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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 *HK$'000*	2014 *HK$'000*	Changes in %
Revenue	**2,590,623**	2,033,018	+27%
Profit for the year	**75,706**	32,586	+132%
Basic earnings per share	**HK3.8 cents**	HK1.7 cents	+124%
Final dividend per share	**HK1.8 cents**	HK1.0 cent	+80%
Special dividend per share	**HK1.0 cent**	–	N/A
Return on Equity Ratio#	**7.7%**	3.5%	+120%

\# Represents profit attributable to equity shareholders of the Company for the year divided by total equity attributable to equity shareholders of the Company

The board (the "Board") of directors (the "Directors") of Karrie International Holdings Limited (the "Company") and its subsidiaries ("collectively", "we" or the "Group") announce the consolidated results of the Group for the year ended 31 March 2015 together with the comparative figures for 2014 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	**31 March 2015** *$'000*	31 March 2014 *$'000*
ASSETS			
Non-current assets			
Land use rights		**24,072**	23,777
Property, plant and equipment		**464,192**	383,190
Investment properties		**336,250**	240,000
Intangible assets		**28,564**	30,964
Investments in associates		**30,737**	15,930
Available-for-sale financial assets		**22,118**	18,380
Other non-current assets	*4*	**84,896**	79,390
Deferred tax assets		**1,130**	602
		991,959	792,233
Current assets			
Inventories		**402,670**	216,218
Trade and bills receivable	*4*	**280,399**	300,077
Prepayments, deposits and other receivables	*4*	**63,119**	70,079
Current tax recoverable		**3,207**	2,540
Amount due from an associate		**–**	6
Cash and bank deposits	*5*	**224,414**	220,793
		973,809	809,713
Assets of disposal group classified as held-for-sale	*6*	**–**	60,549
		973,809	870,262
Total assets		**1,965,768**	1,662,495
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,620**	199,620
Other reserves		**256,591**	257,626
Retained earnings			
– Proposed final and special dividend	*13*	**55,894**	19,962
– Others		**476,044**	462,177
		988,149	939,385
Non-controlling interests		**(939)**	(347)
Total equity		**987,210**	939,038

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
(Expressed in Hong Kong dollars)

	Note	31 March 2015 $'000	31 March 2014 $'000
LIABILITIES			
Non-current liabilities			
Deferred revenue		**1,134**	1,752
Obligations under finance leases		**6,848**	14,787
Provision for long service payments		**6,356**	9,533
Deferred tax liabilities		**12,222**	13,771
		26,560	39,843
Current liabilities			
Trade payables	7	**218,892**	182,339
Accruals and other payables		**278,539**	252,419
Receipts in advance		**11,062**	8,358
Bank borrowings		**350,810**	141,181
Obligations under finance leases		**7,891**	7,549
Amounts due to associates		**6,536**	1,037
Current tax payable		**51,988**	46,695
Derivative financial instruments		**26,280**	44,036
		951,998	683,614
Total liabilities		**978,558**	723,457
Total equity and liabilities		**1,965,768**	1,662,495
Net current assets		**21,811**	186,648
Total assets less current liabilities		**1,013,770**	978,881

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	**2015**	2014
		$'000	*$'000*
Revenue	*8*	**2,590,623**	2,033,018
Cost of sales	*9*	**(2,306,523)**	(1,742,286)
Gross profit		**284,100**	290,732
Distribution and selling expenses	*9*	**(57,110)**	(52,093)
General and administrative expenses	*9*	**(165,017)**	(171,045)
Other income/gains and (losses)	*8*	**27,307**	(23,395)
Net valuation gain on investment properties		**4,698**	2,984
Operating profit		**93,978**	47,183
Finance income		**3,538**	799
Finance costs		**(13,188)**	(3,487)
Finance costs, net	*10*	**(9,650)**	(2,688)
Share of losses of associates		**(193)**	(201)
Profit before taxation		**84,135**	44,294
Income tax	*11*	**(8,429)**	(11,708)
Profit for the year		**75,706**	32,586
Attributable to:			
Equity shareholders of the Company		**76,298**	34,291
Non-controlling interests		**(592)**	(1,705)
		75,706	32,586
Earnings per share attributable to equity shareholders of the Company			
Basic and diluted	*12*	**3.8 cents**	1.7 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	2015	2014
	$'000	*$'000*
Profit for the year	**75,706**	32,586
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Remeasurement of provision for long service payments	**3,444**	1,816
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations, net of $nil tax	**–**	570
Fair value (losses)/gains on available-for-sale financial assets, net of $nil tax	**(2,302)**	2,553
Reclassification of fair value gains on available-for-sale financial assets to profit or loss upon disposal	**–**	(44)
Other comprehensive income for the year	**1,142**	4,895
Total comprehensive income for the year	**76,848**	37,481
Attributable to:		
Equity shareholders of the Company	**77,440**	39,186
Non-controlling interests	**(592)**	(1,705)
Total comprehensive income for the year	**76,848**	37,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2015 but are extracted from those financial statements.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of which the following amendments are relevant to 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*

The adoption of such amendments does not have a significant impact on the financial position and results of operations of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap.622) came into operation at the start of the Company's current financial year. The adoption of the requirements primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Companies Ordinance to refer to the current Companies Ordinance and replacing certain terminology no longer used in the Companies Ordinance with terminology used in HKFRS.

3. SEGMENT REPORTING

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

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

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

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.

The segment results for the year ended 31 March 2015 are as follows:

	2015			
	Metal and plastic business *$'000*	**Electronic manufacturing services business** *$'000*	**Consumer and services business** *$'000*	**Total** *$'000*
Segment revenue				
Reportable segment revenue	**1,140,715**	**1,489,483**	**26,387**	**2,656,585**
Inter-segment revenue	**(65,962)**	**–**	**–**	**(65,962)**
Revenue from external customers	**1,074,753**	**1,489,483**	**26,387**	**2,590,623**
Gross profit/(loss)	**213,784**	**84,150**	**(13,834)**	**284,100**
Distribution and selling expenses and general and administrative expenses	**(144,135)**	**(38,455)**	**(39,537)**	**(222,127)**
Other income/gains	**19,106**	**4,493**	**3,708**	**27,307**
Net valuation gain on investment properties	**–**	**–**	**4,698**	**4,698**
Operating profit/(loss)	**88,755**	**50,188**	**(44,965)**	**93,978**
Operating profit/(loss) includes:				
Depreciation	**61,923**	**4,816**	**12,230**	**78,969**
Amortisation of land use rights	**495**	**146**	**–**	**641**
Amortisation of intangible assets	**–**	**–**	**2,400**	**2,400**
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	**1,386**	**(538)**	**–**	**848**
Reversal of allowance for impairment of trade and other receivables	**(681)**	**(140)**	**–**	**(821)**

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

	2014			
	Metal and plastic business *$'000*	Electronic manufacturing services business *$'000*	Consumer and services business *$'000*	Total *$'000*
Segment revenue				
Reportable segment revenue	1,000,378	1,115,715	23,790	2,139,883
Inter-segment revenue	(106,865)	–	–	(106,865)
Revenue from external customers	893,513	1,115,715	23,790	2,033,018
Gross profit	240,209	48,584	1,939	290,732
Distribution and selling expenses and general and administrative expenses	(138,584)	(26,536)	(58,018)	(223,138)
Other (losses)/income and gains	(24,662)	877	390	(23,395)
Net valuation gain on investment properties	–	–	2,984	2,984
Operating profit/(loss)	76,963	22,925	(52,705)	47,183
Operating profit/(loss) includes:				
Depreciation	32,820	2,696	10,642	46,158
Amortisation of land use rights	495	146	–	641
Amortisation of intangible assets	–	–	2,400	2,400
(Reversal of write-down)/write-down of obsolete and slow-moving inventories	(2,937)	2,436	–	(501)
Reversal of allowance for impairment of trade and other receivables	(465)	(48)	–	(513)

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

	2015	2014
	$'000	*$'000*
Operating profit	**93,978**	47,183
Finance income	**3,538**	799
Finance costs	**(13,188)**	(3,487)
Share of losses of associates	**(193)**	(201)
Profit before taxation	**84,135**	44,294

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

	Revenue from external customers		**Specified non-current assets**	
	2015	2014	**2015**	2014
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**874,995**	640,902	**94,583**	95,371
Japan	**438,204**	187,405	**–**	–
The PRC	**714,285**	642,263	**786,722**	598,170
Asia (excluding Japan, Hong Kong and the PRC)	**93,877**	142,986	**2,499**	320
North America	**254,999**	197,003	**11**	–
Western Europe	**214,263**	222,459	**–**	–
Sub-total	**1,715,628**	1,392,116	**789,232**	598,490
	2,590,623	2,033,018	**883,815**	693,861

The Group's sales are made primarily to a few key customers. For the year ended 31 March 2015, the revenue derived from five largest customers accounted for approximately 90% (2014: 87%) of the Group's total revenue.

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

	2015	2014
	$'000	*$'000*
Trade and bills receivable	**281,200**	301,927
Other receivables	**56,236**	71,368
	337,436	373,295
Less: Allowance for impairment of trade, bills and other receivables	**(801)**	(1,850)
	336,635	371,445
Prepayments	**41,669**	29,542
Deposits	**50,110**	48,559
	428,414	449,546
Less: Other non-current assets *(Note)*	**(84,896)**	(79,390)
	343,518	370,156
Representing:		
Trade and bills receivable, net of allowance	**280,399**	300,077
Prepayments, deposits and other receivables, net of allowance	**63,119**	70,079
	343,518	370,156

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately $40,096,000 (2014: $35,440,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately $21,750,000 (2014: $21,750,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the PRC in 2010, and prepayments in connection with the change of usage of the factory buildings in Fenggang, Dongguan, the PRC, from industrial use to commercial use amounted to approximately $23,050,000 (2014: $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. An ageing analysis of trade, bills and other receivables, based on invoice date, is as follows:

	2015	2014
	$'000	*$'000*
0 to 90 days	**320,433**	355,660
91 to 180 days	**16,215**	16,053
181 to 360 days	**788**	1,353
Over 360 days	**–**	229
	337,436	373,295

5 CASH AND BANK DEPOSITS

	2015	2014
	$'000	*$'000*
Cash at bank and in hand	**146,453**	141,467
Time deposits	**77,961**	79,326
Cash and bank deposits in the consolidated statement of financial position	**224,414**	220,793
Less: Time deposits with maturity beyond three months from date of acquisition *(note (i))*	**–**	(25,000)
Less: Pledged deposits *(note (ii))*	**(30,815)**	–
Cash and cash equivalents in the consolidated cash flow statement	**193,599**	195,793

Notes:

(i) At 31 March 2014, time deposits with maturity beyond three months from date of acquisition represented a deposit with a bank in the PRC with a term of maturity of one year from the date of acquisition. The conversion of this Renminbi denominated deposit into foreign currencies and the remittance of funds out of the PRC was subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

(ii) At 31 March 2015, certain bank deposits were pledged to secure general banking facilities provided to the Group.

6. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 20 July 2012, the Group entered into a sale and purchase agreement (the "Agreement") with a third party (the "Previous Purchaser") to dispose of its 100% equity interest in Grandway Investment (Group) Limited and its subsidiary (collectively the "Disposal Group"). The Disposal Group was principally engaged in the development and production of electrical components. In November 2012, a deposit of RMB10,000,000 (equivalent to approximately $12,500,000) was received from the Previous Purchaser. The Group was subsequently notified by the Previous Purchaser that the Previous Purchaser intended to terminate the transaction. According to the Agreement, the deposit of $12,500,000 had been forfeited by the Previous Purchaser. As such, the Group recognised the amount of forfeited deposit as other income and gains in profit or loss for the year ended 31 March 2014. At 31 March 2014, management was in the progress of locating and negotiating with potential buyers to sell the Disposal Group. The Disposal Group was expected to be sold within twelve months and was classified as disposal group classified as held-for-sale and presented separately in the consolidated statement of financial position as at 31 March 2014.

On 10 December 2014, the Group entered into a disposal agreement with another third party (the "New Purchaser") to dispose of the Disposal Group at a consideration of RMB58,000,000 (equivalent to approximately $72,500,000). The transaction was completed on 11 February 2015. The carrying amount of the Disposal Group at the date of disposal was $60,549,000. A gain on disposal of $9,572,000 after deduction of transaction costs of $2,379,000 was recognised in profit or loss for the year ended 31 March 2015.

7. TRADE PAYABLES

Trade payables ageing analysis, based on invoice date, is as follow:

	2015	2014
	$'000	*$'000*
0 to 90 days	**204,504**	167,040
91 to 180 days	**12,102**	13,332
181 to 360 days	**2,239**	1,459
Over 360 days	**47**	508
	218,892	182,339

8. REVENUE, OTHER INCOME/GAINS AND (LOSSES)

	2015	2014
	$'000	*$'000*
Revenue		
Sales of merchandise and provision of services		
– Metal and plastic business	**1,074,753**	893,513
– Electronic manufacturing services business	**1,489,483**	1,115,715
– Consumer and services business	**26,387**	23,790
	2,590,623	2,033,018
Other income/gains and (losses)		
Rental income	**2,284**	3,250
Loss on disposal of property, plant and equipment	**(282)**	(1,568)
Fair value gain/(loss) on derivative financial instruments	**17,756**	(44,036)
Realised loss on forward derivatives	**(8,345)**	(496)
Income on forfeiture of deposit received in connection with disposal of assets *(note 6)*	**–**	12,500
Gain on disposal of disposal group classified as held-for-sale *(note 6)*	**9,572**	–
Gain on disposal of available-for-sale financial assets	**–**	44
Others	**6,322**	6,911
	27,307	(23,395)

9. EXPENSES BY NATURE

	2015	2014
	$'000	*$'000*
Raw materials and consumables used	**1,779,325**	1,349,759
Changes in inventories of finished goods and work in progress	**121,560**	96,219
Depreciation of property, plant and equipment:		
– owned assets	**71,447**	45,615
– leased assets	**7,522**	543
Amortisation of land use rights	**641**	641
Amortisation of operating rights	**2,400**	2,400
Employee benefit expenses (including directors' remuneration)	**372,561**	328,657
Operating lease rental of premises	**28,217**	25,157
Net exchange loss/(gain)	**766**	(1,079)
Auditor's remuneration	**2,780**	2,245
Reversal of allowance for impairment of trade and other receivables	**(821)**	(513)
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	**848**	(501)
Other expenses	**141,404**	116,281
	2,528,650	1,965,424
Representing:		
Cost of sales	**2,306,523**	1,742,286
Distribution and selling expenses	**57,110**	52,093
General and administrative expenses	**165,017**	171,045
	2,528,650	1,965,424

10. FINANCE COSTS, NET

	2015	2014
	$'000	*$'000*
Finance costs		
– Interest expense on bank borrowings wholly repayable within five years	**12,405**	7,170
– Finance charges on obligations under finance leases	**783**	95
Less: interest expenses capitalised into properties under development *	**–**	(3,778)
	13,188	3,487
Finance income		
– Interest income from bank deposits	**(3,252)**	(631)
– Other interest income	**(286)**	(168)
	(3,538)	(799)
Finance costs, net	**9,650**	2,688

* No borrowing costs were capitalised for the year ended 31 March 2015. During the year ended 31 March 2014, borrowing costs were capitalised at a rate of 2.88% per annum.

11. INCOME TAX

The amount of taxation charged to profit or loss represents:

	2015	2014
	$'000	*$'000*
Current taxation		
Hong Kong Profits Tax		
– current year	**10,389**	7,272
– (over)/under-provision in prior years	**(6,245)**	75
Overseas taxation		
– current year	**6,362**	2,708
Deferred taxation	**(2,077)**	1,653
	8,429	11,708

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated profit for the year for all group companies incorporated in Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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 year.

	2015	2014
	$'000	*$'000*
Profit attributable to equity shareholders of the Company	**76,298**	34,291
Weighted average number of ordinary shares in issue (in thousand shares)	**1,996,196**	1,996,196
Basic earnings per share (HK cents per share)	**3.8**	1.7
Diluted earnings per share (HK cents per share)	**3.8**	1.7

There was no dilutive effect on earnings per share for the year ended 31 March 2015 since all outstanding share options were anti-dilutive. For the year ended 31 March 2014, there was no dilutive effect on earnings per share as all the previous outstanding share options had been cancelled on 6 September 2013.

13. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2015	2014
	$'000	*$'000*
Interim dividend declared and paid of HK0.5 cent per ordinary share (2014: Nil per ordinary share)	**9,981**	–
Final dividend proposed after the end of the reporting period of HK1.8 cents per ordinary share (2014: HK1.0 cent per ordinary share)	**35,932**	19,962
Special dividend proposed after the end of the reporting period of HK1.0 cent per ordinary share (2014: Nil per ordinary share)	**19,962**	–
	65,875	19,962

The final dividend and special dividend proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015	2014
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.0 cent per ordinary share (2014: HK1.2 cents per ordinary share)	**19,962**	23,954

PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

– Metal and Plastic ("M&P") Business: manufacturing and sale of metal and plastic products, including server casings, office automation products, visual accessories, automobile products, moulds, plastic and metal parts and predominately self-brand household products;

– Electronic Manufacturing Services ("EMS") Business: manufacturing and sale of magnetic tape drives, "point-of-sale" ("POS") system, medical products and other computer peripherals; and

– Consumer and Services Business: provision of wedding gown and photography services, travel, hotel and catering services.

1. Business Review

I. Results

Turnover of the Group increased by HK$557,605,000 to HK$2,590,623,000 for the year ended 31 March 2015 (year ended 31 March 2014: HK$2,033,018,000). Profit after tax amounted to approximately HK$75,706,000 (year ended 31 March 2014: HK$32,586,000).

II. Industrial Business – M&P and EMS

(a) Turnover for 2014/15 increased by approximately 27% compared with last year, mainly due to:

(I) Turnover of the M&P business for the year ended 31 March 2015 increased by 20% to HK$1,074,753,000 compared with the same period last year (year ended 31 March 2014: HK$893,513,000). The increase in turnover was mainly due to the increase in revenue from the newly-developed casing moulds as well as certain new casing projects commencing mass production.

(II) Turnover of the EMS business for the year ended 31 March 2015 increased by 34% to HK$1,489,483,000 compared with the same period last year (year ended 31 March 2014: HK$1,115,715,000), which was mainly due to the increase in turnover of the full assembly of magnetic tape drives and POS machines by 100% compared with the same period of last year.

Notwithstanding the challenges of rising salaries and minimum wage faced by our industrial business, the production lead time was managed to be shortened and production efficiency was improved by automating certain recurring processes and assembly of parts in large volume, especially the bottleneck positions for the press-related parts. In addition, various labour-saving methods in the moulding production process were adopted. As a result, agreeable operating efficiency was achieved, which offset part of the pressure from the sharp increase of the salary-related costs.

(b) In addition to the satisfactory cost-control results, we adhered to our commitment to develop innovative products. We have reorganised the processes for new product development in an attempt to expedite its progress, and have made a major breakthrough, laying a solid foundation for the future development of our industrial business. We achieved production efficiency through promotion of automation and effective cost control, and as a result, our industrial business sustained the momentum of growth from the last fiscal year, as shown in the stable increase in its turnover and profitability.

(c) The construction of the staff dormitory of Yu Quan Plant has been completed with satisfactory inspection results, and it is currently in the process of interior decoration, while the construction of Yu Quan Plant No.5 has been completed pending inspection. It will be occupied in stages starting from June 2015.

(d) On 10 December 2014, the Group disposed of its plant and land at Wenzhuang Road in Yixing Economic Development Zone at a consideration of RMB58,000,000, which ceased operation due to lack of profitability. The Group decided to dispose of the land and the remaining land use right, and use the proceeds from the disposal for its future operations; and such transaction was completed in February 2015.

(e) The Group acquired a 30% equity interest in 東莞市翠峰五金機械有限公司 ("Cuifeng") in August 2014, which became an associate of the Group after acquisition. The operating results of Cuifeng were not satisfactory so far. This is because the trend of "Robotic Automation" is still in early promotional stage. Clients are still conservative about investments in robots in view of the longer investment recovery period. In order to be more competitive, Cuifeng has, in addition to expanding its business scope from heavy industrial equipment to light and mobile equipment, e.g. processing of communication devices and metal CNC machine tools, expanding the range of products it distributed by entering into agency agreements with a number of robot developers while providing professional advisory services, after-sales and repair and maintenance services, aiming to widen its customer base from the intra-group companies to those operating in the same industry and also other industries. It also promoted effective and targeted interaction with its peers, aiming to seize opportunities arising from "Robotic Automation".

III. Consumer and Services Business

The consumer and services business was disappointing, with an overall operating loss of HK$44,965,000, which was mainly attributable to the wedding service and Fullhouse World business. The management will make greater efforts to improve the situation by optimising its strategies to generate profits.

(a) *Wedding Service*

(I) It is never easy to survive from the fierce competition in the wedding business sector. Our wedding service, though managing to narrow the loss, was unable to make profit. Nevertheless, My Affection Limited ("My Affection") received the "2014 Hong Kong Awards for Industries: Customer Service Award" from Hong Kong Retail Management Association, being the only award winner from the wedding business sector. Such a special honour represented the acknowledgement of our staff in the wedding service segment for their whole-hearted services and pursuit of perfection.

During the financial year, our wedding service focused on consolidation, i.e. slashing the costs and resolutely developing the family and children photography business which is tailored for middle-class customers.

(b) *Fullhouse World*

(I) During the financial year, the Group focused on forging a Hong Kong brand of "Fullhouse World" through various channels of advertisement. In addition to supporting the operations of the theme restaurants and theme resorts, the Group began to penetrate the markets of branded household supplies and fashionable articles, aiming to boost brand image and increase revenue.

(II) Fullhouse Signature in Hong Kong is the flagship of Fullhouse World theme restaurants, which is striving to boost sales by securing more wedding banquets, birthday parties or product releases, hoping to make profit in the near future. However, it suffered from heavy rents, rising costs of labour and food materials as well as protests taking place recently in Hong Kong, which added unstable elements to and had an adverse effect on the consumer market.

(III) In the mainland, 溢田假日大運城邦店 in Dongguan City was opened at the beginning of 2015, with a fresh new look and unswerving mission, hoping to boost the business of Fullhouse World.

(IV) Fullhouse World in Malaysia has just undergone a reform, with those unprofitable restaurants closed and expenditure increased in enhancing the style and class of those in the prime locations, which proved encouraging results. It has become a popular spot preferred by many famous brands for their product releases and for wedding ceremonies and birthday parties. Management will keep on their efforts in promoting such a successful operating model, hoping to generate more profits.

The Group operates primarily in Hong Kong and the PRC and most of its business transactions, assets and liabilities are denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi ("RMB"). Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency other than the Group's functional currency. As HKD is pegged against USD, the management of the Group considers that the Group is mainly exposed to foreign currency risk with respect to RMB. In order to mitigate the foreign currency risk with respect of RMB, the Group entered into certain RMB structured forward contracts last year in order to obtain RMB at a lock-in price to fund its operation and development in the PRC. During the year, the Group recognised a net gain of HK$9,411,000 in profit or loss in respect of the RMB structured forward contracts.

Conclusion

The Group has been adhering to its basic strategies, firstly building a solid foundation with the stable operation of its industrial business and secondly kicking off the construction of its Yu Quan Plant and staff dormitory. It has been cooperative in promoting the local government's policies on upgrade and transformation as well as the renovation of Old Towns, Old Plants and Old Villages, while revitalising its Fenggang Plant and fuelling the development of the cultural industry.

2. Dividend Policy

The Board has adopted a set of "New Dividend Policy" in the announcement of results for the first quarter of 2006/07, which outlines the factors that should be taken into account in determining any dividend for distribution, such as the profit attributable to equity shareholders of the Company, cash flows and investment budgets. After careful consideration of the aforementioned factors, and given that the Board hopes to maintain the Company's track record of paying dividends to our shareholders for the eighteenth consecutive year, the Board has decided to recommend to pay a final dividend of HK1.8 cents per share and a special dividend of HK1.0 cent per share to our shareholders whose names appear on the register of members of the Company on Friday, 4 September 2015.

3. Geographical Distribution

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

4. Prospects

I. Industrial Business

The Group continued to implement its operating strategies of upholding the metal/plastic/moulding businesses as the core with EMS business as an auxiliary, while utilising its spare capacity as much as possible to promote the household supplies business, and striving to enhance the manufacturing expertise of the metal/plastic/moulding business as well as its R&D capability, aiming to provide quality and speedy services to the customers and to secure its position in the market. The Group will go at full blast to accelerate process of the intelligent production automation level as described in the State Industry 4.0 Roadmap (工業4.0藍圖) by fully promoting riveting automation and R&D-driven assembly automation in the following fiscal year, aiming to accomplish smooth human-robot automation-based unmanned production or production with low manpower on a main production line. Coupled with advantages of the existing press automation, clients will be more confident towards us, and as a result some of them will be convinced to engage us for the production of their moulds, including the test production of plastic injection and parts assembly. We hope to further expand the scope of cooperation with our clients and to acquire new projects from them for future cooperation.

It is expected that the entire production line and related facilities of Fenggang Plant will be moved into the Yu Quan Plant and will resume normal operation in the second half of 2015, after which it will be in a better position to support clients' mass production plan. In spite of the fierce competition in the industrial sector in which the weak will always be eliminated and replaced, the Group managed to remain in the market by leveraging on its abundant resources and stringent quality assurance. We not only care about business of large quantity, but also have more interest in developing business that requires superior quality and advanced technology, and has relatively higher technical requirements with a small volume but high profit margin. In addition, we will not take orders which require materials to be prepared in advance and involve risks of heavy inventory and slow movement, until after our evaluation of relevant risks and revenues, so as to enhance risk evaluation and control for profit maximisation of the Group. Meanwhile, we will try to secure more orders for office supplies to balance the variety of our orders by reducing the risk of overdependence on orders for server/PC casing. Given our leading industry position and relatively strong market competitiveness in relevant fields that have been shaped up through many years of professional development and fast advancement in intelligent automation production over recent years, the Group is optimistic about the future industrial development and operations.

Cuifeng remained prudently optimistic in the development of trading business. The prices for 6 axis industrial robots and automation programs have dropped and shortened the investment recovery period to 2 years as expected by clients. As such, clients are now increasingly willing to invest in Robotic Automation. Cuifeng will continue to pursue equipment diversification, such as Automatic Stamping application. Furthermore, it will continue its cooperation with the existing robot developers, aiming to arrive at more competitive prices. As Cuifeng provides comprehensive services in support of R&D, applications and maintenance of the Group's industrial intelligent and automation development, its value is reflected not only directly in foreign trade benefits, but also indirectly in the development and operations of the Group's industrial business. Possession of advanced automation ideas, in-depth industrial automation knowledge and a strong team of automation promotion and applications provides an exact explanation to the Company's capability to provide strong technical and service guarantee for the Group to realise the intelligent and automated production as described in the country's "Industry 4.0" roadmap, and make indirect, but significant contributions to the Group's efforts in enhancing product quality, production efficiency and labor cost savings in respect of the industrial business.

II. Plant Revitalisation and Real Estate Development

(a) Over the years, in order to better utilise land resources, the local government has been encouraging local enterprises to move their plants from the new urban area to the industrial zones. In accordance with the relevant policies, the Group has obtained approval in principle from the local government, to use the industrial land parcel of over 60,000 sq.m. (where our Fenggang Plant was situated) for commercial and residential purposes and to further develop projects mainly for residential purpose.

(b) For the purposes of the efficient project planning and creation of synergy, a wholly owned subsidiary of the Company entered into a cooperation agreement with Kar Info International Property Limited and Mr. HO Cheuk Fai (as the guarantor) on 27 April 2015 in respect of the upcoming development project in China. The development project in China involves a land parcel of approximately 32,000 sq.m., which is located in Fenggang Town, Dongguan City, Guangdong Province, the PRC (adjacent to the location of Fenggang Plant land parcel mentioned above), mainly for building residential properties. The management is of the opinion that Fenggang neighbours with Shenzhen and maintains a relatively low average sales price of properties, therefore, the residential properties in Fenggang are fairly attractive to the nearby residents. The cooperation agreement is conditional upon the relevant conditions precedent (including, but not limited to completion of reorganisation of the project company). If the conditions precedent are not fulfilled on or before 31 August 2015 ("Long Stop Date"), the Group will be entitled to terminate the cooperation agreement and refund the deposit of HK$20,000,000.

III. Consumer and Services Business

(a) Wedding Business

The wedding business will undergo a strategic restructuring, in which photography services for children and families will be incorporated and the studio of Tsuen Wan store will be opened as a photography platform. With such restructuring, we will abandon the business model with mere wedding photography, so as to expand the sources of revenue. In addition, the wedding business also underwent a consolidation, with some unnecessary expenses cut off, including the closing of the unprofitable Tsimshatsui store.

(b) Fullhouse World

Our Fullhouse World will continue to forge the Hong Kong brand of "Fullhouse World" in combination with the existing businesses through various advertising channels and cooperation with famous brands.

In view of the high capital investment and operating costs of large-scale restaurants, we will not consider any expansion in large-scale restaurant at the current stage, with the exception of the flagship restaurant. On the contrary, we will focus on chain restaurants that feature central kitchen distribution, high efficiency and economy of scale. The chain restaurants target family and children customers, supported by the unique household supplies and fashionable articles from Fullhouse World to increase market penetration. The management believes such an efficient operating model would help greatly reduce the operation costs and contribute to profit-making of Fullhouse World.

IV. Hotel in Yixing and Land Parcel Newly Acquired

In December 2014, the Group acquired a land parcel of approximately 19,815 sq.m. in Yixing City, Jiangsu Province, the PRC, which was close to the land held by the Group for development of commercial hotels, at a consideration of RMB71,000,000. The Group intends to develop the acquired land into a multi-functional commercial complex. However, the overall Yixing development plan will be postponed for the time being, with priority given to revitalisation of Fenggang Plant and real estate development, so that we can leverage on the experience of Fenggang to perfect the Yixing development plan in the future.

Overall outlook

In general, the Group's strategy will remain unchanged, i.e. supporting the high potential consumer and services business with the steadily growing profits from our industrial business so that the consumer and services business will have enough time and space to fully exert its potential. Eventually, it will bring profit contribution and sustainable growth to our shareholders and a win-win situation will be realised in which both the industrial business and consumer and services business are profitable. The revitalisation of the Fenggang Plant and real estate development will gradually commence in the following two or three years, which will bring forth considerable returns to our shareholders.

The turnover of the Group for the two months ended 31 May 2015 was HK$510,899,000 (For the two months ended 31 May 2014: HK$379,158,000). As the turnover for the two months may not be able to reflect the final results for the year ended 31 March 2016, shareholders and investors are therefore advised to exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

Cash Generating Ability

With the improvement of the industrial operations, the financial position remains healthy. Net bank borrowings^ as at 31 March 2015 were approximately HK$141,135,000 and the net gearing ratio (being the proportion of total net bank borrowing against total equity) was 14%. (As at 31 March 2014, net bank balance was approximately HK$57,276,000 and net bank balance ratio was 6%).

^ Represent bank borrowings and obligations under finance leases less cash and bank deposits

Non-current Assets to Total Equity Ratio

The non-current assets to total equity ratio stayed at a healthy level of 101% (31 March 2014: 84%). With expansion of our industrial business, the Group increased investments in plant and machinery during the year using its stable total equity.

Financing for Growth

As at 31 March 2015, net bank borrowings were approximately HK$141,135,000. As more funds will be invested with the progressing construction of the Yu Quan Plant and dormitory, the revitalisation of Fenggang Plant and the development of Fullhouse World restaurants, the initial CAPEX Budget for the financial year 2015/16 is approximately HK$180,600,000, of which HK$160,000,000 relates to the industrial business, HK$10,000,000 is for the real estate development business and HK$10,600,000 is for the consumer and services business. We expect the net gearing ratio will stay at a level of below 30% for the financial year 2015/16.

Resources Available

Currently, total interest-bearing borrowings are approximately HK$365,549,000. The Group is confident that with the cash and bank deposits of approximately HK$224,414,000 and the unutilised banking facilities of HK$621,398,000, it is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

Exchange Rate Exposure

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

Contingent Liabilities

As at 31 March 2015, the Group had no significant contingent liabilities.

TEA-BREAK WITH INDIVIDUAL INVESTORS

We are glad that the "tea-break with individual investors" has been successfully held for 20 times. The Group adheres to the principles of "openness, fairness and equality" and believes that all investors (institutional or individual) should have the same right to get access to the Company's information. With these principles in mind and considering that the tea-break remains to be an effective and efficient way for the Company to communicate with its investors, the Group will continue to organise tea-break with individual investors. The next tea-break is scheduled on Saturday, 5 September 2015 from 11 a.m. to 1 p.m. at Fullhouse Signature, Shop 1A, G/F, BCC Building, 25-31 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong (opposite to K11 in Hanoi Road, Tsim Sha Tsui MTR Station Exit N2).

Interested investors are invited to visit the Group's website at www.karrie.com for more details. Application form can be downloaded from the website or obtained by calling 2411-0913 during office hours. Only investors whose applications are confirmed can join the function. Investors are encouraged to grasp this opportunity to communicate directly with the management of the Company.

EMPLOYEES AND REMUNERATION POLICIES

At the end of March 2015, the Group had 4,397 employees on average (an average of 4,374 employees in the corresponding period last year) during the year. With a good reputation in the local community, the Group has rarely encountered major difficulties in recruiting employees.

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

Performance Based Incentives

The Group adopted performance based bonus system and objective performance assessment. Employees with outstanding performance will now receive more bonus than before the new system was implemented.

DIVIDEND

The Board has recommended to pay a final dividend of HK1.8 cents (2013/14: HK1.0 cent) per share to shareholders whose names appear on the register of members of the Company on Friday, 4 September 2015. Subject to the approval of the shareholders, the Board also proposed the payment of a special dividend of HK1.0 cent per share (2013/14: Nil) to commemorate the 35th anniversary of the Group. Together with the interim dividend of HK0.5 cent per share, total dividend paid/payable for this year amounted to HK3.3 cents (2013/14: HK1.0 cent) per share. The final dividend and special dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company to be held on Friday, 28 August 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on Friday, 28 August 2015, the register of members of the Company will be closed from Monday, 24 August 2015 to Friday, 28 August 2015 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 August 2015.

Assuming that the final dividend and special dividend are approved by the shareholders of the Company at the AGM, for the purposes of ascertaining the entitlement to the final dividend and special dividend, the register of members of the Company will be closed from Thursday, 3 September 2015 to Friday, 4 September 2015 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend and special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 2 September 2015. It is expected that the final dividend and special dividend will be payable and issued to those entitled on or around Thursday, 17 September 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

CORPORATE GOVERNANCE

The Company is committed to achieving the highest standards of corporate governance. Throughout the year ended 31 March 2015, the Company had applied the principles and complied with the requirements set out in the Corporate Governance Code ("CG Code") in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited, except the following:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive 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, property development and cultural related business. At the same time, Mr. Ho has the appropriate management skills and business acumen which are the pre-requisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allows the Group to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board therefore considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and Mr. Ho shall continue in his dual capacity as the Chairman and the Chief Executive Officer.

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

Code Provision A.4.2 of the CG Code 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 of Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. 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 independent non-executive directors. The Company has not established a nomination committee. 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 annually; considering the appointment or re-appointment of Directors as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid any 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 appointment. As such, the Board is of the view that the members of the Board possess the adequate experience and knowledge to discharge the functions of a nomination committee. The Board shall review the composition and operation of the Board from time to time and shall consider establishing a nomination committee if such need arises.

AUDIT COMMITTEE

The Company has established an audit committee currently made up of one non-executive Director and three independent non-executive Directors whose duties include resolving issues in relation to audit such as reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed the auditing, internal control and financial reporting in the current year with the external auditors. The audit committee has reviewed the consolidated annual results of the Group as of 31 March 2015.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2015. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

APPRECIATION

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

As at the date of this announcement, the Executive Directors are: Mr. Ho Cheuk Fai, Mr. 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; and 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, 29 June 2015

* *For identification purpose only*