KTL International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

Revenue was approximately HK$369.0 million for the six months ended 30 September 2015, representing a decrease of approximately 43.7% as compared with the same for the six months ended 30 September 2014.

Gross profit was approximately HK$58.8 million for the six months ended 30 September 2015, representing a decrease of approximately 51.6% as compared with the same for the six months ended 30 September 2014.

Gross profit margin declined to approximately 15.9% for the six months ended 30 September 2015, as compared with approximately 18.5% for the six months ended 30 September 2014.

For the six months ended 30 September 2015, KTL International Holdings Group Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded a consolidated loss attributable to the owners of the parent of approximately HK$15.2 million, against a consolidated profit of approximately HK$22.7 million for the corresponding period of 2014.

Basic losses per share amounted to approximately HK$0.09 for the six months ended 30 September 2015, against the basic earnings per share of approximately HK$0.22 for the six months ended 30 September 2014.

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 30 September 2015.

INTERIM RESULTS

The Board announces the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 September 2015 (the "Period") together with the comparative figures for the corresponding period in 2014. The condensed consolidated interim financial statements have not been audited by the Company's independent auditors but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2015

	Notes	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Revenue	4	**368,970**	655,826
Cost of sales		**(310,186)**	(534,434)
Gross profit		**58,784**	121,392
Other income		**2,279**	3,171
Selling expenses		**(17,940)**	(23,696)
Administrative expenses		**(47,651)**	(52,158)
Operating (loss)/profit		**(4,528)**	48,709
Other expenses, net		**(3,246)**	(13,567)
Finance costs	5	**(5,267)**	(5,645)
(Loss)/profit before tax	6	**(13,041)**	29,497
Income tax expense	7	**(2,120)**	(6,799)
(Loss)/profit for the period attributable to the owners of the parent		**(15,161)**	22,698
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax			
Change in fair value of an available-for-sale investment		**(3,788)**	–
Exchange differences on translation of foreign operations		**(9,129)**	(228)
Other comprehensive loss for the period, net of tax		**(12,917)**	(228)
Total comprehensive (loss)/income for the period attributable to the owners of the parent		**(28,078)**	22,470
(Losses)/earnings per share attributable to ordinary equity holders of the parent:	9		
Basic and diluted		**HK$(0.09)**	HK$0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**192,425**	197,046
Prepaid land lease payments		**14,985**	15,747
Prepayments for construction in progress		**55**	21
Available-for-sale investment	*10*	**14,232**	–
Total non-current assets		**221,697**	212,814
Current assets			
Inventories	*11*	**148,250**	92,791
Trade receivables	*12*	**257,816**	222,414
Prepayments, deposits and other receivables		**26,080**	22,429
Tax recoverable		**3,358**	7,135
Prepaid land lease payments		**421**	436
Pledged bank deposits		**81,691**	117,655
Cash and bank balances		**80,662**	126,468
Total current assets		**598,278**	589,328
Current liabilities			
Trade and other payables	*13*	**181,946**	124,624
Interest-bearing bank borrowings	*14*	**279,603**	290,482
Tax payable		**470**	–
Obligations under finance leases		**966**	1,272
Total current liabilities		**462,985**	416,378
Net current assets		**135,293**	172,950
Total assets less current liabilities		**356,990**	385,764
Non-current liabilities			
Obligations under finance leases		**2,069**	2,810
Deferred tax liabilities		**289**	244
Total non-current liabilities		**2,358**	3,054
Net assets		**354,632**	382,710
Equity			
Equity attributable to owners of parent			
Share capital	*15*	**800**	800
Reserves		**353,832**	381,910
Total equity		**354,632**	382,710

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the period, the Group was 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, 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for available-for-sale investment which has been measured at fair value.

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2015.

In addition, the Group has adopted, for the first time, a number of revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the unaudited condensed consolidated interim financial statements for the Period. The adoption of these revised HKFRSs has had no material effect on the unaudited condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

(a) Revenue from external customers

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Russia	**99,504**	357,381
Americas	**166,144**	186,677
Mainland China	**58,381**	49,358
Europe (other than Russia)	**17,163**	34,457
Middle East	**2,837**	3,560
Other countries	**24,941**	24,393
	368,970	655,826

Information about the Group's non-current assets, excluding available-for-sale investment, is presented based on the locations of the assets.

(b) Non-current assets

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Mainland China	**180,768**	190,557
Hong Kong	**26,697**	22,257
	207,465	212,814

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

4. REVENUE

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of jewellery products	**368,970**	655,826

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**3,293**	4,215
Interest on factoring of trade receivables	**1,896**	2,144
Interest on finance leases	**78**	59
	5,267	6,418
Less: Capitalised in construction in progress ("CIP")	**–**	(773)
	5,267	5,645

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold*	**242,804**	460,410
Depreciation	**6,336**	7,359
Amortisation of prepaid land lease payments	**216**	218
Foreign exchange differences, net#	**3,039**	(19)
Reversal of allowance for doubtful debt	**–**	(812)
Write-down of inventories to net realisable value *	**3,551**	266
Minimum lease payments under operating leases	**592**	908
Loss/(gain) on disposal of items of property, plant and equipment #	**176**	(282)

* These items are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

\# These items are included in "Other expenses, net" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

7. 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 Period 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 Period.

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong		
Charge for the period	**19**	3,341
Underprovision in prior period	**120**	–
Current – Mainland China		
Charge for the period	**1,936**	2,365
Overprovision in prior period	**–**	(974)
Deferred	**45**	2,067
Total tax charge for the period	**2,120**	6,799

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 profits from KTL Jewellery Trading Limited ("KTL Trading"), a wholly-owned subsidiary of the Company, 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 that portion of KTL Trading's profit is not subject to taxation in any other jurisdiction in which KTL Trading operates during the Period.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 September 2014: Nil).

9. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (losses)/earnings per share amounts is based on the loss for the Period attributable to ordinary equity holders of the parent of approximately HK$15,161,000 (2014: profit of approximately HK$22,698,000), and the weighted average number of ordinary shares in issue of 160,000,000 (2014: 104,000,000) which has been adjusted for the Company's share subdivision in 22 October 2015 as detailed in Note 20. The corresponding weighted average number of ordinary shares in issue for the six months ended 30 September 2014 has been retrospectively adjusted to reflect the said share subdivision and the capitalisation issue right before the Listing.

No adjustment has been made to the basic (losses)/earnings per share amounts presented for the Period and for the six months ended 30 September 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Losses)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (losses)/earnings per share calculation	**(15,161)**	22,698

	Number of shares Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (losses)/earnings per share calculation	**160,000,000**	104,000,000

10. AVAILABLE-FOR-SALE INVESTMENT

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Life insurance policy, at fair value	**14,232**	–

In June 2015, the Group entered into a life insurance policy (the "Policy") to insure Co-Chairman and Chief Executive Officer, Mr. Kei York Pang Victor. Under the Policy, the beneficiary and policy holder is the Group and the total insured sum is approximately US$6,500,000 (approximately HK$50,375,000). The Group paid an upfront premium for the Policy of approximately US$2,325,000 (approximately HK$18,020,000) and may surrender any time by filing a written request and receive cash based on the surrender value of the Policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the Directors, the surrender value of the Policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy.

As at 30 September 2015, the available-for-sale investment, denominated in USD, was pledged to a bank to secure general banking facilities granted to the Group.

11. INVENTORIES

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Raw materials	**62,886**	55,167
Work in progress	**44,694**	20,325
Finished goods	**40,670**	17,299
	148,250	92,791

12. TRADE RECEIVABLES

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Trade receivables	**272,989**	237,587
Less: Allowance for doubtful debts	**(15,173)**	(15,173)
	257,816	222,414

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:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Within 1 month	**69,990**	47,460
1 to 2 months	**38,707**	26,847
2 to 3 months	**45,768**	33,221
Over 3 months	**103,351**	114,886
	257,816	222,414

13. TRADE AND OTHER PAYABLES

	At 30 September 2015 *HK$'000* (unaudited)	At 31 March 2015 *HK$'000* (audited)
Trade payables	**71,518**	60,014
Other payables	**110,428**	64,610
	181,946	124,624

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

	At 30 September 2015 *HK$'000* (unaudited)	At 31 March 2015 *HK$'000* (audited)
Within 1 month	**36,465**	15,385
1 to 2 months	**6,375**	2,884
2 to 3 months	**9,567**	2,654
Over 3 months	**19,111**	39,091
	71,518	60,014

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.

14. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2015		At 31 March 2015	
	Effective contractual interest rate	**Amount**	Effective contractual interest rate	Amount
	(%)	***HK$'000***	*(%)*	*HK$'000*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Current:				
Bank loans – secured	**1.27 – 3.83**	**279,603**	2.34 – 8.10	290,482
Maturity profile:				
On demand		**279,603**		290,482

HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. As at 30 September 2015, approximately HK$279,603,000 (at 31 March 2015: approximately HK$290,482,000) included a repayment on demand clause under the relevant loan agreements, among which approximately HK$11,790,000 (at 31 March 2015: approximately HK$2,500,000) that are repayable after one year from the end of the reporting period have been classified as current liabilities. For the purpose of the above analysis, such loans are included within current bank loans and analysed into bank loans repayable on demand.

The Group's bank borrowings as at the end of the reporting period are secured by:

(i) mortgages over the Group's leasehold land, which had a net carrying amount at the end of the reporting period of approximately HK$10,377,000 (at 31 March 2015: approximately HK$10,540,000);

(ii) mortgages over the Group's buildings, which had a net carrying amount at the end of the reporting period of approximately HK$19,426,000 (at 31 March 2015: approximately HK$20,334,000);

(iii) mortgages over the Group's CIP, which had a net carrying amount at the end of the reporting period of approximately HK$128,187,000 (at 31 March 2015: approximately HK$132,575,000);

(iv) mortgages over the Group's prepaid land lease payments, which had a net carrying amount at the end of the reporting period of approximately HK$15,406,000 (at 31 March 2015: approximately HK$16,183,000);

(v) the pledge of the Group's bank deposits at the end of the reporting period amounting to approximately HK$81,691,000 (at 31 March 2015: approximately HK$117,655,000);

(vi) the pledge of the Group's available-for-sale investment at the end of the reporting period amounting to approximately HK$14,232,000 (at 31 March 2015: nil); and

(vii) corporate guarantees provided by the Company.

15. SHARE CAPITAL

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Authorised:		
1,000,000,000 (31 March 2015: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
80,000,000 (31 March 2015: 80,000,000) ordinary shares of HK$0.01 each	**800**	800

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 22 October 2015, the authorised shares of the Company have increased from 1,000,000,000 shares to 2,000,000,000 shares and the issued shares of the Company have increased from 80,000,000 shares to 160,000,000 shares by subdivision of the par value of each share of the Company originally HK$0.01 per share into HK$0.005 each, ranking pari passu in all respects with the existing shares of the Company as detailed in Note 20.

16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its premises and office equipment under operating lease arrangements. The leases are negotiated for terms ranging from one to five years with fixed monthly rentals.

At 30 September 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Within one year	**845**	134
In the second to fifth years, inclusive	**2,598**	–
	3,443	134

17. COMMITMENTS

At 30 September 2015, in addition to the operating lease commitments detailed in Note 16, the Group had the following capital commitments as at the end of the reporting period:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Contracted, but not provided for:		
CIP	**3,683**	3,966

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material related parties transactions during the six months ended 30 September 2014:

During the six months ended 30 September 2014, total service fees of approximately HK$985,000 were paid to Guarantee Travel Limited, an entity controlled by a close family member of a director of the Company, for provision of reservation services for tickets and hotel accommodation etc. to a subsidiary of the Group. The service were provided in the ordinary course of business and the service charges were determined based on the terms and conditions mutually agreed between both parties. The service agreement was terminated in June 2014.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**6,934**	7,054
Pension scheme contributions	**48**	41
Total compensation paid to key management personnel	**6,982**	7,095

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amount that reasonably approximate to fair value, are as follows:

	Carrying amount		Fair value	
	At 30 September 2015	At 31 March 2015	**At 30 September 2015**	At 31 March 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Financial asset				
Available-for-sale investment	**14,232**	–	**14,232**	–

Management has assessed that:

(i) the fair value of available-for-sale investment has been estimated based on the surrender value of the Policy as disclosed in note 10;

(ii) the fair values of cash and bank balances, pledged bank deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, interest-bearing bank borrowings, current portion of obligations under finance leases and financial liabilities included in other payables approximate to their carrying amounts largely due to the short term maturities of these instruments; and

(iii) The fair value of the non-current portion of obligations under finance leases has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the non-current portion of obligations under finance leases as at the end of the reporting period approximates to its corresponding carrying amount.

The Group followed HKFRS 13, Fair Value Measurement, which introduce a three level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (the"Unobservable Inputs").

As at 30 September 2015, the available-for-sale investment was measured subsequent to initial recognition at fair value, categorised in Level 3 based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data.

There were no transfers of fair value measurement between levels for the Group's financial instrument during the Period.

20. EVENT AFTER THE REPORTING PERIOD

On 22 October 2015, an ordinary resolution was passed at an extraordinary general meeting for approval of the sub-division of each of the existing issued and unissued share of HK$0.01 in the share capital of the Company into two ordinary share of HK$0.005 each which come into effective on 23 October 2015. Further details of the transactions were set out in the Company's announcement dated 11 September 2015 and the circular dated 6 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 Group's customers are mainly wholesalers and retailers of jewellery products.

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 sales to customers in Russia decreased by approximately 72.2% for the Period as compared with the six months ended 30 September 2014.

During the period under review, Americas surpassed Russia as the core business market of the Group. Revenue arising from sales to Americas amounted to approximately HK$166.1 million, representing approximately 45.0% of the Group's total sales for the Period and decreased by approximately 11.0% compared with the same for the six months ended 30 September 2014 on weaker than expected market condition.

As part of the Group's efforts to continuously increase its presence in market of the People's Republic of China ("PRC") in view of the growth potential in the PRC market, the sales from PRC market increased by approximately HK$9.0 million from approximately HK$49.4 million for six months ended 30 September 2014 to approximately HK$58.4 million for the Period, representing an increase of approximately 18.2%.

With implementation of rigorous costs control, the Group has successfully reduced the selling expenses and administrative expenses by approximately 24.5% and 8.6%, respectively, during the period under review.

Prospects

The prospects for global economy are uncertain whilst the United States economy barely continues its moderate recovery. The weakening Russian economy coupled with depreciation of Ruble against the US dollars compared to previous years level and the quantitative easing by the European Central Bank leading to a significant depreciation of the Euro will reduce the price competitiveness of the Group's jewellery products to consumers in Russia and Europe.

In view of the labour cost and the indirect overhead expenses in the PRC expected to increase continuously, the management will improve operating efficiency by streamlining the operations and optimising internal resources in order to meet the challenge of adverse market condition expected in the current financial year.

Strategies and outlook

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.

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 markets are generally keen for designs, marketing and product positioning support, whereas emerging markets are generally keen for manufacturing support 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.

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.

Financial Review

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Revenue *(HK$'000)*	**368,970**	655,826
Gross profit *(HK$'000)*	**58,784**	121,392
Gross profit margin *(%)*	**15.9**	18.5
(Loss)/profit attributable to the owners of the parent *(HK$'000)*	**(15,161)**	22,698

Revenue

The Group's revenue for the Period was approximately HK$369.0 million, representing a decrease of approximately HK$286.8 million or 43.7% 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$257.9 million 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 were sold to Russia; (ii) a decrease in sales in Americas of approximately HK$20.5 million mainly attributable to on weaker than expected market condition; and (iii) a decrease in sales in Europe (other than Russia) of approximately HK$17.3 million mainly attributable to the sluggish European economy during the period; which was partially offset by an increase in sales in the PRC of approximately HK$9.0 million as a result of the Group's strategic cooperation and established closer business relationship with certain customers in the PRC.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately HK$58.8 million, representing a decrease of approximately HK$62.6 million or 51.6% over the corresponding period in 2014. Gross profit margin decreased to approximately 15.9% from approximately 18.5%, was primarily due to the shift of product mix to lower gross profit margin models during the period under review.

Selling expenses

The Group's selling expenses decreased by approximately HK$5.8 million or 24.5%, to approximately HK$17.9 million for the Period from approximately HK$23.7 million for the six months ended 30 September 2014. The decrease was primarily attributable to (i) the decrease in staff costs of approximately HK$3.8 million mainly as a result of implementation of costs restructuring plan during the period under review and (ii) the decrease in export credit insurance expenses of approximately HK$1.6 million mainly as a result of the decrease in sales for the Period.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$4.5 million or 8.6%, to approximately HK$47.7 million for the Period from approximately HK$52.2 million for the six months ended 30 September 2014. The decrease was primarily due to the combined effects of (i) the decrease in staff costs of approximately HK$10.4 million; offset by (ii) the increase in legal and professional fees of approximately HK$1.5 million mainly because of new expenses required for the Company as a listed company and (iii) the provision for trade receivable of approximately HK$0.8 million was reversed during the six months ended 30 September 2014 and no such reversal was incurred for the Period.

Finance costs

The Group's finance costs decreased by approximately HK$0.3 million or 5.4%, to approximately HK$5.3 million for the Period from approximately HK$5.6 million for the six months ended 30 September 2014. The decrease was primarily due to the decrease in average borrowing balance for the Period as compared with the same in 2014.

(Loss)/profit attributable to the owners of the parent

During the period under review, the Group recorded a consolidated loss (the "Loss") attributable to the owners of the parent of approximately HK$15.2 million, against a consolidated profit of approximately HK$22.7 million for the corresponding period of 2014. The Loss was mainly attributable to a decline in the Group's revenue by approximately 43.7% and gross profit by approximately 51.6% for the Period as compared to the same period in 2014. The decline was primarily attributable to (i) the unfavourable economic environment in Russia and Europe during the Period, leading to a decrease in sales of the Group by approximately HK$257.9 million and approximately HK$17.3 million, respectively; and (ii) the decrease in average wholesale price of gold fine jewellery products of the Group in Russian market by approximately HK$388 per piece as higher portion of products with simple design were sold to Russia, primarily resulting from the depreciation of Ruble against US dollars and the weakening of purchasing powers of Russian customers.

Liquidity and financial resources

As at 30 September 2015, the Group had current assets of approximately HK$598.3 million (31 March 2015: approximately HK$589.3 million) which comprised cash and bank balances of approximately HK$80.7 million (31 March 2015: approximately HK$126.5 million). As at 30 September 2015, the Group had non-current liabilities of approximately HK$2.4 million (31 March 2015: approximately HK$3.1 million), and its current liabilities amounted to approximately HK$463.0 million (31 March 2015: approximately HK$416.4 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 1.3 at 30 September 2015 (31 March 2015: approximately 1.4).

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings as appropriate. As at 30 September 2015, we had banking facilities in an aggregate amount of approximately HK$618.2 million, of which approximately HK$269.0 million was unutilised.

With cash in hand and available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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 36.3% as at 30 September 2015 (31 March 2015: approximately 30.5%).

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 30 September 2015, approximately HK$16.5 million of the net proceeds had been used by the Group. The unutilised proceeds were deposited with various licensed banks in Hong Kong and the PRC. Set below is a summary of the utilisation of the net proceeds:

For disclosure purpose:	**Original planned allocation of net proceeds** *%*	*HK$'000*	**Actual utilised as at 30 September 2015** *HK$'000*	**Unutilised as at 30 September 2015** *HK$'000*
1) Used for the fitting out and decoration for 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	11,065	–
3) Used for upgrading our Enterprise Resource Planning System ("ERP System") together with Information Technology ("IT") infrastructure upgrade	16.5	6,663	813	5,850
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	580	4,952
5) Used for additional working capital and other general corporate purposes	10.0	4,038	4,038	–
Total	**100.0**	**40,382**	**16,496**	**23,886**

The future plans and prospects as stated in the Company's prospectus dated 27 February 2015 (the "Prospectus") were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus. As of the date of this announcement, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus. The unused net proceeds have been placed as bank deposits.

Foreign exchange exposure

For the Period, the Group 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, available-for-sale investment, cash and bank balance, pledged bank deposits, trade and other payables and interest-bearing bank borrowings. Consequently, the Group has foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 30 September 2015. Since HK$ is pegged to US$, the Group does not expect any significant movements in HK$/US$ exchange rate. We are exposed to foreign exchange risk primarily with respect to Renminbi ("RMB"). If HK$ as at 30 September 2015 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the period attributable to the owners of the parent would have been increased/decreased by approximately HK$3.4 million for the Period (2014: profit for the period attributable to the owners of the parent would have been decreased/increased by approximately HK$4.3 million).

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

There was no change in the capital structure of the Group as at 30 September 2015 as compared with that as at 31 March 2015.

Capital commitments

As at 30 September 2015, capital commitments of the Group amounted to approximately HK$3.7 million (31 March 2015: approximately HK$4.0 million).

Interim dividend

The Board does not recommend the payment of an interim dividend for the Period.

Information on employees

As at 30 September 2015, the Group had 841 employees (31 March 2015: 955), including the executive Directors. 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 30 September 2015, no options had 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.

Share option scheme

The Company has adopted the share option scheme on 10 February 2015 (the "Scheme") under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the shares. Unless otherwise cancelled or amended, the scheme will remain in force for 10 years from that date. No share option had ever been granted under the Scheme since its adoption.

Significant investment held

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

Future plans for material investments and capital assets

There was no definite future plan for material investments and acquisition of material capital assets as at 30 September 2015.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charge on assets

As at 30 September 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$10.4 million and approximately HK$10.5 million, respectively, as at 30 September 2015 and 31 March 2015;

(ii) mortgages over the Group's buildings, which had a net carrying amount of approximately HK$19.4 million and approximately HK$20.3 million, respectively, as at 30 September 2015 and 31 March 2015;

(iii) mortgages over the Group's construction in progress, which had a net carrying amount of approximately HK$128.2 million and approximately HK$132.6 million, respectively, as at 30 September 2015 and 31 March 2015;

(iv) mortgages over the Group's prepaid land lease payments, which had a net carrying amount of approximately HK$15.4 million and approximately HK$16.2 million, respectively, as at 30 September 2015 and 31 March 2015;

(v) the pledge of the Group's bank deposits of approximately HK$81.7 million and approximately HK$117.7 million, respectively, as at 30 September 2015 and 31 March 2015;

(vi) the pledge of the Group's available-for-sale investment amounting to approximately HK$14.2 million as at 30 September 2015 (at 31 March 2015: nil); and

(vii) corporate guarantees provided by the Company.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2015 (31 March 2015: nil).

CORPORATION GOVERNANCE

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.

For the Period, the Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules, except for the following deviations:

Code Provision A.2.1

Pursuant to Code Provision A.2.1, 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 is the Chief Executive Officer of the Group, and he also performs as 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 this structure will enable the Company to make and implement decisions promptly and effectively. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive Directors.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiries to all the Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The audit committee of the Company has reviewed the Company's unaudited interim report (containing the unaudited condensed consolidated interim financial statements) for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.ktl.com.hk). The interim report of the Company will be despatched to the shareholders and published on the 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, 9 November 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.