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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 *HK$'000*	2015 *HK$'000*	Changes in %
Revenue	**2,897,605**	2,590,623	+12%
Profit attributable to equity shareholders	**117,076**	76,298	+53%
Basic earnings per share	**HK5.9 cents**	HK3.8 cents	+55%
Final dividend per share	**HK2.75 cents**	HK1.8 cents	+53%
Special dividend per share	**–**	HK1.0 cent	N/A
Return on Equity Ratio#	**11.5%**	7.7%	+49%

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 2016 together with the comparative figures for 2015 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	**31 March 2016 *$'000***	31 March 2015 *$'000*
ASSETS			
Non-current assets			
Land use rights		**17,607**	24,072
Property, plant and equipment		**440,510**	464,192
Investment properties		**316,800**	336,250
Intangible assets		**28,417**	28,564
Investments in associates		**15,223**	30,737
Available-for-sale financial assets		**18,393**	22,118
Other non-current assets	*4*	**84,738**	84,896
Deferred tax assets		**638**	1,130
		922,326	991,959
Current assets			
Inventories		**350,584**	402,670
Property development	*5*	**146,142**	–
Trade and bills receivable	*4*	**329,321**	280,399
Prepayments, deposits and other receivables	*4*	**52,465**	63,119
Current tax recoverable		**712**	3,207
Cash and bank deposits	*6*	**276,541**	224,414
		1,155,765	973,809
Total assets		**2,078,091**	1,965,768
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,620**	199,620
Other reserves		**240,785**	256,591
Retained earnings			
– Proposed dividends	*13*	**54,895**	55,894
– Others		**521,880**	476,044
		1,017,180	988,149
Non-controlling interests		**(1,344)**	(939)
Total equity		**1,015,836**	987,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in Hong Kong dollars)

	Note	**31 March 2016** **$'000**	31 March 2015 $'000
LIABILITIES			
Current liabilities			
Trade payables	7	**259,352**	218,892
Accruals and other payables		**284,296**	278,539
Receipts in advance		**36,184**	11,062
Bank borrowings		**331,528**	350,810
Obligations under finance leases		**6,848**	7,891
Amounts due to associates		**6,741**	6,536
Current tax payable		**59,262**	51,988
Derivative financial instruments		**–**	26,280
		984,211	951,998
Non-current liabilities			
Deferred revenue		**515**	1,134
Bank borrowings		**60,278**	–
Obligations under finance leases		**–**	6,848
Provision for long service payments		**7,653**	6,356
Deferred tax liabilities		**9,598**	12,222
		78,044	26,560
Total liabilities		**1,062,255**	978,558
Total equity and liabilities		**2,078,091**	1,965,768
Net current assets		**171,554**	21,811
Total assets less current liabilities		**1,093,880**	1,013,770

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	8	**2,897,605**	2,590,623
Cost of sales	9	**(2,546,039)**	(2,306,523)
Gross profit		**351,566**	284,100
Distribution and selling expenses	9	**(44,450)**	(57,110)
General and administrative expenses	9	**(143,064)**	(165,017)
Other income/gains and (losses)	8	**(2,400)**	27,307
Net valuation (loss)/gain on investment properties		**(11,281)**	4,698
Operating profit		**150,371**	93,978
Finance income		**1,533**	3,538
Finance costs		**(16,039)**	(13,188)
Finance costs, net	10	**(14,506)**	(9,650)
Share of profits/(losses) of associates		**294**	(193)
Profit before taxation		**136,159**	84,135
Income tax	11	**(19,488)**	(8,429)
Profit for the year		**116,671**	75,706
Attributable to:			
Equity shareholders of the Company		**117,076**	76,298
Non-controlling interests		**(405)**	(592)
		116,671	75,706
Earnings per share attributable to equity shareholders of the Company			
Basic and diluted	12	**5.9 cents**	3.8 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Profit for the year	**116,671**	75,706
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Remeasurement of provision for long service payments	**(1,374)**	3,444
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations, net of $nil tax	**(17,447)**	–
Reversal of translation reserve upon liquidation of an associate	**769**	–
Fair value gains/(losses) on available-for-sale financial assets, net of $nil tax	**53**	(2,302)
Reclassification of fair value gains on available-for-sale financial assets to profit or loss upon disposal	**(201)**	–
Other comprehensive income for the year	**(18,200)**	1,142
Total comprehensive income for the year	**98,471**	76,848
Attributable to:		
Equity shareholders of the Company	**98,876**	77,440
Non-controlling interests	**(405)**	(592)
Total comprehensive income for the year	**98,471**	76,848

NOTES:

1. BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2016 but are extracted from those financial statements.

The Group's financial statements 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements for the year ended 31 March 2016 comprise the Group and its interests in associates. 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 the following amendments to HKFRSs that are first effective for the current accounting period of which the following amendments are relevant to the Group:

– Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
– *Annual Improvements to HKFRSs 2010-2012 Cycle*
– *Annual Improvements to HKFRSs 2011-2013 Cycle*

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.

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.

During the year ended 31 March 2016, in view of the enlarged operation scale in real estate business, the respective financial results that were reported as part of other segments in previous periods' financial statements are now separately reported to the Group's most senior executive management as one single operating segment for the purpose of resource allocation and performance assessment. Following the change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the year ended 31 March 2015 has been restated.

The Group is organised on a worldwide basis into four main operating segments. They are (i) metal and plastic business; (ii) electronic manufacturing services business, (iii) consumer and services business and (iv) real estate 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, consumer and services business and real estate business. And there is further evaluation on a geographic basis (Japan, Hong Kong, 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 2016 are as follows:

	2016				
	Metal and plastic business *$'000*	**Electronic manufacturing services business** *$'000*	**Consumer and services business** *$'000*	**Real estate business** *$'000*	**Total** *$'000*
Segment revenue					
Reportable segment revenue	**1,565,623**	**1,369,868**	**26,068**	**1,536**	**2,963,095**
Inter-segment revenue	**(65,490)**	**–**	**–**	**–**	**(65,490)**
Revenue from external customers	**1,500,133**	**1,369,868**	**26,068**	**1,536**	**2,897,605**
Gross profit/(loss)	**277,729**	**89,101**	**(16,511)**	**1,247**	**351,566**
Distribution and selling expenses and general and administrative expenses	**(135,118)**	**(34,218)**	**(17,031)**	**(1,147)**	**(187,514)**
Other income/gains and (losses)	**7,883**	**5,422**	**(16,254)**	**549**	**(2,400)**
Net valuation loss on investment properties	**–**	**–**	**–**	**(11,281)**	**(11,281)**
Operating profit/(loss)	**150,494**	**60,305**	**(49,796)**	**(10,632)**	**150,371**
Operating profit/(loss) includes:					
Depreciation	**72,638**	**3,431**	**7,625**	**176**	**83,870**
Amortisation of land use rights	**424**	**187**	**–**	**9**	**620**
Amortisation of intangible assets	**1,143**	**–**	**2,400**	**–**	**3,543**
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	**7,081**	**(7,081)**	**–**	**–**	**–**
Recognition of allowance for impairment of trade and other receivables	**3,220**	**–**	**–**	**–**	**3,220**

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

	2015 (Restated)				
	Metal and plastic business *$'000*	Electronic manufacturing services business *$'000*	Consumer and services business *$'000*	Real estate business *$'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	(143,649)	(38,316)	(38,610)	(1,552)	(222,127)
Other income/gains	19,106	4,493	3,699	9	27,307
Net valuation gain on investment properties	–	–	–	4,698	4,698
Operating profit/(loss)	89,241	50,327	(48,745)	3,155	93,978
Operating profit/(loss) includes:					
Depreciation	61,796	4,816	12,092	265	78,969
Amortisation of land use rights	478	146	–	17	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)

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

	2016	2015
	$'000	*$'000*
Operating profit	**150,371**	93,978
Finance income	**1,533**	3,538
Finance costs	**(16,039)**	(13,188)
Share of profits/(losses) of associates	**294**	(193)
Profit before taxation	**136,159**	84,135

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's land use rights, property, plant and equipment, investment properties, 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 land use rights, property, plant and equipment and investment properties, 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**	
	2016	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**828,689**	874,995	**80,608**	94,583
Japan	**397,688**	438,204	**–**	–
The PRC	**854,398**	714,285	**735,145**	786,722
Asia (excluding Japan, Hong Kong and the PRC)	**87,302**	93,877	**2,794**	2,499
North America	**370,674**	254,999	**10**	11
Western Europe	**358,854**	214,263	**–**	–
Sub-total	**2,068,916**	1,715,628	**737,949**	789,232
	2,897,605	2,590,623	**818,557**	883,815

The Group's customer base includes three (2015: four) customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2016, the total revenue from sales of merchandise in the metal and plastic business and electronic manufacturing services business, including sales to entities which are known to the group to be under common control with these customers, amounted to approximately $2,283,542,000 (2015: $2,091,864,000) and arose in all geographical regions in which the businesses are active.

The Group's sales are made primarily to a few key customers. For the year ended 31 March 2016, the revenue derived from five largest customers accounted for approximately 91% (2015: 90%) of the Group's total revenue.

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

	2016	2015
	$'000	*$'000*
Trade and bills receivable	**333,342**	281,200
Other receivables	**49,087**	56,236
	382,429	337,436
Less: Allowance for impairment of trade, bills and other receivables	**(4,021)**	(801)
	378,408	336,635
Prepayments	**35,760**	41,669
Deposits	**52,356**	50,110
	466,524	428,414
Less: Other non-current assets *(Note)*	**(84,738)**	(84,896)
	381,786	343,518
Representing:		
Trade and bills receivable, net of allowance	**329,321**	280,399
Prepayments, deposits and other receivables, net of allowance	**52,465**	63,119
	381,786	343,518

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately $43,858,000 (2015: $40,096,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately $20,880,000 (2015: $21,750,000) in relation to the acquisition of a piece of land in Yixing, Jiang Su, the PRC in 2010, and prepaid investment cost to Kar Info International Property Limited, a related company of the Group, in connection with a property development project in Fenggang, Dongguan, the PRC, amounted to approximately $20,000,000 (2015: $nil). At 31 March 2015, there were prepayments in connection with the change of usage of the factory buildings in Fenggang, Dongguan, the PRC, from industrial use to residential use amounted to approximately $23,050,000, such prepayments were capitalised into property under development for sale upon obtaining the permission to change the land use from industrial use to residential use during the year ended 31 March 2016.

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:

	2016	2015
	$'000	*$'000*
0 to 90 days	**373,075**	320,433
91 to 180 days	**8,614**	16,215
181 to 360 days	**733**	788
Over 360 days	**7**	–
	382,429	337,436

5. PROPERTY DEVELOPMENT

	2016	2015
	$'000	*$'000*
Property under development for sale	**143,709**	–
Completed property held for sale	**2,433**	–
	146,142	–

During the year ended 31 March 2016, the Group has executed the "Land Use Right Grant Contracts", granted by the Dongguan Land and Resources Bureau, to change the land use of the Group's plant in Fenggang, Dongguan from industrial use to residential use. At the date of change of land use, the carrying amount of the relevant land use right and property, plant and equipment amounted to HK$5,038,000 and HK$29,020,000 respectively.

6. CASH AND BANK DEPOSITS

	2016	2015
	$'000	*$'000*
Cash at bank and in hand	**159,404**	146,453
Time deposits	**117,137**	77,961
Cash and bank deposits in the consolidated statement of financial position	**276,541**	224,414
Less: Pledged deposits *(note (i))*	**–**	(30,815)
Cash and cash equivalents in the consolidated cash flow statement	**276,541**	193,599

Notes:

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

7. TRADE PAYABLES

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

	2016	2015
	$'000	*$'000*
0 to 90 days	**240,857**	204,504
91 to 180 days	**15,439**	12,102
181 to 360 days	**2,928**	2,239
Over 360 days	**128**	47
	259,352	218,892

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

	2016	2015
	$'000	*$'000*
Revenue		
Sales of merchandise and provision of services		
– Metal and plastic business	**1,500,133**	1,074,753
– Electronic manufacturing services business	**1,369,868**	1,489,483
– Consumer and services business	**26,068**	26,387
	2,896,069	2,590,623
Sale of properties	**1,536**	–
	2,897,605	2,590,623
Other income/gains and (losses)		
Rental income	**2,353**	2,284
Loss on disposal of property, plant and equipment	**(388)**	(282)
Fair value gain on derivative financial instruments	**–**	17,756
Realised loss on forward derivatives	**(1,228)**	(8,345)
Impairment losses on property, plant and equipment	**(13,129)**	–
Gain on liquidation of an associate	**1,684**	–
Loss on disposal of an investment in an associate	**(58)**	–
Gain on disposal of disposal group classified as held-for-sale	**–**	9,572
Impairment loss on available-for-sale financial assets	**(299)**	–
Gain on disposal of available-for-sale financial assets	**1,086**	–
Others	**7,579**	6,322
	(2,400)	27,307

9. EXPENSES BY NATURE

	2016 $'000	2015 $'000
Carrying amount of inventories sold	**2,125,924**	1,900,885
Carrying amount of properties sold	**288**	–
Depreciation of property, plant and equipment		
– owned assets	**78,665**	71,447
– leased assets	**5,205**	7,522
	83,870	78,969
Amortisation of land use rights	**620**	641
Amortisation of intangible assets	**3,543**	2,400
Employee benefit expenses (including directors' remuneration)	**378,200**	372,561
Operating lease rental of premises	**23,322**	28,217
Net exchange loss	**1,367**	766
Auditor's remuneration	**2,792**	2,780
Recognition/(reversal) of allowance for impairment of trade and other receivables	**3,220**	(821)
Write-down of obsolete and slow-moving inventories	**–**	848
Other expenses	**110,407**	141,404
	2,733,553	2,528,650
Representing:		
Cost of sales	**2,546,039**	2,306,523
Distribution and selling expenses	**44,450**	57,110
General and administrative expenses	**143,064**	165,017
	2,733,553	2,528,650

10. FINANCE COSTS, NET

	2016 $'000	2015 $'000
Finance costs		
– Interest expense on bank borrowings wholly repayable within five years	**15,544**	12,405
– Finance charges on obligations under finance leases	**495**	783
	16,039	13,188
Finance income		
– Interest income from bank deposits	**(1,137)**	(3,252)
– Other interest income	**(396)**	(286)
	(1,533)	(3,538)
Finance costs, net	**14,506**	9,650

11. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The amount of taxation charged to consolidated statement of profit or loss represents:

	2016	2015
	$'000	*$'000*
Current taxation		
Hong Kong Profits Tax		
– current year	**18,896**	10,389
– Over-provision in prior years	**(728)**	(6,245)
Overseas taxation		
– current year	**3,319**	6,362
Deferred taxation	**(1,999)**	(2,077)
	19,488	8,429

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable 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.

	2016	2015
	$'000	*$'000*
Profit attributable to equity shareholders of the Company	**117,076**	76,298
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)	**5.9**	3.8
Diluted earnings per share (HK cents per share)	**5.9**	3.8

There was no dilutive effect on earnings per share for the year ended 31 March 2016 and 31 March 2015 since all outstanding share options were anti-dilutive.

13. DIVIDENDS

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

	2016	2015
	$'000	*$'000*
Interim dividend declared and paid of HK0.75 cent per ordinary share (2015: HK0.5 cent per ordinary share)	**14,971**	9,981
Final dividend in respect of previous year proposed after the end of the reporting period of HK2.75 cents per ordinary share (2015: HK1.8 cents per ordinary share)	**54,895**	35,932
Special dividend proposed after the reporting period of HK$nil (2015: HK1.0 cent per ordinary share)	**–**	19,962
	69,866	65,875

The final dividend proposed after the end of the reporting period has 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

	2016	2015
	$'000	*$'000*
Final and special dividends in respect of the previous financial year, approved and paid during the year, of HK2.8 cents per ordinary share (2015: HK1.0 cent per ordinary share)	**55,894**	19,962

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 computer server casings, moulds, plastic and metal parts and predominately self-brand household products;

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

– Consumer and Services Business: building of "Fullhouse World" Brand, provision of relevant services, such as catering services, sales of themed gifts, wedding gown and photography; and

– Real Estate Business: urban renewal, real estate project investment, property lease and development.

1. Business Review

I. Results

Revenue of the Group increased by HK$306,982,000 to HK$2,897,605,000 for the year ended 31 March 2016 (year ended 31 March 2015: HK$2,590,623,000). Profit after tax amounted to approximately HK$116,671,000 (year ended 31 March 2015: HK$75,706,000), increased by HK$40,965,000 when compared with last year, including the corresponding losses incurred, as a result of the integration or closure of consumer and services business, were approximately HK$16,553,000.

During the year, the revenue and results of the industrial business still maintained its upward trend since last year. Furthermore, the on-going automation deepening applications had resulted in production efficiency as well as effective cost control. Despite average salary remained a continuous rising trend, production costs were effectively under control and the performance of deepening application of machinery automation was directly reflected in the results. During the year, the operating profit of the industrial business increased by approximately 51% to HK$210,799,000 (year ended 31 March 2015: HK$139,568,000 (restated)), while for consumer and services business, which was under accelerated integration of its operation with unsatisfactory efficiency during the year, the operating loss was up by HK$1,051,000 to HK$49,796,000 (year ended 31 March 2015: HK$48,745,000 (restated)), of which approximately HK$16,553,000 was resulted from the integration of consumer and services business.

In addition, the real estate business recorded an operating loss of HK$10,632,000 during the year (year ended 31 March 2015: operating profit of HK$3,155,000 (restated)), which was mainly due to the valuation loss in investment properties of HK$11,281,000 from the revaluation of the investment properties in Yixing (year ended 31 March 2015: valuation gain in investment properties of HK$4,698,000).

II. Industrial Business – M&P and EMS

(1) Revenue for 2015/16 increased by approximately 12% to HK$2,870,001,000 when compared with last year, which was mainly due to:

(a) Revenue of the M&P business for the year ended 31 March 2016 increased by approximately 40% to HK$1,500,133,000 (year ended 31 March 2015: HK$1,074,753,000) when compared with last year. The increase in revenue was mainly due to the increase in sales for both the new server casing projects for which some had commenced mass production as well as the newly-developed server casing moulds.

(b) Revenue of the EMS business for the year ended 31 March 2016 decreased by approximately 8% to HK$1,369,868,000 when compared with last year (year ended 31 March 2015: HK$1,489,483,000). The decrease in revenue was mainly due to the decrease in sales of magnetic tape data storage and office automation products.

The growth in revenue and profit of the industrial business of the Group were quite satisfactory for two consecutive financial years. Such significant achievements were due to the significant decrease in operating costs, improvement in competiveness and customer support and trust earned as a result of the continuous automated performance and also the highly efficient management team.

(2) Meanwhile, the Group made another breakthrough in production automation, and achieved satisfactory progress in metal staking, plastic automated pad printing, semi-automated silk screening as well as server enclosure assembly process. The continuous progress of automation is the fundamental strategy of the industrial business.

(3) The Group also successfully secured the orders from clients in the next few years regarding important projects of new generation of models. As such, the Group can continue to develop its production from original model projects to new model projects, thereby stabling the base for future orders. Moreover, the Group also gained recognitions and awards from various clients. While receiving clients' encouragements, the Group also continues to make efforts in meeting customer requirements. The Group bears in mind our visions of "Become the most sophisticated mechanical parts manufacturing solution and value-added electronics assembly services provider within global industry".

(4) The newly constructed No.5 plant and No. 1 staff dormitory in Fenggang Yuquan are put into use. Other supporting facilities such as the staff activity center and staff canteen are completed one after another and are put into use. The relocation of the ancillary department in Fenggang Guanjingtou Plant was successfully completed, and all production departments and machinery equipment were relocated to Yuquan and were put into daily operation and production in a stable and successful manner. The relocation of Guanjingtou Plant had largely been completed during the year, and there was no impact on the production and operation of the Group during the year.

(5) The merging of the production lines at the plants in Guanjingtou and Yuquan made the Group's production more concentrated; thereby optimizing our department organization structure, lowering costs, and benefiting our production from economies of scale. As the Group has just largely completed the relocation, the results are yet up to expectation, and it believes its future production effectiveness will gradually emerge.

(6) The Enterprise Resource Planning (ERP) system update was launched by 2015 year end for improving the data management from order to payment, allowing the management to know the operation effectiveness and conditions of each production unit in a faster and clearer manner, and enabling the continuous improvement on data systematization of the Group.

(7) The Group has been principally engaged in the industrial sector for over three decades. It seizes various opportunities for its sustainable developments, always open and receptive in investing plants and machinery equipment, and maintains sufficient advanced production capacity to develop innumerable new projects for clients. Therefore, it is not by chance that it has become a trustworthy and reliable partner of the world's major renowned information technology retailer.

III. Consumer and Services Business

For the "Fullhouse World" business, by reorganizing its structure, the Group continues to optimize its schemes, reduce costs and enhance operation efficiency in reducing losses. The Group turns its future development direction in operating a more flexible and smaller scale "Fullhouse Kitchen" restaurant, supplying food from central kitchen as its core, and selling in-house designed household products and customized gifts from its Fullhouse World, in which it could further promote the "Fullhouse World" brand. The first Fullhouse Kitchen restaurant was opened at Discovery Park, Tsuen Wan in October 2015. The Group is still assessing its operation efficiency and mode of operation as a blueprint for expanding and promoting the "Fullhouse World" brand to other locations. Facing the weakening economy and fierce competition in Hong Kong, the wedding services of the Group are still at its consolidation stage, anticipating another breakthrough.

Since it is necessary to integrate the consumer and services business and close down those businesses with low operation efficiency, the Group incurred a loss of approximately HK$16,553,000 for the integration during the year. If excluding such loss, the operating loss of consumer and services business this year decreased by 32% to HK$33,243,000 (year ended 31 March 2015: HK$48,745,000 (restated)) when compared with last year.

In fact, the main purpose of operating the restaurant business of Fullhouse World and selling the in-house designed household products and customized gifts of "Fullhouse World" is to establish the "Fullhouse World" brand, in which it will bring pleasant association and eternal memories for consumer through their recognition. The "Fullhouse World" rainbow cutting board was awarded the "Hong Kong Smart Gifts Design Award 2016 – Household Gift Bronze Award（香港智營禮品設計大賞2016－家居禮品銅獎）by The Hong Kong Exporters' Association. Furthermore, "Fullhouse World" was also awarded the Hong Kong Emerging Service Brand Award（香港新星服務品牌獎）by Hong Kong Brand Development Council, demonstrating that the "Fullhouse World" brand has infinite innovation, popularity and high regard.

IV. Real Estate Business

To better utilize land resources, the local government has been encouraging local enterprises to relocate their plants from new urban areas to industrial zones. Under the agitation of the local government's urban, plant and village policy, the Group will relocate its plant in Guanjintou to Yuquan, and the land evacuated in Guanjintou had already been changed its use to commercial and residential purposes (mainly for residential purpose) from industrial use. On 29 December 2015, the Group and The Bureau of Land and Resource Dongguan entered into a contract of grant regarding the land use right and change the use of land at the consideration of approximately RMB52,000,000. The relevant State-owned Land Use Right Certificate was obtained in March 2016, pursuant to which the main detailed information of its development is as follows:

Total land area:	Approximately 61,864 square metres
Plot ratio:	≤2 and ≥1
Term:	The period of land use right is 70 years for residential purpose or 40 years for commercial purpose
Estimated total gross floor area:	>120,000 square metres (of which >110,000 square metres are for residential purpose)
Estimated date of construction:	2017
Value of land:	Approximately RMB410,000,000 as at 29 December 2015

The main benefits of Guanjingtou Plant Revitalisation Program are as follows:

(i) Fenggang is a geographically favorable location as it is adjacent to Shenzhen and has a transportation network extending in all directions. The change of land use as a residential project development will substantially escalate the value of assets and the profitability of the Group; and

(ii) The merging of the production lines in Guanjingtou Plant and Yuquan Plant will make our production more concentrated to improve production efficiency and cost saving.

Furthermore, certain conditions precedent under the cooperation agreement in relation to the PRC Real Estate Development Project entered into on 27 April 2015 (the "Cooperation Agreement") have not been satisfied, therefore, it is required for the parties to enter into supplemental agreements in several times to further extend the long stop date to 31 August 2016.

Eventually, the Group will take Fenggang as a development pioneer and apply its experience in Fenggang for the Yixing Development Project of the Group in the future.

Conclusion

Opportunities flicker and vanish in a flash. Over the past thirty-five years, in facing different opportunities, the Group was able to perceive them with its sharp edge, responded quickly with flexible actions to move forward without lagging behind its peers. We also seized opportunities to reform resolutely with bold courage. Therefore, the Group was able to cope with the crisis, developed its businesses, expanded its production capacity and promoted its automated production capacity as well as streamlining its structures in a vigorous and speedy manner. Also, the Group was able to transform itself and grew through different opportunities. During this year, the Group strengthened its investments and applications of automation continuously and laid a solid industrial foundation. The Group also leveraged on the powerful industry opportunities to improve the utilization of the Group's resources (such as the plant sites and production capacity), opened up new areas for its businesses and created new profitability channels.

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 20th consecutive year, the Board has decided to recommend to pay a final dividend of HK2.75 cents per share to our shareholders whose names appear on the register of members of the Company on 2 September 2016.

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 this announcement.

4. Prospects

I. Industrial Business

(1) To maintain the competitiveness of the industrial business of the Group, the Group will continue the various developments of its industrial business, particularly the advancement of production technology, enhancement of quality management, deepening research and development of automation and structural integration of human resource structure of the Group. The Group will continue to drive the lean manufacturing and data management; it will remove superfluous position set up and jobs with overlapping functions, and also strengthen the promotion of talents recruitment, thereby making industrial production more effective.

(2) In the coming year, the deepening automation development will focus on the application of computer numeral controlled welding, sheet metal bending and staking with robots. The Group will continue to strengthen research and development on automation technology with 東莞市翠峰五金機械有限公司, so as to expand its application to other processes, and strive to optimize the cost and quality of product. The Group regards them as one of the significant strategies to continue the deepening automation which has demonstrated the "fast, precise and accurate" capability in production. Meanwhile, we move forward into the China Manufacturing 2025 to practice the basic principles of innovation-driven, quality goes first, green development, structure optimization, and talent-oriented.

(3) Through strengthening the relationships with existing partners and developing new customers, the Group also develops and manufactures various peripheral products. While successfully obtaining orders of its new generation servers, the Group will leverage on its advantage of powerful production capacity to maintain the momentum of continuous growth of the industrial business of the Group and stabilize its foundation businesses.

II. Real Estate

After completing the relocation of Guanjingtou Plant, the Group targets to commence construction in 2017 and expects a pre-sale in 2018. The Group has always been responding to the local government's urban, plant and village policy. Besides the Guanjingtou Plant, the Group is actively communicating with the local government to consider revitalizing the Fenggang Yantian Plant. However, the revitalization of Yantian Plant is still under conceptual consideration with no finalized schedule at the moment.

It has been more than one year since entering into the Cooperation Agreement on 27 April 2015 and the Group is negotiating with other parties to change certain terms in the Cooperation Agreement to facilitate the cooperation. In the event of reaching any agreement on this aspect (which is expected to take place in July 2016), the parties to the Cooperation Agreement will enter into a further supplemental agreement.

III. Consumer and Services

Facing with the challenges of Hong Kong economic instability, the future development of Fullhouse World is still to operate with flexibility and small scale of Fullhouse Kitchen restaurant, thereby reducing the number of staff and avoiding expensive rent. In the meantime, taking central kitchen as a distribution, we can set up Fullhouse Kitchen restaurant in every zone, with focus on children and families. These Fullhouse Kitchen restaurant also becomes the POS of in-house designed household products and customized gifts from "Fullhouse World", and promote the "Fullhouse World" brand. We also consider it as a similar model in China to set up small restaurants through franchising or self-operated shops to increase the POS of various in-house designed household products and customized gifts, and complementing with the benefits provided by the resorts and hotels of other important strategic partners are expected to achieve win-win results in the growth of marketing.

It also operates under this model in Malaysia to set up small shops of Fullhouse Egglet selling egg waffles with Fullhouse figures characters. The first shop was opened in May 2016, and it is expected to open more shops in different locations in Malaysia. Meanwhile, each shop will also become the POS of in-house designed household products and customized gifts of "Fullhouse World" to promote the brand.

Overall outlook

This year marked the twentieth anniversary of the Group since its listing. Through different businesses, the Board strives to grasp the opportunities from time to time, copes with the unpredictable ever-changing environment, balances the interests of each party, as well as maintaining strong relationships with stakeholders to create value together. With the pro-activeness, servicing and commitment spirits, the Board enhances the investment values of the Company constantly to bring fruitful results to the shareholders.

FINANCIAL RESOURCES

Cash Generating Ability

With the improvement of the industrial operations, the financial position remains healthy. Net bank borrowings# as at 31 March 2016 were approximately HK$122,113,000 and the net gearing ratio (being the proportion of total net bank borrowings over total equity) was 12% (as at 31 March 2015: net bank borrowings were approximately HK$141,135,000 and net gearing ratio was 14%).

Represents cash and bank deposits less bank borrowings and obligations under finance leases ("interest-bearing borrowings")

Non-current Assets to Shareholders' Fund Ratio maintaining at the level of 1

The non-current assets to total equity ratio as at 31 March 2016 maintained at the level of 91% (as at 31 March 2015: 101%). With the expansion of our industrial business, the Group increased its investments in plant and machinery during the year, using its stable total equity as a support.

Financing for Growth

As at 31 March 2016, net bank borrowings were approximately HK$122,113,000. The initial estimate of the CAPEX Budget for the financial year 2016/17 is approximately HK$145,000,000, of which HK$130,000,000 relates to the industrial business, HK$10,000,000 is for the consumer and services business and HK$5,000,000 is for the investment property. The CAPEX was mainly used for acquiring newly machinery and equipment, plant expansion and opening of Fullhouse Kitchen restaurants.

Resources Available

Currently, total interest-bearing borrowings are approximately HK$398,654,000. The Group is confident that with the cash in hand and bank deposits of approximately HK$276,541,000 and the unutilised banking facilities of HK$864,580,000, 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 may use foreign exchange forward contracts to hedge against foreign currency risk (if and when necessary).

Contingent Liabilities

As at 31 March 2016, the Group had no significant contingent liabilities.

TEA-BREAK WITH INVESTORS

We are glad that the "tea-break with investors (institutional or individual)" has been successfully held for many years. The Group adheres to the principles of "openness, fairness and equality" and believes that all investors 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 26 August 2016 from 7 p.m. to 9 p.m. at East Ocean Seaview Restaurant, 11/F., One Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Interested investors are invited to visit the Group's website at www.karrie.com for more details. Application form will 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

The Group had 4,386 employees on average (an average of 4,397 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 HK2.75 cents (2014/15 final dividend: 1.8 cents per share and special dividend: 1 cent per share) per share to shareholders whose names appear on the register of members of the Company on 2 September 2016. Together with the interim dividend of HK0.75 cent per share, total dividend paid/payable for this year amounted to HK3.5 cents (2014/15: HK3.3 cents) per share. The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company to be held on 26 August 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on 26 August 2016, the register of members of the Company will be closed from Monday, 22 August 2016 to Friday, 26 August 2016 (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, 19 August 2016.

Assuming that the final dividend is approved by the shareholders of the Company at the AGM, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 1 September 2016 to Friday, 2 September 2016 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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, 31 August 2016. It is expected that the final dividend will be payable and issued to those entitled on or around Monday, 19 September 2016.

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 2016, 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 appointed 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. The Chairman and/or the Managing Director of the Group will consider to voluntarily retire at the annual general meeting at least once every three years in line with Code Provision A.4.2 of the CG Code. 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 due to the fact that the function of the nomination committee was delegated to the Board, which is responsible for reviewing its own structure, size and composition annually and the appointment or re-appointment of Directors as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid 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 for the year ended 31 March 2016.

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 2016. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 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, Ms. Chan Ming Mui, Silvia, Mr. Zhao Kai and Mr. Chan Raymond; the Non-executive Directors are: Messrs. Ho Cheuk Ming and Ho Kai Man; and the Independent Non-executive Directors are: Messrs. So Wai Chun, Fong Hoi Shing and Yam Chung Shing.

By Order of the Board
Karrie International Holdings Limited
Ho Cheuk Fai
Chairman

Hong Kong, 27 June 2016

* *For identification purpose only*