KTL International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$1,036.8 million for the year ended 31 March 2015, representing a decrease of approximately 23.0% as compared with the same for the year ended 31 March 2014.
- Gross profit was approximately HK$180.3 million for the year ended 31 March 2015, representing a decrease of approximately 26.1% as compared with the same for the year ended 31 March 2014.
- Gross profit margin declined to 17.4% from 18.1% in the last financial year.
- Profit attributable to the owners of the parent was approximately HK$20.3 million for the year ended 31 March 2015, representing a decrease of approximately 45.9% as compared with the same for the year ended 31 March 2014.
- Basic earnings per share amounted to approximately HK$0.38 for the year ended 31 March 2015, representing a decrease of approximately 47.2% as compared with the same for the year ended 31 March 2014.
- The Board dose not recommend the payment of final dividend for the year ended 31 March 2015.

The board (the "Board") of directors (the "Directors") of KTL International Holdings Group Limited (the "Company") is pleased to present the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2015 together with the comparative figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	4	**1,036,824**	1,345,822
Cost of sales		**(856,541)**	(1,101,706)
Gross profit		**180,283**	244,116
Other income	4	**6,141**	5,549
Selling expenses		**(38,527)**	(50,627)
Administrative expenses		**(99,775)**	(132,113)
OPERATING PROFIT		**48,122**	66,925
Other expenses, net	5	**(10,293)**	(10,240)
Finance costs	6	**(11,232)**	(12,779)
PROFIT BEFORE TAX	7	**26,597**	43,906
Income tax expense	8	**(6,255)**	(6,334)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**20,342**	37,572
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange differences on translation of foreign operations		**(172)**	4,090
Release of exchange fluctuation reserve upon deregistration of a subsidiary		**–**	694
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(172)**	4,784
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**20,170**	42,356
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic and diluted		**HK$0.38**	HK$0.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**197,046**	176,952
Prepaid land lease payments		**15,747**	16,205
Prepayments for construction in progress		**21**	3,346
Deferred tax assets		**–**	5,564
Total non-current assets		**212,814**	202,067
CURRENT ASSETS			
Inventories		**92,791**	242,295
Trade receivables	11	**222,414**	166,335
Prepayments, deposits and other receivables		**22,429**	7,854
Tax recoverable		**7,135**	3,057
Prepaid land lease payments		**436**	437
Pledged bank deposits		**117,655**	107,534
Cash and bank balances		**126,468**	103,481
Total current assets		**589,328**	630,993
CURRENT LIABILITIES			
Due to the immediate holding company		**–**	115,580
Trade and other payables	12	**124,624**	223,186
Interest-bearing bank borrowings		**290,482**	293,923
Tax payable		**–**	2,007
Obligations under finance leases		**1,272**	1,054
Total current liabilities		**416,378**	635,750
NET CURRENT ASSETS/(LIABILITIES)		**172,950**	(4,757)
TOTAL ASSETS LESS CURRENT LIABILITIES		**385,764**	197,310
NON-CURRENT LIABILITIES			
Obligations under finance leases		**2,810**	1,300
Deferred tax liabilities		**244**	–
Total non-current liabilities		**3,054**	1,300
Net assets		**382,710**	196,010
EQUITY			
Equity attributable to owners of the parent			
Share capital		**800**	–
Reserves		**381,910**	196,010
Total equity		**382,710**	196,010

NOTES TO FINANCIAL STATEMENTS
31 March 2015

1. CORPORATE INFORMATION

KTL International Holdings Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group were principally involved in the manufacture and sale of jewellery and related products.

In the opinion of the directors, the holding company of the Company is KTL International Holdings Limited ("KTL International (BVI)"), which was incorporated in British Virgin Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 March 2015 (the "Listing").

2.1 GROUP REORGANISATION AND BASIC OF PRESENTATION

Pursuant to the Group's reorganisation ("Reorganisation") as explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 27 February 2015 (the "Prospectus"), the Company became the holding company of the Group on 29 July 2014. The Company and its subsidiaries were under the common control of KTL International (BVI) ("the Controlling Shareholder") before and after the Reorganisation. Accordingly, the financial statements of the Group have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statement of financial position of the Group has been prepared to present the assets and liabilities of the subsidiaries using the existing carrying values from the perspective of the Controlling Shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*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) – Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than as explained below regarding the impact of the amendments to HKAS 36, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in notes to the financial statements.

In addition, the Company has early adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 1	*Disclosure Initiatives*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs issued in October 2014[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the manufacture and sale of jewellery products. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive directors of the Company. Information reported to the Group's chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one reportable operating segment, i.e. manufacture and sale of jewellery products, and no further analysis thereof is presented.

Geographical information

Information about the Group's revenue by geographical locations is presented based on the area or country in which the external customer is operated.

	2015	2014
	HK$'000	*HK$'000*
Russia	**463,311**	838,056
Americas	**350,162**	283,866
Mainland China	**108,934**	84,315
Europe (other than Russia)	**70,048**	74,038
Middle East	**9,972**	23,377
Other countries	**34,397**	42,170
	1,036,824	1,345,822

Information about the Group's non-current assets, excluding deferred tax assets, is presented based on the locations of the assets.

	2015	2014
	HK$'000	*HK$'000*
Mainland China	**190,557**	166,272
Hong Kong	**22,257**	30,231
	212,814	196,503

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the year, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, including sales to a group of entities which are known to be under common control with that customer, is as set out below:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**258,324**	566,387
Customer B	**N/A***	138,747
Customer C	**196,778**	160,862
Customer D	**114,555**	N/A*

* Less than 10% of revenue

4. REVENUE AND OTHER INCOME

Revenue represents the net amounts received and receivable arising from sale of jewellery products during the year.

	2015	2014
	HK$'000	*HK$'000*
Sale of jewellery products	**1,036,824**	1,345,822

An analysis of other income is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest income from bank deposits	**2,380**	2,196
Government grants *(Note)*	**2,633**	2,182
Others	**1,128**	1,171
	6,141	5,549

Note: Government grants were received by certain subsidiaries of the Company in the PRC as compensation for expenses already incurred. There are no unfulfilled conditions or contingencies in relation to the grants.

5. OTHER EXPENSES, NET

An analysis of other expenses, net, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Gain on disposal of items of property, plant and equipment	**(3,626)**	(105)
Foreign exchange differences, net	**65**	2,283
Listing expenses	**20,772**	–
Sales of loose diamonds, net	**1,150**	(6)
Impairment loss/(reversal of impairment loss) of construction in progress ("CIP")	**(8,068)**	8,068
	10,293	10,240

6. FINANCE COSTS

An analysis of finance cost is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings	**7,282**	9,320
Interest on factoring of trade receivables	**4,572**	4,639
Interest on finance leases	**152**	117
	12,006	14,076
Less: Capitalised in CIP	**(774)**	(1,297)
	11,232	12,779

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**735,154**	943,066
Depreciation		**13,928**	16,025
Amortisation of prepaid land lease payments		**436**	432
Foreign exchange differences, net	*5*	**65**	2,283
Auditors' remuneration			
Auditors of the Company		**2,180**	1,200
Other auditors		**193**	180
		2,373	1,380
Employee benefits (including directors' remuneration:)			
Salaries and other benefits		**132,536**	160,628
Pension scheme contributions		**11,017**	21,163
		143,553	181,791
Allowance for doubtful debts, net		**7,817**	6,444
Write-off of other receivables		**292**	–
Write-down of inventories to net realisable value		**906**	1,120
Minimum lease payments under operating leases		**1,260**	4,112
Gain on disposal of items of property, plant and equipment	*5*	**(3,626)**	(105)
Impairment loss/(reversal of impairment loss) of CIP	*5*	**(8,068)**	8,068

8. INCOME TAX EXPENSE

The statutory income tax rates for Hong Kong and Mainland China are 16.5% and 25%, respectively. A subsidiary of the Group enjoyed a lower profit tax rate during the year as further explained below. The profit tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the year.

	2015 HK$'000	2014 HK$'000
Current – Hong Kong		
Charge for the year	**1,461**	4,324
Current – Mainland China		
Charge for the year	**–**	3,177
Overprovision in prior years	**(1,005)**	(718)
Deferred	**5,799**	(449)
Total tax charge for the year	**6,255**	6,334

In relation to the Departmental Interpretation and Practice Notes No. 21 (Revised) (apportionment under a 50:50 basis) of the Inland Revenue Department Hong Kong, a portion of the profits of KTL Jewellery Trading Limited ("KTL Trading") is considered neither arisen in, nor derived from Hong Kong. Accordingly, that portion of KTL Trading's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors of the Company, that portion of KTL Trading's profit is not subject to taxation in any other jurisdiction in which KTL Trading operates during the year.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$20,342,000 (2014: approximately HK$37,572,000) and the weighted average number of ordinary shares in issue of 53,610,959 (2014: 52,000,000), on the assumption that the shares issued through the Reorganisation and capitalisation issue prior to the Listing had been in issue since 1 April 2013.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**20,342**	37,572

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**53,610,959**	52,000,000

11. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**237,587**	173,691
Less: Allowance for doubtful debts	**(15,173)**	(7,356)
	222,414	166,335

The Group's trading terms with its customers are mainly on credit, except for new customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. The credit period is generally for a period of 60 to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a treasury department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**47,460**	49,637
1 to 2 months	**26,847**	20,663
2 to 3 months	**33,221**	48,420
Over 3 months but within one year	**114,886**	47,615
	222,414	166,335

Trade receivables of approximately HK$15,173,000 (2014: approximately HK$7,356,000) were individually determined to be impaired as at 31 March 2015. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. The movements in the allowance for doubtful debts are as follows:

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**7,356**	912
Allowance for doubtful debts	**8,620**	6,444
Reversal of allowance for doubtful debts	**(803)**	–
At end of the year	**15,173**	7,356

The ageing analysis of trade receivables at the end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due or impaired	**160,056**	146,052
Less than 61 days past due	**55,553**	20,130
61 to 120 days past due	**5,897**	153
Over 120 days past due	**908**	–
	222,414	166,335

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**60,014**	109,992
Other payables	**64,610**	113,194
	124,624	223,186

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	15,385	46,068
1 to 2 months	2,884	13,331
2 to 3 months	2,654	18,280
Over 3 months but within one year	39,091	32,313
	60,014	109,992

The trade payables are non-interest-bearing and the credit period of purchases ranges from 30 to 180 days. Other payables are non-interest-bearing and have an average term of one to three months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Company's shares were successfully listed on Main Board of the Stock Exchange on 11 March 2015 (the "Listing Date"), marking an important milestone in the Group's development.

The Group is an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, primarily engaged in designing, manufacturing and exporting fine jewelleries to jewellery wholesalers and retailers mainly in Americas, Russia and other European countries. The Group offers a wide range of fine jewellery products in karat gold, including rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets, which are positioned to target the mass to middle segment, being the lowest among the three tiers of the fine jewellery market segments by retail prices. The average wholesale price of the Group's gold fine jewellery products is approximately HK$1,183 per piece for the year ended 31 March 2015 as compared with approximately HK$1,231 per piece of the corresponding period in 2014.

The Group's customers are mainly wholesalers and retailers of jewellery products. The Group's five largest customers for the year ended 31 March 2015 include three Russia based retailers and wholesalers who operate chain stores in Russia selling jewellery products, a jewellery wholesaler in the United States who sells its products to local chain stores and a retailer with jewellery chain stores in the PRC and Hong Kong.

Slow down of sales in Russian market

For the year ended 31 March 2015, Russia is the Group's largest sales market, and revenue arising from sales to Russia amounted to approximately HK$463.3 million, representing approximately 44.7% of the Group's total sales for the year under review. Since late 2014, the Group experienced a significant slowdown of sales in the Russian market due to various factors, including the political events in relation to Ukraine, the continuous decrease in prices of crude oil and depreciation of Ruble against US dollars.

The persistent drop in oil prices coupled with the weakening of Ruble has been adversely affecting the economy of Russia and in turn, the purchasing power of our Russian customers. The potential risks of default in payment by our Russian customers were increased as a result.

The Ruble to US dollar exchange rate as at 31 March 2014 and 31 March 2015 was 35.17 Rubles to a US dollars and 58.19 Rubles to a US dollar, respectively, representing a deprecation of Ruble against US dollar of approximately 39.6%. The devaluation of the Rubles has driven up the inflation rate in Russia and resulted in a negative chain effect on the household consumption. The continuous weakening of Ruble against the US dollar increased purchase cost of the Group's Russian customers which have an adverse impact on the demand for fine jewellery products, leading to decrease in the Group's sales, average wholesale price and overall profitability during the year under review.

In January 2015, an international rating agency downgraded Russia's sovereign credit rating to junk status, making it generally more difficult for companies in Russia to obtain financing and also increasing the financing costs for companies in Russia. For the year ended 31 March 2015, there has been delay in the settlement of the outstanding trade receivables by the Group's major Russian customers. Accordingly, the Group made a provision for trade receivables by approximately HK$8.6 million after having considered the difficulties of the Russian customer in settling the outstanding trade receivables in full by March 2016. The Group reported this incident to the export credit insurer under its export credit insurance policies and commenced procedures with a bank on factoring on a without recourse basis for those receivables. The Group maintains export credit insurance policy covering up to 90% of the losses incurred for business risks, political risk, delay in payments, winding up of debtors unless otherwise provided under the insurance policy.

Recovery of the American market and growth potential in the PRC market

In light of the gradual recovery from the economic downturn in the United States and we maintained the good business relationships with our customers in the American market during the year under review, our sales in Americas increased by approximately HK$66.3 million from approximately HK$283.9 million for the year ended 31 March 2014 to approximately HK$350.2 million for the year ended 31 March 2015, representing an increase of approximately 23.4%.

As part of our efforts to continuously increase our presence in the PRC market in view of the growth potential in the PRC market, the sales from PRC market increased by approximately HK$24.6 million from approximately HK$84.3 million for the year ended 31 March 2014 to approximately HK$108.9 million for the year ended 31 March 2015, representing an increase of approximately 29.2%.

Commencement of new business line

Since April 2014, the Group commenced trading of watches, silver jewellery and non-precious metal jewellery with significantly lower average selling prices and lower gross profit margin as ancillary products to satisfy different customers' requests. Sales generated from these non-fine gold jewelleries products amounted to approximately 2.9% of the Group's total sales for the year ended 31 March 2015, which did not have a material impact on the Group's overall gross profit margin in the year. However, the overall average wholesale price of the Group's products decreased since the commencement of sales of silver jewelleries.

FINANCIAL REVIEW

	2015	2014
Revenue (HK$'000)	**1,036,824**	1,345,822
Gross Profit (HK$'000)	**180,283**	244,116
Gross Profit Margin (%)	**17.4**	18.1
Profit attributable to the owners of the parent (HK$'000)	**20,342**	37,572

The Group's revenue for the year ended 31 March 2015 was approximately HK$1,036.8 million, representing a decrease of approximately HK$309.0 million or 23.0% over the corresponding period in 2014. The decrease in the Group's revenue was primarily due to (i) a decrease in sales in Russia of approximately HK$374.7 million as a result of the unexpected cancellation of certain sales orders previously placed by some of its Russian customers as a result of the unfavourable economic environment in Russia and the decrease in average wholesale price as higher portion of products with simple design sold to Russia; and (ii) a continuous decrease in sales of approximately HK$13.4 million in Middle East mainly because the Group's major customer in the region changed its business focus to streamline retail networks and reduce excess inventories since 2013, which was partially offset by (i) an increase in sales in Americas of approximately HK$66.3 million mainly attributable to the increased sales orders from our major customers in the United States as a result of our strategies to diversify our markets to the United States; and (ii) an increase in sales in the PRC of approximately HK$24.6 million as a result of the Group's strategic cooperation and established closer business relationship with certain customers in the PRC.

The Group's gross profit for the year ended 31 March 2015 was approximately HK$180.3 million, representing a decrease of approximately HK$63.8 million or 26.1% over the corresponding period in 2014. Gross profit margin decreased to approximately 17.4% from approximately 18.1%, was primarily due to the decrease in gross profit margin from Russia mainly as a result of the sales of higher portion of products with simple designs to Russia and the commencement of trading of watches, silver jewelleries and non-precious metal jewelleries to Russia since April 2014; and was partially offset by implementation of costs restructuring since August 2013 with the aim to enhancing overall production efficiency.

Selling expenses

Our selling expenses decreased by approximately HK$12.1 million or 23.9%, to approximately HK$38.5 million for the year ended 31 March 2015 from approximately HK$50.6 million for the year ended 31 March 2014. The decrease was primarily attributable to (i) the decrease in staff costs of approximately HK$7.4 million mainly as a result of implementation of costs restructuring plan since August 2013; (ii) the decrease in export credit insurance expenses of approximately HK$2.9 million mainly as a result of the decrease in sales for the year ended 31 March 2015; (iii) the decrease in sales commissions to agents of approximately HK$1.4 million as a results of reduced reliance on agents for our sales; and (iv) the decrease in advertising and exhibition expenses of approximately HK$0.5 million following reduction in participation in trade exhibitions.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$32.3 million or 24.5%, to approximately HK$99.8 million for the year ended March 2015 from approximately HK$132.1 million for the year ended 31 March 2014. The decrease was primarily due to (i) the decrease in staff costs of approximately HK$25.7 million and (ii) the decrease in travelling expenses, rental expenses, office and utility expenses of approximately HK$4.5 million, mainly resulting from implementation of costs restructuring plan.

Finance costs

The Group's finance costs decreased by approximately HK$1.6 million or 12.5%, to approximately HK$11.2 million for the year ended 31 March 2015 from approximately HK$12.8 million for the year ended 31 March 2014. The decrease was primarily due to the decrease in average borrowing balance in 2015 as compared with the same in 2014.

Profit attributable to the owners of the parent

The Group recorded a profit attributable to the owners of the parent of approximately HK$20.3 million for the year ended 31 March 2015 as compared with approximately HK$37.6 million for the corresponding period in 2014.

Such decrease was mainly attributable to the recognition of a one-off non-recurring listing expenses of approximately HK$20.8 million and provision for trade receivables by approximately HK$8.6 million after having considered the difficulties of a Russian customer in settling its outstanding trade receivables in full by March 2016.

In addition, the decrease in profit attributable to owners of the parent was also due to the overall decrease in sales of its products for the year ended 31 March 2015 by approximately HK$309.0 million due to the unexpected cancellation of certain sales orders previously placed by some of its Russian customers as a result of the unfavourable economic development in Russia.

Property, plant and equipment

The net carrying amount as at 31 March 2015 was approximately HK$197.0 million, representing an increase of approximately HK$20.0 million from that of 2014. This was mainly due to: (i) the Group's addition in property, plant and equipment of approximately HK$27.6 million; (ii) reversal of impairment of approximately HK$8.1 million, and offset by the depreciation of approximately HK$13.9 million with respect to the Group's property, plant and equipment during the year under review.

Trade receivables

There was an increase in trade receivables as at 31 March 2015 of approximately HK$56.1 million as compared with 31 March 2014, which was mainly due to the trade receivables that were neither past due or impaired, less than 61 days past due and 61 to 120 days past due increased by approximately HK$14.0 million, HK$35.4 million and HK$5.7 million, respectively, as at 31 March 2015 as compared with 31 March 2014.

Interest-bearing bank borrowings

The Group had interest-bearing bank borrowings as at 31 March 2015 in the sum of approximately HK$290.5 million, which were reduced by approximately HK$3.4 million from the sum of approximately HK$293.9 million as at 31 March 2014.

No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Liquidity and financial resources

As at 31 March 2015, the Group had current assets of approximately HK$589.3 million (2014: approximately HK$631.0 million) which comprised cash and bank balances of approximately HK$126.5 million (2014: approximately HK$103.5 million). As at 31 March 2015, the Group had non-current liabilities of approximately HK$3.1 million (2014: approximately HK$1.3 million), and its current liabilities amounted to approximately HK$416.4 million (2014: approximately HK$635.8 million), consisting mainly of payables arising in the normal course of operation and bank borrowings for trade financing. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 at 31 March 2015 (2014: approximately 1.0).

Gearing ratio

The gearing ratio of the Group, calculated as net debt (being interest-bearing bank borrowings and obligations under finance lease less cash and bank balances) divided by the total equity plus net debt, was approximately 30.5% as at 31 March 2015 (2014: approximately 49.6%).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by buying credit insurance on certain customers' receivables, performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Use of proceeds from the global offering

The Company has received net proceeds of approximately HK$40.4 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 11 March 2015. As at 31 March 2015, approximately HK$6.2 million of the net proceeds had been used by the Group. The unutilised proceeds were deposited with licensed bank in Hong Kong. Set below is a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds		Actual utilised as at 31 March 2015	Unutilised as at 31 March 2015
For disclosure purpose:	*%*	*HK$'000*	*HK$'000*	*HK$'000*
1) Used for the fitting out and decoration of Yuwotou Premises (i) an exhibition centre with multiple showrooms to showcase our design concepts and products (ii) a staff training centre	32.4%	13,084	–	13,084
2) Used for purchasing of raw materials, more specifically diamonds	27.4%	11,065	2,188	8,877
3) Used for upgrading our ERP system together with IT infrastructure upgrade	16.5%	6,663	–	6,663
4) Used for the development and enhancement of design capability (i) purchasing of software for producing three-dimensional design sketches and equipment for producing design prototypes (ii) employing additional designers and craftsmen	13.7%	5,532	–	5,532
5) Used for additional working capital and other general corporate purposes	10.0%	4,038	4,038	–
Total	**100.0%**	**40,382**	**6,226**	**34,156**

OUR BUSINESS STRATEGIES

We strive for maintaining our Group as one of the top fine jewellery providers in Hong Kong with a focus on export business by enhancing our sales and marketing force, increasing our market penetration in existing markets, expanding our customer base, exploring new markets and increasing recognition of our KTL corporate brand name worldwide.

In light of the gradual recovery from the economic downturn in the United States in the recent years and eyeing on the sheer size of its retail market of fine jewellery products, we plan to explore more growth opportunities in the United States where we believe our Group would benefit from the integrated services that we offer. We intend to further strengthen our business relationships with our customers in the United States by offering a wider range of styles and designs tailored for the United States market, and adjusting our production resources, capacity and cycle to better cater the product lead time, consumer preferences and festive shopping practices of the United States market. Further, in view of the growth potential in the PRC market, we intend to leverage on our established corporate brand name and our proven design capability, and increase resources to attract jewellery wholesalers or chain stores which focus on the PRC market. In this connection, we intend to increase our sales and marketing resources to promote our products and to participate in various trade exhibitions in the PRC, and devote additional product development and design resources to offer a wider range of designs tailored for the taste and preferences of the PRC market.

In addition, we aim to broaden our customer base by enhancing our efforts to offer products together with integrated services. Customers' needs and preferences vary. Some only require manufacturing support whereas more customers need other customised services and support such as differentiating product designs, product series theme creation, product showcasing strategies and product positioning. We believe that jewellers in the PRC market are generally keen for designs, marketing and product positioning support, whereas emerging markets are generally keen for manufacturing supports as well. In this respect, we plan to devote our sales force with an added focus in identifying and soliciting new customers that are themselves jewellery suppliers but do not have strong product development and design and/or production capabilities to broaden our customer base.

Besides, we believe our ability to create new product designs and develop innovative production techniques in response to market trends and customers' preference contributes to the success of our products. In light of the global market trend to offer diversified jewellery products in terms of purposes and price position to capture more market demand, we have been offering customers with a wide range of products with appealing designs at affordable prices, made with various kinds of precious metals and diamonds and gem stones with various specifications to cater for a wider bandwidth of market demand.

Foreign exchange exposure

For the year ended 31 March 2015, we had monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, other receivables, bank balances, trade and other payables and bank borrowings. Consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 31 March 2015. Since HK$ is pegged to US$, our Group does not expect any significant movements in HK$/US$ exchange rate. We are exposed to foreign exchange risk primarily with respect to RMB. If HK$ as at 31 March 2015 had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year attributable to the owners of the parent would have been decreased/increased by approximately HK$4.3 million (2014: approximately HK$4.2 million) for the year ended 31 March 2015.

The Group does not engage in any derivatives activities and does not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on Main Board of the Stock Exchange on 11 March 2015. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2015, capital commitments of the Group amounted to approximately HK$4.0 million (2014: approximately HK$13.5 million).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2015. No dividend has been paid or declared by the Company since its incorporation.

Information on employees

As at 31 March 2015, the Group had 955 employees (2014: 1,254), including the executive Directors. Total staff costs (including the Directors' emoluments) were approximately HK$143.6 million, as compared with approximately HK$181.8 million for the year ended 31 March 2014. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 31 March 2015, no options have been granted by the Company.

The Directors believe that the salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Significant investments held

The Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 27 February 2015 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 March 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Charges of assets

As at 31 March 2015, the Group's bank borrowings are secured by its assets as below:

(i) mortgages over the Group's leasehold land, which had a net carrying amount of approximately HK$10.5 million and approximately HK$11.4 million, respectively, as at 31 March 2015 and 31 March 2014.

(ii) mortgages over the Group's buildings, which had a net carrying amount of approximately HK$20.3 million and approximately HK$21.9 million, respectively, as at 31 March 2015 and 31 March 2014.

(iii) mortgages over the Group's construction in progress, which had a net carrying amount of approximately HK$132.6 million and approximately HK$109.1 million, respectively, as at 31 March 2015 and 31 March 2014.

(iv) mortgages over the Group's prepaid land lease payments, which had a net carrying amount of approximately HK$16.2 million and approximately HK$16.6 million, respectively, as at 31 March 2015 and 31 March 2014;

(v) a pledge of the Group's bank deposits of approximately HK$117.7 million and approximately HK$107.5 million, respectively, as at 31 March 2015 and 31 March 2014; and

(vi) corporate guarantee provided by the Company.

At 31 March 2014, certain of the Group's bank borrowings were also guaranteed by certain executive directors and/or the immediate holding company of the Company. These guarantees provided by the executive Directors and/or the immediate holding company of the Company were released during the year.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2015 (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 10 August 2015, the register of members will be closed from 6 August 2015 to 10 August 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 5 August 2015.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). From the listing date and up to the date of this announcement, the Company had complied with the Code Provisions except for code provision A.2.1 as more particularly described below.

Pursuant to code provision A.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Kei York Pang Victor currently performs these two roles as the chief executive officer and the co-chairman of the Board. The Board believes that vesting the roles of both co-chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the listing date and up to 31 March 2015.

REVIEW OF FINANCIAL INFORMATION

The audit committee consists of three independent non-executive Directors, namely Mr. Chan Chi Kuen (Chairman), Mr. Ting Tit Cheung and Mr. Lo Chun Pong.

The Company's annual results for the year ended 31 March 2015 have been reviewed by the audit committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made.

The audit committee has met the external auditors of the Company, Ernst and Young, and reviewed the Group's results for the year ended 31 March 2015.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 March 2015 as set out in this announcement have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year under review. The work performed by Ernst & Young 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 Ernst & Young on this announcement of results.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming annual general meeting, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.ktl.com.hk. The annual report of the Company for the year ended 31 March 2015 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board
KTL International Holdings Group Limited
Kei York Pang Victor
Co-Chairman and Executive Director

Hong Kong, 16 June 2015

As at the date of this announcement, the executive Directors are Mr. Kei York Pang, Victor, Mr. Li Man Chun, and Mr. Kei Yeuk Lun, Calan; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr Lo Chun Pong.