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KTL International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$547.6 million for the year ended 31 March 2017, representing a decrease of approximately 19.9% as compared with the same for the year ended 31 March 2016.
- Gross profit was approximately HK$106.8 million for the year ended 31 March 2017, representing a decrease of approximately 7.1% as compared with the same for the year ended 31 March 2016.
- Gross profit margin increased to 19.5% from 16.8% in the last financial year.
- Loss attributable to the owners of the parent was approximately HK$9.2 million for the year ended 31 March 2017, compared to the loss attributable to the owners of the parent of approximately HK$13.5 million for the year ended 31 March 2016.
- Basic loss per share amounted to approximately HK$0.06 for the year ended 31 March 2017, compared to the basic loss per share of approximately HK$0.08 for the year ended 31 March 2016.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2017.

The board (the "Board") of directors (the "Directors") of KTL International Holdings Group Limited (the "Company") presents the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 together with the corresponding figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4	**547,623**	683,687
Cost of sales		**(440,824)**	(568,772)
Gross profit		**106,799**	114,915
Other income	4	**2,890**	4,243
Selling expenses		**(42,608)**	(34,152)
Administrative expenses		**(70,997)**	(82,388)
OPERATING (LOSS)/PROFIT		**(3,916)**	2,618
Other gains/(expenses), net	5	**3,926**	(5,087)
Finance costs	6	**(6,153)**	(9,172)
Share of loss of a joint venture		**(27)**	(49)
LOSS BEFORE TAX	7	**(6,170)**	(11,690)
Income tax expense	8	**(2,984)**	(1,812)
LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**(9,154)**	(13,502)
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		**520**	(3,550)
Exchange differences on translation of foreign operations		**(16,659)**	(13,045)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary		**(6,056)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(22,195)**	(16,595)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**(31,349)**	(30,097)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic and diluted		**HK$(0.06)**	HK$(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**171,871**	183,029
Prepaid land lease payments		**13,271**	14,554
Prepayments for construction in progress		**267**	54
Investment in a joint venture		**367**	407
Available-for-sale investment	*11*	**15,015**	14,470
Total non-current assets		**200,791**	212,514
CURRENT ASSETS			
Inventories	*12*	**109,590**	92,025
Trade receivables	*13*	**176,125**	185,936
Prepayments, deposits and other receivables		**23,561**	32,259
Tax recoverable		**1,901**	3,078
Prepaid land lease payments		**389**	415
Pledged bank deposits		**55,495**	86,635
Cash and bank balances		**152,090**	62,106
Total current assets		**519,151**	462,454
CURRENT LIABILITIES			
Trade and other payables	*14*	**160,304**	93,503
Interest-bearing bank and other borrowings	*15*	**232,438**	226,086
Obligations under finance leases		**1,580**	927
Total current liabilities		**394,322**	320,516
NET CURRENT ASSETS		**124,829**	141,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**325,620**	354,452
NON-CURRENT LIABILITIES			
Obligations under finance leases		**4,120**	1,614
Deferred tax liabilities		**236**	225
Total non-current liabilities		**4,356**	1,839
Net assets		**321,264**	352,613
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**800**	800
Reserves		**320,464**	351,813
Total equity		**321,264**	352,613

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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, Grand Cayman KY1-1108, Cayman Islands.

During the year, 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 HNA Aviation Investment Holding Company Ltd. ("HNA Aviation Investment"), which was incorporated in Cayman Islands.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*

The adoption of the above revised standards has had no significant financial effect on the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	*Financial Instrument*[1]
HKFRS 15	*Revenue from Contracts with Customers and the Related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014–20l6 Cycle*[5]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKAS 40	*Transfer of Investment Properties*[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Americas	**301,320**	304,893
Mainland China	**93,488**	123,726
Europe (other than Russia)	**64,495**	58,002
Russia	**59,324**	158,629
Middle East	**2,765**	3,937
Other countries	**26,231**	34,500
	547,623	683,687

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**164,813**	177,805
Hong Kong	**20,963**	20,239
	185,776	198,044

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

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**163,729**	206,726
Customer B	**62,107**	88,581
Customer C	**42,608***	140,277

* Less than 10% of revenue

4. REVENUE AND OTHER INCOME

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

	2017	2016
	HK$'000	*HK$'000*
Sale of jewellery products	**547,623**	683,687

An analysis of other income is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest income from bank deposits	**1,389**	2,427
Government grants *(Note)*	**811**	1,076
Others	**690**	740
Total	**2,890**	4,243

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

5. OTHER GAINS/(EXPENSES), NET

An analysis of other gains/(expenses), net, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**6,056**	–
Gain/(loss) on disposal of items of property, plant and equipment	**287**	(99)
Sales of loose diamonds, net	**–**	(16)
Net realised gain on trading securities	**54**	–
Foreign exchange differences, net	**(2,471)**	(4,972)
	3,926	(5,087)

6. FINANCE COSTS

An analysis of finance cost is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**3,937**	5,675
Interest on factoring of trade receivables	**1,447**	3,359
Interest on other borrowings	**542**	–
Interest on finance leases	**227**	138
	6,153	9,172

7. LOSS BEFORE TAX

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

	Note	2017 HK$'000	2016 HK$'000
Cost of inventories sold		**369,709**	453,846
Depreciation		**10,538**	11,500
Foreign exchange differences, net	*5*	**2,471**	4,972
Amortisation of prepaid land lease payments		**399**	425
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary		**(6,056)**	–
Auditors' remuneration			
Auditors of the Company		**1,150**	1,600
Other auditors		**55**	163
		1,205	1,763
Employee benefits (including Directors' remuneration)			
Salaries and other benefits		**109,368**	116,742
Pension scheme contributions		**7,617**	10,751
		116,985	127,493
(Write-back)/write-down of inventories to net realisable value		**(1,486)**	2,097
Minimum lease payments under operating leases		**1,312**	1,160

8. INCOME TAX EXPENSE

The statutory income tax rates for Hong Kong and Mainland China are 16.5% and 25%, respectively. The profit tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the year.

	2017 HK$'000	2016 HK$'000
Current — Hong Kong		
Charge for the year	**49**	12
Underprovision in prior year	**1**	120
Current — Mainland China		
Charge for the year	**2,923**	1,698
Deferred	**11**	(18)
Total tax charge for the year	**2,984**	1,812

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$9,154,000 (2016: approximately HK$13,502,000), and the weighted average number of ordinary shares of 160,000,000 (2016: 160,000,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2017 and 2016.

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**9,154**	13,502

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**160,000,000**	160,000,000

11. AVAILABLE-FOR-SALE INVESTMENT

	2017	2016
	HK$'000	*HK$'000*
Life insurance policy, at fair value	**15,015**	14,470

Under the life insurance policy (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.

During the year, the gross gain in respect of the change in fair value of the Group's available-for-sale investment recognised in other comprehensive loss amounted to approximately HK$520,000 (2016: loss of approximately HK$3,550,000). There was no reclassification from other comprehensive loss to profit or loss during the year.

The Group's available-for-sale investment with a net carrying amount of approximately HK$15,015,000 (2016: approximately HK$14,470,000) was pledged to secure the bank borrowings of the Group as at 31 March 2017.

12. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**36,692**	50,221
Work in progress	**39,893**	18,432
Finished goods	**33,005**	23,372
	109,590	92,025

The write-down and reversal of write-down of inventories to net realisable value of approximately HK$5,906,000 and HK$7,392,000, respectively, (2016: write-down and reversal of write-down of approximately HK$6,854,000 and HK$4,757,000, respectively) for the year is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

The reversal of write-down of inventories to net realisable value made during the year was mainly due to sales and utilisation of obsolete raw materials, and sample products sold higher than the previously written-down value on an exhibition held by the subsidiaries of the Group during the year ended 31 March 2017.

13. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**191,324**	201,109
Less: Allowance for doubtful debts	**(15,199)**	(15,173)
	176,125	185,936

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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**43,508**	46,677
1 to 2 months	**32,742**	23,396
2 to 3 months	**45,505**	41,618
Over 3 months	**54,370**	74,245
	176,125	185,936

Trade receivables of approximately HK$15,199,000 (2016: approximately HK$15,173,000) were individually determined to be impaired as at 31 March 2017. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. The movements in the allowance for doubtful debts are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of the year	**15,173**	15,173
Exchange realignment	**26**	–
At the end of the year	**15,199**	15,173

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due or impaired	**124,818**	146,129
Less than 61 days past due	**47,837**	38,580
61 days to 120 days past due	**2,780**	1,209
Over 120 days past due	**690**	18
	176,125	185,936

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

Included in the Group's trade receivables are an amount due from the Group's joint venture of approximately HK$243,000 (2016: approximately HK$531,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

The Group's trade receivables with a net carrying amount of approximately HK$142,311,000 (2016: nil) was pledged to secure the other borrowings of the Group as at 31 March 2017.

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**81,258**	41,927
Other payables	**79,046**	51,576
	160,304	93,503

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**31,853**	27,321
1 to 2 months	**19,920**	2,040
2 to 3 months	**8,496**	1,580
Over 3 months	**20,989**	10,986
	81,258	41,927

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 1 to 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017		2016	
	Effective contractual interest rate	**Amount**	Effective contractual interest rate	Amount
	(%)	***HK$'000***	*(%)*	*HK$'000*
Current:				
Bank loans — Secured	**1.56–3.28**	**132,438**	1.31–4.01	226,086
Other borrowings	**6.00**	**100,000**	–	–
Maturity profile:				
On demand		**232,438**		226,086

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 31 March 2017, approximately HK$232,438,000 (at 31 March 2016: approximately HK$226,086,000) included a repayment on demand clause under the relevant loan agreements, among which approximately HK$7,658,000 (at 31 March 2016: approximately HK$9,817,000) 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 and other loans and analysed into bank and other 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$9,886,000 (at 31 March 2016: approximately HK$10,213,000);

(ii) mortgages over the Group's buildings, which had a net carrying amount at the end of the reporting period of approximately HK$17,350,000 (at 31 March 2016: approximately HK$18,893,000);

(iii) 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$2,806,000 (at 31 March 2016: approximately HK$3,086,000);

(iv) the pledge of the Group's bank deposits at the end of the reporting period amounting to approximately HK$55,495,000 (at 31 March 2016: approximately HK$86,635,000);

(v) the pledge of the Group's available-for-sale investment at the end of the reporting period amounting to approximately HK$15,015,000 (at 31 March 2016: approximately HK$14,470,000); and

(vi) corporate guarantees provided by the Company and certain subsidiaries of the Company.

The Group's other borrowings as at the end of the reporting period are secured by the pledge of the Group's trade receivables at the end of the reporting period amounting to approximately HK$142,311,000 (at 31 March 2016: nil).

16. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2016: 2,000,000,000) ordinary shares of HK$0.005 each (2016: HK$0.005 each)	**10,000**	10,000
Issued and fully paid:		
160,000,000 (2016: 160,000,000) ordinary shares of HK$0.005 each (2016: HK$0.005 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 were increased from 1,000,000,000 shares to 2,000,000,000 shares and the issued shares of the Company were 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.

17. OPERATING LEASE ARRANGEMENTS

As Lessee

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 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**4,004**	2,825
In the second to fifth years, inclusive	**1,856**	4,634
	5,860	7,459

18. COMMITMENTS

At 31 March 2017, in addition to the operating lease commitments detailed in Note 17, the Group had the following capital commitments as at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
CIP	**2,587**	3,107

19. EVENT AFTER THE REPORTING PERIOD

Placing of new shares under the general mandate and issue of unlisted warrants under the specific mandate

The Company entered into a placing agreement (the "Placing Agreement") date 5 May 2017 with First Shanghai Securities Limited (the "Placing Agent") pursuant to which (i) the Placing Agent agreed to procure (by itself or through its respective sub-placing agent(s)), on a best efforts basis, not less than six placees (the "Placees") to subscribe 12,600,000 new shares (the "the Placing Shares") at HK$5.06 per Placing Share (the "Placing"); and (ii) the Company agrees to issue, and the Placing Agent agrees to procure, on a best efforts basis, each placee who subscribed for any placing shares to subscribe such number of warrants as equal to such number of Placing Shares at the warrant issue price of HK$0.20 per warrant and initial exercise price of HK$7.00 per warrant share (the "Warrant Issue").

The placing of new shares was completed on 16 May 2017 and an aggregate of 12,600,000 Placing Shares have been successfully placed by the Placing Agent and were allotted and issued to not less than six Placees at the placing price of HK$5.06 per Placing Share, representing approximately 7.30% of the issued shares of the Company as enlarged by the allotment and issue of the Placing Shares immediately after completion of the Placing. Further details are set out in the Company's announcement dated 5 May 2017 and 16 May 2017 respectively.

The net proceeds from the Placing, after deducting the placing fee, stamp duty and other related expenses payable by the Company, is approximately HK$62.5 million, which is intended to be used by the Company as general working capital and for future possible business expansion in local and overseas and investment opportunities of the Group.

Completion of the Warrant Issue is conditional upon (i) the passing of the necessary resolutions by the Shareholders approving the Warrant Issue and the allotment and issue of the Warrant Shares as contemplated under the Placing Agreement; (ii) the approval of the Warrant Issue by the Stock Exchange in accordance with the Listing Rules and the Listing Committee granting the listing of, and permission to deal in, the Warrant Shares; and (iii) the completion of the Placing having taken place.

In the event that any of the conditions set out above in relation to the Warrant Issue is not fulfilled by 31 July 2017 (or such date as may be agreed by the parties in writing), all rights and obligations in the Placing Agreement in relation to the Warrant Issue shall cease and terminate and none of the parties to the Placing Agreement shall have any claim against any other party in relation to the Warrant Issue for costs, damages, compensation or otherwise, except for any antecedent breaches thereof.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Being an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, the Group is primarily engaged in designing, manufacturing and exporting fine jewelleries to jewellery wholesalers and retailers mainly in the Americas, Russia, other European countries and increasingly so in recent years in the People's Republic of China ("PRC") and the Middle East. The Group has been offering a wide range of fine jewellery products in karat gold encompassing rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets that are generally targeted at the mass to middle segment, the lowest among the three tiers of the fine jewellery market segments in terms of retail prices. The Group's customers are mainly wholesalers and retailers of jewellery products.

In 2016, uncertainty abounded for global economy, and consumers turned more and more prudent with their finances, saving soberly and spending discreetly. Low consumer confidence unavoidably kept the fine jewellery industry under pressure, with market players trying hard to counter the challenges in the tough environment.

Consumption habits among the Americans have also been changing when it comes to luxury, with fine jewelleries losing their share of spending. In this connection, revenue arising from sales to the Americas market lowered to approximately HK$301.3 million for the year ended 31 March 2017, representing a drop of approximately 1.2%.

Striving to expand its footprint in the PRC, the Group focused on penetrating further the mass to middle segment of the fine jewellery market. However, sales in the PRC saw a slight drop on the back of declining demand for fine jewelleries as anti-corruption drive in the nation continued and tough macro-economic environment remained. Revenue generated from the PRC market stood at approximately HK$93.5 million for the year ended 31 March 2017, down by approximately 24.4% from the corresponding period in the year ended 31 March 2016.

During the year ended 31 March 2017 under review, the Group experienced a slowdown in sales in the Russian market due to its continued weak economy. Revenue generated from sales to the Russian market fell by approximately 62.6% to HK$59.3 million for the year ended 31 March 2017 as compared with the same period in the year ended 31 March 2016.

The Group has effectively applied stringent cost controls by streamlining business operations and optimising utilisation. During the financial year of 2016/2017, administrative expenses were successfully reduced by approximately 13.8% compared to the prior financial year. Selling expenses increased by approximately 24.8% year-on-year, factoring in the costs involved as the Group sought to develop business with new customers in existing markets and create new product collections.

Change in controlling shareholder

On 13 December 2016, HNA Aviation Investment Holding Company Ltd. ("HNA Aviation Investment") entered into a sale and purchase agreement to acquire 61.44% shareholding of the Company. The transaction was completed on 29 December 2016 and HNA Aviation Investment became the controlling shareholder of the Company. For further information of the transaction, please refer to the joint announcements issued by HNA Aviation Investment and the Company dated 21 December 2016 and 29 December 2016, respectively.

HNA Aviation Investment is controlled by HNA Group, a PRC-based Fortune Global 500 conglomerate encompassing various business including aviation, tourism, real estate, logistics and financial services.

With HNA Aviation Investment as controlling shareholder, the Group continues with its existing businesses. HNA Aviation Investment is also conducting a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, HNA Aviation Investment may explore other business opportunities for the Company such as acquisitions or investments in assets and/or business divestment and fund raising, with a view to enhance its growth and future development.

Building presence in ancillary business line

The Group has set its foot into trading of watches, silver jewelleries and non-precious metal jewelleries since 2014 to better cater for needs of different customers. These ancillary products come with significantly lower average selling prices and lower gross profit margin.

Sales generated from these non-fine gold jewelleries products amounted to approximately 3.0% of the Group's total sales for the year ended 31 March 2017, compared with 1.3% for the year ended 31 March 2016. The sales did not have a material impact on the Group's overall gross profit margin in the year. However, the overall average wholesale price of the Group's products decreased since the commencement of sales of silver jewelleries.

Prospects

Looking ahead, global economy is struggling to gain momentum for a strong growth. Against the backdrop of modest pick-up in major advanced economies and rising political and economic uncertainties on a number of fronts, the world economy will continue to be in a stage of adjustments and the road back to full recovery will remain slow.

In Russia, consumer confidence and retail sales are still in contraction mode, even though the Russian economy has appeared to stabilise over the last few months. On the other hand, in light of the better business environment in the United States and the PRC, the Group is cautiously positive about the demand for fine jewelleries in these two markets.

The management of the Group will improve operating efficiency by streamlining business operations and optimising internal resources in order to meet the challenge of market adversity should they arise in the upcoming financial year.

FINANCIAL REVIEW

	For the year ended 31 March	
	2017	2016
Revenue *(HK$'000)*	**547,623**	683,687
Gross profit *(HK$'000)*	**106,799**	114,915
Gross profit margin *(%)*	**19.5**	16.8
Loss attributable to the owners of the parent *(HK$'000)*	**(9,154)**	(13,502)

The Group's revenue for the year ended 31 March 2017 was approximately HK$547.6 million, representing a decrease of approximately HK$136.1 million or 19.9% over the corresponding period in 2016. The decrease in the Group's revenue was primarily due to (i) a decrease in sales in Russia of approximately HK$99.3 million as a result of Russian customers being tuned into the Ruble's depreciation and deteriorated outlook and the continued impact of the Western sanctions, Russian households were far from optimistic towards the economic situation, favouring primarily major purchases and savings. This inevitably resulted in a chain reaction, where the demand for fine jewellery was significantly suppressed; (ii) decrease in sales in the PRC of approximately HK$30.2 million as a result of slowing growth in the PRC, coupled with the stock market fluctuations that took place last year, it has adversely affected demand for jewellery products; and (iii) a decrease in sales in Americas of approximately HK$3.6 million mainly attributable to a weaker-than-expected market condition under a turnaround in consumer interest in fine jewellery, which was partially offset by an increase in sales in Europe (other than Russia) of approximately HK$6.5 million as a result of the Group's strategic cooperation and closer business relationship with certain customers in Europe.

The Group's gross profit for the year ended 31 March 2017 was approximately HK$106.8 million, representing a decrease of approximately HK$8.1 million or 7.1% over the corresponding period in 2016. Gross profit margin increased to approximately 19.5% for the year ended 31 March 2017 from approximately 16.8% for the corresponding period in 2016, was primarily due to the Group's control in materials cost amid fluctuation in gold price as well as bargaining in stone purchases leveraging on its centralised procurement. The Group works on resources allocation and effective cost control in procurement.

Selling expenses

The Group's selling expenses increased by approximately HK$8.4 million or 24.8%, to approximately HK$42.6 million for the year ended 31 March 2017 from approximately HK$34.2 million for the year ended 31 March 2016. The increase was primarily attributable to (i) the increase in staff costs of approximately HK$6.8 million mainly as a result of enhancing sales and marketing force for expanding new customer base and recruiting designers for creating new product collections; (ii) the increase in sales commission of approximately HK$4.8 million as reward for expanding new customer base and exploring new markets; and its partially offset by (iii) the Group's implementation of stringent cost control measures on advertising and promotion which declined by approximately HK$2.2 million; and (iv) the decrease in export credit insurance and freight charges of approximately HK$1.2 million mainly as a result of the decrease in sales for the year ended 31 March 2017.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$11.4 million or 13.8%, to approximately HK$71.0 million for the year ended 31 March 2017 from approximately HK$82.4 million for the year ended 31 March 2016. The decrease was primarily due to the combined effects of (i) the decrease in staff costs by approximately HK$8.5 million as a result of the Group's continuous implementation of rigorous cost control by further streamlining operations and rationalising overheads; (ii) the decline in office, utility and sundry expenses by approximately HK$6.6 million which were mainly attributed by strengthening cost controls in business operation; and it was partially offset by (iii) the increase in legal and professional fees of approximately HK$3.8 million for the year ended 31 March 2017.

Finance costs

The Group's finance costs decreased by approximately HK$3.0 million or 32.9%, to approximately HK$6.2 million for the year ended 31 March 2017 from approximately HK$9.2 million for the year ended 31 March 2016. The decrease was primarily due to the decrease in average borrowing balance in 2017 as compared with the same in 2016.

Loss attributable to the owners of the parent

The Group recorded a loss attributable to the owners of the parent of approximately HK$9.2 million for the year ended 31 March 2017, compared to a loss of approximately HK$13.5 million for the corresponding period in 2016. The loss was mainly attributable to a decline in the Group's revenue by approximately 19.9% and gross profit by approximately 7.1% for the year ended 31 March 2017 as compared to the corresponding period in 2016. The decline in revenue was primarily attributable to a significant slowdown of sales in Russian and the PRC markets, the decrease of which were approximately HK$99.3 million and HK$30.2 million, respectively, for the year ended 31 March 2017 as compared to the corresponding period in 2016, primarily attributable to global economic uncertainty and weaker-than-expected demand in Russian and the PRC markets.

Property, plant and equipment

The net carrying amount as at 31 March 2017 was approximately HK$171.9 million, representing a decrease of approximately HK$11.1 million from that of 2016. This was mainly due to: (i) the Group's addition in property, plant and equipment of approximately HK$10.8 million; and offset by (ii) the depreciation of approximately HK$10.5 million with respect to the Group's property, plant and equipment during the year, and (iii) exchange realignment of approximately HK$10.0 million upon translation of RMB denominated assets into Hong Kong dollar.

Trade receivables

There was a decrease in trade receivables as at 31 March 2017 of approximately HK$9.8 million as compared with 31 March 2016, which was mainly due to the trade receivables that were neither past due or impaired decreased by approximately HK$21.3 million, and offset by the trade receivables that were less than 61 days past due, 61 to 120 days past due and over 120 days past due increased by approximately HK$9.3 million, HK$1.6 million and HK$0.7 million, respectively, as at 31 March 2017 as compared with 31 March 2016.

Interest-bearing bank and other borrowings

The Group had interest-bearing bank borrowings as at 31 March 2017 in the sum of approximately HK$132.4 million, which were reduced by approximately HK$93.7 million from the sum of approximately HK$226.1 million as at 31 March 2016.

The Group had interest-bearing other borrowings as at 31 March 2017 in the sum of approximately HK$100.0 million (2016: nil) which had fixed interest rate at 6.0% per annum and was repayable within one year, and was secured by the trade receivables of wholly-owned subsidiaries of the Group.

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

Liquidity and financial resources

As at 31 March 2017, the Group had current assets of approximately HK$519.2 million (2016: approximately HK$462.5 million) which comprised cash and bank balances of approximately HK$152.1 million (2016: approximately HK$62.1 million). As at 31 March 2017, the Group had non-current liabilities of approximately HK$4.4 million (2016: approximately HK$1.8 million), and its current liabilities amounted to approximately HK$394.3 million (2016: approximately HK$320.5 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 31 March 2017 (2016: approximately 1.4).

Gearing ratio

The gearing ratio of the Group, calculated as net debt (being interest-bearing bank and other borrowings and obligations under finance lease less cash and bank balances) divided by the total equity plus net debt, was approximately 21.1% as at 31 March 2017 (2016: approximately 32.1%).

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.

BUSINESS STRATEGIES OF THE GROUP

The Group is committed to maintaining its status as one of the top fine jewellery providers in Hong Kong with a focus on export business by enhancing its sales and marketing force, increasing its penetration in existing markets, expanding its customer base and exploring new markets.

In view of the economic conditions in the United States and the sheer size of its retail market for fine jewellery products, the Group plans to explore opportunities in the country where the Group believes the Group would benefit from the integrated services that it offers. The Group will further strengthen the business relationships with customers in the United States by offering a wider range of styles and designs tailored for the market, and adjusting its production resources, capacity and cycle to better cater for the product lead time, consumer preferences and festive shopping practices. Moreover, leveraging the growth potential offered by the PRC market, the Group will draw on the strengths of its established corporate brand name and proven design capabilities to increase resources in a bid to attract jewellery wholesalers or chain stores that focus on the said market. The Group will step up sales and marketing resources to promote its products and to participate in selected trade exhibitions in the PRC, and devote additional design and product development resources to offer a greater range of designs best suited the tastes, preferences and buying behaviour of consumers in mainland China.

Likewise, the Group strives to further broaden its customer base by enhancing its efforts to offer products together with integrated services. Customers' needs and preferences vary. Some only require manufacturing support whereas more customers need additional customised services and support such as differentiating product designs, product series theme creation, product showcasing strategies and product positioning. The Group notes jewellers in the PRC market are generally keen for designs, marketing and product positioning support, whereas those in the emerging markets are enthusiastic about manufacturing support. In this respect, the Group plans to devote its sales force with an added focus on identifying and soliciting new customers that are jewellery suppliers of their own but do not have strong product development and design and/or production capabilities.

Besides, the Group believes its ability to create new product designs and develop innovative production techniques in response to market trends and customers' preferences contribute to the success of the products. In light of the global market trend to offer diversified jewellery products in terms of product nature and pricing and purposes, the Group has been offering customers with an extensive range of products with appealing designs at affordable prices, made with assorted kinds of precious metals, diamonds and gem stones with various specifications to better capture and cater for a wider bandwidth of market demand.

Foreign exchange exposure

For the year ended 31 March 2017, 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 balances, pledged bank deposits, trade and other payables and interest-bearing bank and other borrowings. Consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 31 March 2017. Since HK$ is pegged to US$, the Group does not expect any significant movements in HK$/US$ exchange rate. The Group is exposed to foreign exchange risk primarily with respect to RMB. If HK$ as at 31 March 2017 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year attributable to the owners of the parent would have been increased/decreased by approximately HK$2.0 million for the year ended 31 March 2017 (2016: loss for the year attributable to the owners of the parent would have increased/decreased by approximately HK$3.4 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 has been no change in the capital structure of the Company during the year ended 31 March 2017. As at 31 March 2017, the capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2017, capital commitments of the Group amounted to approximately HK$2.6 million (2016: approximately HK$3.1 million).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2017.

No dividend has been paid or declared by the Company during the year ended 31 March 2017.

Information on employees

As at 31 March 2017, the Group had 534 employees (2016: 725), including the executive Directors. Total staff costs (including the Directors' emoluments) were approximately HK$117.0 million, as compared with approximately HK$127.5 million for the year ended 31 March 2016. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 31 March 2017, no options have been granted by the Company.

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

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, up to 31 March 2017.

Significant investments held

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

Future plans for material investments and capital assets

The Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 March 2017, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 March 2017, 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$9.9 million and approximately HK$10.2 million, respectively, as at 31 March 2017 and 31 March 2016;

(ii) mortgages over the Group's buildings, which had a net carrying amount of approximately HK$17.4 million and approximately HK$18.9 million, respectively, as at 31 March 2017 and 31 March 2016;

(iii) mortgages over the Group's prepaid land lease payments, which had a net carrying amount of approximately HK$2.8 million and approximately HK$3.1 million, respectively, as at 31 March 2017 and 31 March 2016;

(iv) a pledge of the Group's bank deposits of approximately HK$55.5 million and approximately HK$86.6 million, respectively, as at 31 March 2017 and 31 March 2016;

(v) the pledge of the Group's available-for-sale investment amounting to approximately HK$15.0 million as at 31 March 2017 (at 31 March 2016: 14.5); and

(vi) corporate guarantees provided by the Company and certain subsidiaries of the Company.

As at 31 March 2017, the Group's other borrowings are secured by the pledge of the Group's trade receivables of approximately HK$142.3 million as at 31 March 2017 (2016: nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2017 (2016: nil).

SIGNIFICANT EVENTS

Mandatory unconditional cash offer

As disclosed in the joint announcement dated 21 December 2016 and the composite offer and response document dated 27 January 2017 (the "Composite Document") jointly issued by the Company and HNA Aviation Investment Holding Company Ltd. (the "Offeror"), the Offeror, KTL International Holdings Limited as the vendor (the "Vendor") and Mr. Kei York Pang Victor and Mr. Li Man Chun as guarantors had entered into a sale and purchase agreement on 13 December 2016 (the "Sale and Purchase Agreement"), pursuant to which the Vendor had agreed to sell and the Offeror had agreed to purchase 98,304,016 shares of the Company (the "Sale Shares"), representing approximately 61.44% of the then issued share capital of the Company.

Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement amounted to HK$594,739,297, equivalently to approximately HK$6.05 per Sale Share. Completion took place on 29 December 2016.

Upon completion of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 98,304,016 shares of the Company (the "Shares"), representing approximately 61.44% of the then existing issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), CCB International Capital Limited, on behalf of the Offeror, made mandatory unconditional cash offer to acquire all the issued shares of the Company (other than those already owned by the Offeror) at HK$6.05 for each Share (the "Offer").

Pursuant to the announcement dated 17 February 2017 jointly issued by the Company and the Offeror, the Offer was closed on 17 February 2017 and the Offeror received valid acceptances in respect of a total of 31,068,478 Shares under the Offer, representing approximately 19.42% of the then entire issued share capital of the Company.

Immediately after the close of the Offer, on 17 February 2017, the Offeror and parties acting in concert with it are interested in an aggregate of 129,372,494 Shares, representing approximately 80.86% of the then entire issued share capital of the Company.

Restoration of public float of the Company

As disclosed in the announcement dated 17 February 2017 jointly issued by the Company and the Offeror, the number of Shares held by the public fell below the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules.

On 5 May 2017, the Company entered into the placing agreement with the placing agent, pursuant to which (i) the placing agent agreed to procure not less than six placees to subscribe 12,600,000 new shares at the placing price (the "Placing"); and (ii) the Company agrees to issue, and the placing agent agrees to procure each placee who subscribed for any placing shares to subscribe such number of warrants as equal to such number of placing shares at the warrant issue price (the "Warrant Issue").

Please refer to (i) the section headed "Notes to Financial Statements" and the note 19 headed "Event after the reporting period" of this announcement; (ii) the announcements of the Company dated 7 May 2017 and 16 May 2017, respectively, for details of the Placing and the Warrant Issue.

Immediately after completion of the Placing and as at 16 May 2017, 43,227,506 Shares, representing approximately 25.04% of the entire issued Shares of the Company, were held by the public (within the meaning of the Listing Rules). As such, the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules has been fulfilled.

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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 10 August 2017, the register of members will be closed from 7 August 2017 to 10 August 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 4 August 2017.

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the year ended 31 March 2017, the Company had complied with the Code Provisions except for code provision A.2.1 as more particularly described below.

Pursuant to code provision A.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. During the period from 1 April 2016 to 17 February 2017, Mr. Kei York Pang Victor performed the two roles as the chief executive officer and the co-chairman of the Board for consistent leadership within the Group and more effective and efficient overall strategic planning for the Group. Subsequent to Mr. Kei York Pang Victor's resignation as an executive Director, the chief executive officer and the co-chairman of the Board on 17 February 2017, Mr. Nang Qi was appointed as the chairman to provide leadership to the Board and Mr. Chen Peiliang was appointed as the chief executive officer on the same day.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the listing date and up to 31 March 2017.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chan Chi Kuen (Chairman of the Audit Committee), Mr. Ting Tit Cheung and Mr. Lo Chun Pong. The Company's annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made.

The Audit Committee has met the external auditors of the Company, Crowe Horwath (HK) CPA Limited, and reviewed the Group's results for the year ended 31 March 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Company's independent auditors, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited 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 Crowe Horwath (HK) CPA Limited on this announcement.

GENERAL

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

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

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.ktl.com.hk. The annual report of the Company for the year ended 31 March 2017 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board
KTL International Holdings Group Limited
Mr. Nang Qi
Chairman and Executive Director

Hong Kong, 6 June 2017

As at the date of this announcement, the executive Directors are Mr. Nang Qi, Mr. Chen Peiliang, and Mr. Xue Qiang; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.