIVIDENDS

The final dividend for the year ended 31 March 2014 amounting to HK$19,962,000, representing HK1.0 cent per share, was paid in September 2014 (2013: HK$23,954,000, representing HK1.2 cents per share).

The Board declared an interim dividend of HK0.5 cent per share for the six months ended 30 September 2014 (six months ended 30 September 2013: HK$Nil). The interim dividend amounting to HK$9,981,000 (six months ended 30 September 2013: HK$Nil) has not been recognised as liability in this interim financial information.

DIVIDEND

The Board declared an interim dividend of HK0.5 cent per share for the six months ended 30 September 2014 (the "Relevant Period") (for the six months ended 30 September 2013: HK$Nil) to eligible shareholders whose names appear on the register of members of the Company on 16 December 2014. The interim dividend will be payable in cash on or about 30 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 December 2014 to Tuesday, 16 December 2014 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch 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 Thursday, 11 December 2014.

Review of operations

1. For the six months ended 30 September 2014, the turnover of the Group increased by approximately 36% to HK$1,221,429,000 (for the first half year of 2013/14: HK$901,123,000). Profit attributable to the equity shareholders of the Company increased by approximately 127% to HK$38,628,000 (profit for the first half year of 2013/14: HK$17,002,000). The increase in the net profit for the Relevant Period is mainly attributable to (i) the increase in the profits of the industrial business of the Group; and (ii) the fair value gains arising from revaluation of certain foreign exchange forward contracts entered into by the Group with a view to minimizing the Group's currency risk exposure to fluctuations in Renminbi.

Industrial business:

2. The turnover of the metal and plastic business for the six months ended 30 September 2014 increased by approximately 31% to HK$540,206,000 compared to the same period last year (for the six months ended 30 September 2013: HK$411,116,000).The increase in turnover was mainly due to the commencement of mass production in small batches for some new casing projects and an increase in the income from related newly developed casing moulds.

3. There was an increase in the income from electronic manufacturing services business. The turnover for the six months ended 30 September 2014 increased by approximately 40% to HK$668,987,000 compared to the same period last year (for the six months ended 30 September 2013: HK$477,956,000), which was mainly because the turnover of new tape drive full-assembly projects increased by around 385% compared to the same period last year.

4. The ideal performance of the industrial sector has been benefited from the effective cost control and an enhancement of the process of automation, which can improve the production speed, enhance the degree of accuracy and increase the stability, thereby reducing manpower and tiredness incurred in manual operation and eliminating the problems derived from error. This advantage is reflected in costs saving, increased production efficiency, fulfilling customers' satisfaction and strengthening environmental protection.

5. Though the current political sentiment is relatively intense in Dongguan, the implementation of the Land and City Transformation project may be slightly postponed. However, in order to support the upcoming policy in Fenggang Town, PRC and to coordinate with the local national

4A theme park and surrounding tourist and hotel facilities, the Group promotes **cultural industries,** such as holding concerts for Hong Kong and PRC famous singers in the multi-functional convention and exhibition centre and integrated sports/performing hall, sets up the O_2O (online to offline) platform — online access and on-site visits and physical inspection before purchasing, as well as applying theme iconic characters in businesses such as household products, travel, wedding, hotels and resorts (including animation and theater), and builds unique cultural industries and real estate development. All of such development objects will remain unchanged and will be implemented as scheduled. The optimization and vitalization of the resources at the Fenggang Plant are in line with the Group's long-term development objective.

6. To cope with the production of new casing projects, the relocation plan of the Fenggang Plant also was therefore postponed. Therefore, even the construction of Yu Quan Plant B5 proceeded as planned, the interior decoration was also postponed. Yu Quan No. 1 dormitory has been constructed to the sixth floor and was topped out in late September 2014, and it is expected to be completed by February 2015.

7. The due diligence review on the acquisition of 30% equity of 東莞市翠峰五金機械有限公司 by 東莞嘉寶電子實業有限公司, a wholly-owned subsidiary of the Group, was completed, and the transaction was closed on 1 August 2014. Pursuant to which, the Group would be able to participate directly in the robots trading in the future, thereby expanding its industrial production into the area of trading business and broadening its income streams.

8. Castfast Hotel in Yixing had completed the greening works. However, as the Group is now adjusting its future development directions and strategies, the overall interior decoration construction project of Castfast Hotel in Yixing will be postponed.

9. The industrial business is relatively stable. Therefore, the existing industrial business is able to provide stable cash flow for the consumer and services business development.

Consumer and services business:

10. During the Relevant Period, the performance of consumer and services business was unsatisfactory and still incurred a loss of approximately HK$29,028,000, which was mainly attributable to the wedding business segment of approximately HK$8,094,000 and the Fullhouse World of approximately HK$17,921,000.The ramp-up period of the consumer and services business should be shorten as soon as possible. The management also strives to turn around in terms of profitability.

11. Wedding services business: the turnover recorded a double-digit growth compared to the same period last year, which was mainly generated from the wedding photography. The One Travel Co., Ltd ("One Travel") played a major role to assist My Affection Limited ("My Affection") to undertake the overseas wedding photography travel services. After a two-year period of exploration, the turnover of My Affection began to increase steadily. As there is a great variety of wedding dresses available for customers' selection, and together with the better photography venues and innovative shooting styles, they are all the competitive advantages for My Affection. My Affection was awarded the "2014 Hong Kong Awards for Industries: Customer Service", and the receipt of such recognition has made every staff of My Affection highly encouraged.

12. Fullhouse World domain:

    (a) Fullhouse Theme Café Limited ("Fullhouse Signature") is the flagship store in Hong Kong and has been operating for around a year, with its market objectives of mainly aiming at young people and simple wedding. It holds about two events every month in average, and the progress is satisfactory. As the location is good, and the renovation and the theme are attractive, the turnover is quite stable. However, due to the high rents, rising costs of labor and ingredients, as well as the recent mass movement in Hong Kong, inflicting uncertainties over Hong Kong and generating negative impact on the consumer market. Therefore, Fullhouse Signature will actively open up the lunch banquet mainly for events other than wedding banquet, such as birthday parties, anniversaries and celebration gathering, in order to turn around promptly in terms of profitability.

    (b) (i) Fullhouse World is a project of theme catering services building on a home-based concept, which includes restaurants, Patisserie, household products as well as a theme hotel and theme park.

        (ii) The operation strategy in China is to subcontract the operation of the Fullhouse World restaurants in China to a third party for the moment to receive management fees and stabilize the revenue. However, the central marketing and operating expenses cannot be offset, so it still incurred a loss during the Relevant Period.

        (iii) As Tiffani by Fullhouse Patisserie in China just commenced operation, it recorded an operating loss.

    (c) On the Malaysia front, after our integration efforts, winding up recent loss-making restaurants and increasing investments on geographically advantaged restaurants to upgrade the style with wedding elements included, they were well received and started achieving a break-even result. The Group will also follow this approach and add on events other than wedding to develop the Singapore and Malaysia markets. The loss during the Relevant Period had been gradually cut down.

13. The consumer and services business cannot be measured and assessed separately. My Affection, One Travel, Fullhouse World restaurants and Tiffani by Fullhouse Patisserie are closely related to each other in promoting the brand of Fullhouse World. One Travel helps My Affection explore overseas wedding photography business, while the wedding elements of My Affection helps Fullhouse World restaurants hold various events, whereas Fullhouse World restaurants act as the platform for promoting various Tiffani desserts, while Tiffani by Fullhouse Patisserie acts as the frontline food testing market for Fullhouse World restaurants.

Geographical Distribution

The Group does not rely on one single market, but always adopts diversified approaches to expand its businesses. During the Relevant Period, the revenue from Asia (except Japan, Hong Kong and the PRC) amounted to HK$51,144,000. Revenue from Japan amounted to HK$146,309,000, that from Hong Kong amounted to HK$430,348,000 and that from the PRC amounted to HK$364,336,000. Revenue from Western Europe amounted to HK$92,973,000 and revenue from North America amounted to HK$136,319,000.

Capital expenditure ("Capex")

It is expected that in the year of 2014/15,

(i) The Capex in the industrial business will be approximately HK$241,625,000, which will be mainly used in the construction of Yu Quan Plant B5 and No. 1 staff dormitory and for the renewal, upgrade of machinery and the enhancement of automation.

(ii) Consumer and services business: approximately HK$20,000,000.

For the first half of the period ended 30 September 2014, the Capex amounted to HK$108,485,000. The Capex of industrial business and the consumer and services business amounted to HK$93,122,000 and HK$15,363,000, respectively.

Prospects

The main directions for the Group's future diversified industries:

1. (i) In earnest response to the policy of Business Structural Evolution and Land and City Transformation of the local government, the Group has begun to revitalize the Fenggang Plant, and actively engage the formalities for the development transformation. Also, the Group intends to establish a distribution center at Yuquan Plant to increase the operation efficiency.

   (ii) For the new projects awarded this year, the production of moulds had been completed successively, and the finished products also proceeded to mass production. Therefore, the revenue of the Group during this fiscal year would be relatively stable. Thanks to the ever-improving automation capacity and cost control measures, as well as the steady economic growth in China, the Directors are cautiously optimistic about the development of our industrial business for the second half of the year.

2. Although the Fullhouse Signature flagship store in Hong Kong has been operating for around a year, there is still room to increase its turnover, such as increasing the turnover of lunch hours and making simple decoration to improve the patron efficiency. To complement the wedding elements of My Affection, customers who wish to hold a smaller wedding ceremony (80–160 people) can be offered a wedding banquet venue with special themed decoration and delicious food with excellent quality. Given the years of reputation, together with timely promotion and the trend of preferring simple wedding by the current younger generation (according to the survey of ESDLIFE in 2013, the total market value of the wedding consumer market amounted to HK$18.3 billion, of which banquet and wedding photography accounted for HK$9.5 billion and HK$1.4 billion respectively. The average spending of each couple was HK$302,000, of which the average spending on banquet and wedding photography accounted for HK$157,000 and HK$22,000 respectively.), it is believed that there is still room for development. The one-stop wedding celebrant services launched by Fullhouse Signature with My Affection ranged from HK$66,000 to HK$160,000, and it is believed that there will be significant improvement in the future. In addition, the Group also actively organizes Tiffani by Fullhouse Patisserie to operate in major shopping malls. Using Fullhouse Signature as a base to promote the brand, it can pave the way for opening more franchise stores in the future.

   Besides Tiffani, Fullhouse World household products are the trendy products of our own brand that will be manufactured using the spare production capacities on moulds fabrication and plastic injection from the Karrie plants. On top of achieving synergy, products may also be sold to customers directly through the stores of Fullhouse World, Tiffani by Fullhouse Patisserie or in selected supermarkets, or our Fullhouse World household products or other specially selected gifts may be redeemed under the membership point scheme, and also can be distributed via our cultural industries strategic partner "LongFeng Villa" Resort (including animation and theater), 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, O_2O (online to offline) and theme iconic characters are used to establish a comprehensive physical sales economic platform, which helps to broaden customer base and is beneficial to the ramp up of the cultural industries.

Fullhouse World will set up a central kitchen. On one hand, it can effectively distribute food to all restaurants, dessert houses and strategic partners, meanwhile it can also centralize the purchase of ingredients, so as to reap the benefit of the economies of scale, thereby saving the operation costs and reducing the expenses. It can also develop all kinds of food, especially desserts, to provide new cuisines for all restaurant and dessert house to attract customers.

3. Wedding business, My Affection is still facing a fierce competition. Customers can receive various wedding information by attending the wedding expos held every month. Therefore, the top priority is to stand out from the counterparts to turn around in terms of profitability. We intend to adopt the following measures to increase our turnover:

(a) create a wedding platform for professionals such as independent photographers, makeup artists and wedding planners to formulate a comprehensive platform to provide better services;

(b) strengthen ancillary support to wedding services, retain qualified and capable service providers (such as flower shops, decoration companies and wedding celebrant solicitors) to launch various privileged packages; and introduce photographers of different styles and develop wedding photography designs of different theme types to attract customers to spend on wedding photography; enhance the quality of photography services, thereby strengthening the reputation in the industry and increase awareness.

(c) gather more information on the wedding industry related to overseas photography and hotspots for wedding celebrant;

(d) provide online sales (online sales privileged promotional campaigns in limited time);

(e) enhance advertisement promotion at television programme and media, and actively utilize online platform to offer special information such as privileges from time to time; and

(f) leverage the advantage of One Travel to capture the opportunities of overseas travel photography, introduce new spots and Facebook to attract and promote family photography. My Affection provides a great variety of wedding dresses for customers' selection and offers flexible shooting locations for customers. In view of the above, My Affection wishes to explore the overseas wedding photography markets in Paris, Taizhong, Okinawa and Kyoto in the coming year.

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 restaurants of Fullhouse World to achieve the synergies of complementing each other. In Chinese tradition, this year is a good year for marriage, so it is believed that there will be favorable business opportunities for the wedding industry. It is expected the turnover of the wedding business will still maintain a substantial growth in the coming year.

4. The future operating model of the project in Castfast Hotel in Yixing will be determined taking into account of the experience gained from Fenggang, and further optimized by mingling together elements such as wedding, theme restaurant, theme park, Tiffani by Fullhouse Patisserie and various household products series, along with local unique styles of the local Zisha culture, thereby developing creative cultural industries. As the strategies and directions of the development of Yixing are to be integrated, the overall interior decoration construction plan of Yixing Hotel will be postponed. Therefore, the Group will focus on the future development of the Land and City Transformation of Fenggang.

5. 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. The Group highly recognizes the importance of "standing high and look beyond". Amid the intense market competition, we should keep improving ourselves to have a standing point firmer and higher than our competitors, which will ultimately lead us to appreciate a blooming prospect.

6. In October of the year, the unaudited turnover increased by 14% to approximately HK$191,000,000 (October 2013: HK$167,000,000).

   However, this unaudited turnover figure is not sufficiently representative to reflect the performance and results for the year ending 31 March 2015. Investors and shareholders shall be cautious in trading the shares of the Company.

Liquidity resources and financing policies

As at 30 September 2014, the unaudited net bank borrowing amounted to HK$138,313,000, with the net bank borrowing ratio at approximately 14% (the unaudited net bank balance ratio was approximately 7% as at 30 September 2013). We expect the net bank borrowing ratio for the financial year ended 2014/15 will remain at the level below 25% whereas the ratio of non-current assets to shareholders' capital has stood at 93%. The management has paid close attention to it.

The interest bearing borrowings were HK$433,244,000. The cash in hand and the bank balances amounted to HK$294,931,000 with the unutilised banking facilities of HK$593,000,000 in total. We are confident that these are sufficient to meet the funding needs for the current and future operation and those for the investment in fixed assets of the Group.

Exchange Rate Exposure

In order to mitigate the foreign currency risk in respect of RMB, the Group entered into certain RMB target redemption forward contracts during the year of 2013/14 in order to obtain RMB at a lock-in price to fund its operation and development in the PRC. As at 30 September 2014, there has been an upward trend in the RMB price compared to that of 31 March 2014. Although a realised loss of approximately HK$3,217,000 was recorded during the period, there was still a fair value gain of approximately HK$7,813,000 on derivative financial instruments.

CONTINGENT LIABILITY

As at 30 September 2014, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

During the Relevant Period, the number of employees had increased from approximately 4,500 as at 30 September last year to around 4,540 as at 30 September 2014. 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 labor shortage and high turnover rate. However, we still adopt "humane" approach to manage and care for our staff, organize leisure and cultural activities for the community, provide opportunities for training and development, and focus on staff welfare and occupational safety, 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 and share options 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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.

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 Mr. 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 November 2014

* *For identification purposes only*