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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

– Revenue increased by 23% to HK$1,499,797,000

– Profit attributable to equity holders of the Company was HK$59,799,000

– Basic earnings per share was HK3.00 cents

– Dividend per share at HK0.75 cent

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Karrie International Holdings Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	**30 September 2015 (Unaudited) *HK$'000***	31 March 2015 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**23,969**	24,072
Property, plant and equipment		**490,815**	464,192
Investment properties		**341,135**	336,250
Intangible assets		**28,251**	28,564
Investments in associates		**31,792**	30,737
Other non-current assets	*4*	**116,845**	84,896
Deferred tax assets		**1,130**	1,130
Available-for-sale financial assets		**17,937**	22,118
		1,051,874	991,959
Current assets			
Inventories		**383,931**	402,670
Trade and bills receivables	*4*	**451,552**	280,399
Prepayments, deposits and other receivables	*4*	**65,661**	63,119
Current tax recoverable		**589**	3,207
Cash and bank deposits	*5*	**283,295**	224,414
		1,185,028	973,809
Total assets		**2,236,902**	1,965,768
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital		**199,620**	199,620
Other reserves		**256,564**	256,591
Retained earnings		**535,843**	531,938
		992,027	988,149
Non-controlling interests		**(1,121)**	(939)
Total equity		**990,906**	987,210

	Note	30 September 2015 (Unaudited) HK$'000	31 March 2015 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	7	**85,278**	–
Deferred tax liabilities		**12,222**	12,222
Deferred revenue		**824**	1,134
Obligation under finance leases		**2,770**	6,848
Provision for long service payments		**6,356**	6,356
		107,450	26,560
Current liabilities			
Trade payables	6	**277,850**	218,892
Accruals and other payables		**326,029**	278,539
Receipts in advance		**4,943**	11,062
Amounts due to associates		**6,870**	6,536
Current tax payable		**59,978**	51,988
Derivative financial instruments		**13,284**	26,280
Obligation under finance leases		**8,067**	7,891
Bank borrowings	7	**441,525**	350,810
		1,138,546	951,998
Total liabilities		**1,245,996**	978,558
Total equity and liabilities		**2,236,902**	1,965,768
Net current assets		**46,482**	21,811
Total assets less current liabilities		**1,098,356**	1,013,770

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

	Note	For the six months ended 30 September 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Revenue	3	**1,499,797**	1,221,429
Cost of sales		**(1,320,523)**	(1,062,907)
Gross profit		**179,274**	158,522
Distribution and selling expenses		**(27,805)**	(28,488)
General and administrative expenses		**(76,104)**	(98,162)
Other income and gains	8	**1,116**	11,213
Operating profit		**76,481**	43,085
Finance income		**628**	1,470
Finance costs		**(7,187)**	(3,275)
Finance costs, net	10	**(6,559)**	(1,805)
Share of losses of associates		**(53)**	(37)
Profit before taxation		**69,869**	41,243
Income tax expense	11	**(10,252)**	(3,137)
Profit for the period		**59,617**	38,106
Attributable to:			
Equity shareholders of the Company		**59,799**	38,628
Non-controlling interests		**(182)**	(522)
		59,617	38,106
Earnings per share of profit attributable to equity shareholders of the Company – Basic and diluted *(HK cents)*	12	**3.00**	1.94

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**59,617**	38,106
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available-for-sale financial assets, net of HK$Nil tax	**–**	(1,832)
Reclassification of fair value gains on available-for-sale financial assets to profit or loss upon disposal	**(201)**	–
Exchange differences on translation of financial statements of overseas operations, net of HK$Nil tax	**(581)**	–
Total comprehensive income for the period	**58,835**	36,274
Attributable to:		
Equity shareholders of the Company	**59,017**	36,796
Non-controlling interests	**(182)**	(522)
Total comprehensive income for the period	**58,835**	36,274

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2015

	Note	For the six months ended 30 September 2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*
Profit before taxation		**69,869**	41,243
Adjustments for non-cash items		**36,684**	16,823
Operating profit before changes in working capital		**106,553**	58,066
Changes in working capital		**(75,293)**	(111,932)
Cash generated from/(used in) operations		**31,260**	(53,866)
Interest paid		**(7,187)**	(5,167)
Hong Kong Profits Tax refund		**2,618**	6,187
Hong Kong Profits Tax paid		**(1,866)**	(2,863)
Overseas tax paid		**(396)**	(246)
Net cash generated from/(used in) operating activities		**24,429**	(55,955)
Cash flows from investing activities			
– Payment for acquisition of an associate		**–**	(15,000)
– Purchase of property, plant and equipment		**(90,349)**	(103,908)
– Other investing activities		**39,695**	11,736
Net cash used in investing activities		**(50,654)**	(107,172)
Cash flows from financing activities			
– Dividend paid		**(55,894)**	(19,962)
– Proceeds from new bank borrowings		**223,278**	867,094
– Repayment of bank borrowings		**(47,285)**	(593,626)
– Other financing activities		**(3,902)**	(3,741)
Net cash generated from financing activities		**116,197**	249,765
Net increase in cash and cash equivalents		**89,972**	86,638
Cash and cash equivalents at 1 April		**193,599**	195,793
Effect of foreign exchange rate		**(276)**	–
Cash and cash equivalents at 30 September	*5*	**283,295**	282,431

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 September 2015 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information has not been audited, but has been reviewed by the Group's audit committee.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

This condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2015, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2016. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT INFORMATION

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

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

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

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.

Segment results for the six months ended 30 September 2015 are as follows:

	For the six months ended 30 September 2015 (Unaudited)			
	Metal and plastic business	**Electronic manufacturing services business**	**Consumer and services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenues				
Reportable segment revenue	**795,222**	**728,881**	**12,362**	**1,536,465**
Inter-segment revenue	**(36,668)**	**–**	**–**	**(36,668)**
Revenue from external customers	**758,554**	**728,881**	**12,362**	**1,499,797**
Gross profit/(loss)	**141,414**	**46,418**	**(8,558)**	**179,274**
Distribution and selling expenses and general and administrative expenses	**(69,249)**	**(19,860)**	**(14,800)**	**(103,909)**
Other (loss)/income and gains	**(149)**	**571**	**694**	**1,116**
Operating profit/(loss)	**72,016**	**27,129**	**(22,664)**	**76,481**

	For the six months ended 30 September 2014 (Unaudited)			
	Metal and plastic business	Electronic manufacturing services business	Consumer and services business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues				
Reportable segment revenue	577,333	668,987	12,236	1,258,556
Inter-segment revenue	(37,127)	–	–	(37,127)
Revenue from external customers	540,206	668,987	12,236	1,221,429
Gross profit/(loss)	133,987	33,825	(9,290)	158,522
Distribution and selling expenses and general and administrative expenses	(85,889)	(19,163)	(21,598)	(126,650)
Other income and gains	7,265	2,075	1,873	11,213
Operating profit/(loss)	55,363	16,737	(29,015)	43,085

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

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2015	2014
	HK$'000	*HK$'000*
Operating profit	**76,481**	43,085
Finance income	**628**	1,470
Finance costs	**(7,187)**	(3,275)
Share of losses of associates	**(53)**	(37)
Profit before taxation	**69,869**	41,243

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

	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**452,353**	281,200
Other receivables	**80,224**	56,236
	532,577	337,436
Less: Allowance for impairment of trade, bills and other receivables	**(801)**	(801)
	531,776	336,635
Prepayments	**41,348**	41,669
Deposits	**60,934**	50,110
	634,058	428,414
Less: Other non-current assets *(Note)*	**(116,845)**	(84,896)
	517,213	343,518
Representing:		
Trade and bills receivables, net of allowance for impairment	**451,552**	280,399
Prepayments, deposits and other receivables	**65,661**	63,119
	517,213	343,518

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment amounting to approximately HK$51,045,000 (31 March 2015: HK$40,096,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately HK$21,750,000 (31 March 2015: HK$21,750,000) in relation to the acquisition and property development of a piece of land in Yixing, Jiang Su, the PRC in 2010, the prepayments in connection with the change of usage of the factory buildings in Fenggang Dongguan, PRC from industrial use to commercial use amounted to approximately HK$24,050,000 (31 March 2015: HK$23,050,000), and deposit in sum of HK$20,000,000 (31 March 2015: HK$Nil) paid on the signing of the Cooperation Agreement with a connected company, Kar Info International Property Limited.

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. Ageing analysis of trade, bills and other receivables before allowance for impairment, based on invoice date, is as follows:

	30 September 2015 (Unaudited) *HK$'000*	31 March 2015 (Audited) *HK$'000*
0 to 90 days	**519,898**	320,433
91 to 180 days	**5,795**	16,215
181 to 360 days	**6,884**	788
	532,577	337,436

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, deposits and other receivables stated above. The Group does not hold any collateral as security.

5 CASH AND BANK DEPOSITS

	30 September 2015 (Unaudited) *HK$'000*	31 March 2015 (Audited) *HK$'000*
Cash at bank and in hand	**201,316**	146,453
Time deposits	**81,979**	77,961
Cash and bank deposits in the condensed consolidated statement of financial position	**283,295**	224,414
Less: Pledged deposits *(note)*	**–**	(30,815)
Cash and cash equivalents in the condensed consolidated cash flow statement	**283,295**	193,599

Note: At 31 March 2015, certain bank deposits were pledged to secure general banking facilities provided to the Group.

6 TRADE PAYABLES

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

	30 September 2015 (Unaudited) *HK$'000*	31 March 2015 (Audited) *HK$'000*
0 to 90 days	**274,937**	204,504
91 to 180 days	**1,705**	12,102
181 to 360 days	**244**	2,239
Over 360 days	**964**	47
	277,850	218,892

7 BANK BORROWINGS

	30 September 2015 (Unaudited) *HK$'000*	31 March 2015 (Audited) *HK$'000*
Current portion:		
Trust receipt loans	**8,543**	5,610
Portion of bank borrowings repayable within one year	**429,649**	269,705
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clause	**3,333**	75,495
	441,525	350,810
Non-current portion:		
Portion of bank borrowings due for repayment after one year	**85,278**	–
Total bank borrowings	**526,803**	350,810
Representing:		
Current liabilities		
– Secured	**188,005**	154,705
– Unsecured	**253,520**	196,105
	441,525	350,810
Non-current liabilities		
– Unsecured	**85,278**	–
Total bank borrowings	**526,803**	350,810

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2015, none of the covenants relating to the drawn down facilities had been breached.

As at 30 September 2015, certain banking facilities of the Group were secured by land and buildings with an aggregate carrying value of HK$101,174,000 (31 March 2015: HK$102,424,000) and banking deposits of HK$Nil (31 March 2015: HK$30,815,000). Such banking facilities amounted to HK$191,250,000 (31 March 2015: HK$231,250,000). The facilities were utilised to the extent of HK$188,005,000 (31 March 2015: HK$154,705,000).

8 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*
Rental income	**1,203**	1,139
Management fee income	**97**	273
(Loss)/gain on disposal of property, plant and equipment	**(641)**	37
Fair value gain on derivative financial instruments	**12,996**	7,813
Gain on disposal of available-for-sale financial assets	**1,086**	–
Realised loss on derivative financial instruments	**(14,829)**	–
Others	**1,204**	1,951
	1,116	11,213

9 EXPENSES BY NATURE

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**41,069**	24,364
Amortisation of land use rights	**320**	321
Amortisation of intangible assets	**1,644**	1,200
Employee benefit expenses (including directors' emoluments)	**201,122**	185,581

10 FINANCE COSTS, NET

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
– Interest income from bank deposits	**430**	1,338
– Other interest income	**198**	132
	628	1,470
Finance costs		
– Interest expenses on bank borrowings wholly repayable within five years	**(7,187)**	(5,167)
Less: Interest expenses capitalised into investment properties under development	**–**	1,892
	(7,187)	(3,275)
Finance costs, net	**(6,559)**	(1,805)

11 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profit for the period. Overseas tax is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. The amount of tax charged to the condensed consolidated statement of profit or loss represents:

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong Profits Tax		
– Current period	**9,841**	5,797
– Over-provision in prior years	**–**	(6,187)
– Overseas taxation		
– Current period	**411**	3,527
Income tax expense	**10,252**	3,137

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 period.

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company *(in HK$'000)*	**59,799**	38,628
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,996,196**	1,996,196
Basic earnings per share *(HK cents)*	**3.00**	1.94

There was no dilutive effect on earnings per share for both periods ended 30 September 2014 and 2015 since there were no dilutive potential ordinary shares in respect of share options under the Company's share option scheme.

13 DIVIDENDS

The final dividend for the year ended 31 March 2015 amounting to HK$35,932,000, representing HK1.8 cents per share, was paid in September 2015 (2014: HK$19,962,000, representing HK1.0 cent per share).

The special dividend for the year ended 31 March 2015 amounting to HK$19,962,000, representing HK1.0 cent per share, was paid in September 2015 (2014: HK$Nil).

The Board declared an interim dividend of HK0.75 cent per share for the six months ended 30 September 2015 (six months ended 30 September 2014: HK0.5 cent per share). The interim dividend amounting to HK$14,971,000 (six months ended 30 September 2014: HK$9,981,000) has not been recognised as liability in this interim financial information.

DIVIDEND

The Board declared an interim dividend of HK0.75 cent per share for the six months ended 30 September 2015 (the "Relevant Period") (for the six months ended 30 September 2014: HK0.5 cent per share) to eligible shareholders whose names appear on the register of members of the Company on 15 December 2015. The interim dividend will be payable in cash on or about 29 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 11 December 2015 to Tuesday, 15 December 2015 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 December 2015.

Review of operations

1. For the six months ended 30 September 2015, the turnover of the Group increased by approximately 23% to HK$1,499,797,000 (for the first half year of 2014/15: HK$1,221,429,000). Profit attributable to the equity shareholders of the Company increased by approximately 55% to HK$59,799,000 (profit for the first half year of 2014/15: HK$38,628,000). This was due to the increase in turnover and profit from the industrial business as well as the reduction in losses from the services and consumer business.

   The turnover and profit of the unaudited interim results of the Group recorded an increase of over 20% and 50% respectively in two consecutive years. The stable increase of its results was attributable to the effective strengthening and intensification of its automation process and the successful improvement in operating efficiency by the management team which led to cost savings. With product quality improving on a fast, precise and accurate manner, the competiveness of the Group increased substantially and becomes a trusted partner by its customers.

Industrial business:

2. The turnover of the metal and plastic business for the six months ended 30 September 2015 increased by approximately 40% to HK$758,554,000 compared to the same period last year (for the six months ended 30 September 2014: HK$540,206,000). The increase in turnover was mainly due to the commencement of mass production for some new casing projects and an increase in the income from related newly developed casing moulds.

3. There was an increase in the income from electronic manufacturing services ("EMS") business. The turnover for the six months ended 30 September 2015 increased by approximately 9% to HK$728,881,000 compared to the same period last year (for the six months ended 30 September 2014: HK$668,987,000), which was mainly because of the turnover of point-of-sale projects increased by around 279% compared to the same period last year.

4. The Group's industrial business operation achieved satisfactory results during the Relevant Period. Effect of focusing on metal & plastic production automation in past years also led to the improvement of the EMS business development with their turnover and profit both achieved a substantial growth as compared with the same period last year. Despite labour costs experiencing a higher increase, with the wide application of automation, there was no increase in manpower despite a growth in turnover. With the effective control in cost increase by different segments of the Group, the higher than expected corporate operation target was achieved.

5. The Group continued to explore and intensify the development of the stamping with Robot and had successfully implemented the integration of different parts, rivets, tapping, stamping and on line quality testing in one operation line, and thus enabled the product to achieve continuous and uninterrupted automatic operation right from sheet metal to structured components. It also successfully inputted automatic cutting runner, automatically putting insert with hot pressing, automatic pad/silk screen into plastic products production, and not only had this saved manpower, it also increased production efficiency and quality assurance. It also successfully achieved robot automation production for certain stations of server assembly line and created a new direction of the Group's subsequent development in automation. Through internal training and external recruitment, the Group consolidated and strengthened its momentum and quality in new product development and becomes the industry forefront. Hence, our outstanding team provided useful design assistance at the very initial development stage of its customers' products, increased the competiveness of the Group and thus laid a good foundation for securing projects/orders.

Services and consumer business:

6. Under the management's conscientious efforts in structural reorganization, cost-savings and operation efficiency improvement, our losses were reduced. However, the service industry still faced adverse conditions in high rent and manpower shortage and also unstable factors like economic slowdown. Currently, the Group slows down its development in large-scale restaurant, and on the contrary, shifted its focus to develop the small and flexible Fullhouse Kitchen restaurant as its future development direction. The restaurant focuses on light food and dessert, and complemented by selling Fullhouse World household products, it can better promote the "Fullhouse World" brand. Its main target customers are families and children and with the support of central kitchen distribution, it can focus on its resources effectively to maintain food quality and operating costs control. For instance, shop area is reduced, consumable losses are mitigated and manpower is saved. Looking back into the last quarter, our wedding service was still consolidation-oriented. Under this fierce competitive environment, adopting defensive strategies were the norm to perform, maintain service quality and thereby strive for achieving breakthrough.

7. Plant revitalization and real estate development:

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

8. As certain conditions precedent under the cooperation agreement entered into by both parties on 27 April 2015 in relation to a property development project in the PRC has not been fulfilled, a supplemental agreement was entered into, pursuant to which, both parties agreed to extend the completion date of the transaction to 31 December 2015.

Geographical Distribution

The Group does not rely on one single market, but always adopts diversified approaches to expand its businesses. During the Relevant Period, the revenue from Asia (except Japan, Hong Kong and the PRC) amounted to HK$50,430,000. Revenue from Japan amounted to HK$220,394,000, that from Hong Kong amounted to HK$413,117,000 and that from the PRC amounted to HK$450,987,000. Revenue from Western Europe amounted to HK$166,242,000 and revenue from North America amounted to HK$198,627,000.

Capital expenditure ("Capex")

It is expected that in the year of 2015/16,

(i) The Capex in the industrial business will be approximately HK$160,000,000, which will be mainly used as the relocation and demolition costs of Fenggang Plant and production lines, the construction of Yu Quan Plant B5 and No. 1 staff dormitory and for the renewal, upgrade of machinery and the enhancement of automation.

(ii) HK$10,000,000 is for the real estate development business.

(iii) Consumer and services business: approximately HK$10,600,000.

For the first half of the period ended 30 September 2015, the Capex amounted to HK$84,502,000. The Capex of industrial business (of which, Yu Quan Plant and dormitory accounted for HK$38,753,000), real estate business and the consumer and services business amounted to HK$76,005,000, HK$4,885,000 and HK$3,612,000, respectively.

Prospects

1. Notwithstanding facing the on-going weak and unstable world economy currently and coupled with increasing labour costs in the PRC, however, the overall business still maintained a rising momentum due to the fact that customers are mainly industry leaders and a number of projects secured in the past two years had entered into mass production stage despite project shipments of individual customers decreased slightly when compared to the past. At the same time, as there are new breakthroughs in the automation application segment, it enabled the Group to offset part of the labour costs increment effectively. Hence, the future industrial development is expected to be prudently optimistic.

2. The Group still maintained a sustainable development in automation to support the State 4.0 Roadmap process by vigorously promoting the plastic injection and assembly with robots application, the purpose of which is to maximize the common use and adaptation of different product categories in same automation line and reducing its investment costs.

3. To complement the development of Fenggang real estate projects, the existing Fenggang Plant will be relocated to Yuquan and the relocation is expected to take place by the end of the year until the end of next March. The Group will conduct a significant adjustment and optimization of its organizational structure to further improve operation efficiency.

4. Yuquan is planning to construct Plant B6 and its construction will commence in the next financial year if all the conditions are fulfilled.

5. According to the urban, plant and village transformation policy, the Group will give priority to Fenggang for the plant revitalization and real estate development projects. The projects are progressing vigorously and the experience gained from Fenggang will be leveraged on for perfecting the Yixing development project in the future.

6. Supported by its central kitchen in Discovery Park, Tsuen Wan, "Fullhouse Kitchen" of Fullhouse World commenced its trial operation in August 2015 and was formally opened in October 2015 with encouraging responses. The Group will take such operating model as its development direction.

7. Founded in 1980, the Group has experienced tremendous changes and ups and downs. From a small private company, it has developed itself to become a listed company with fund-raising capability. Such outstanding achievements are accomplished by the Group through these 35 years. This year marks the celebration of its 35th anniversary, which is also known as Coral Jubilee. Red coral is considered a propitious and happy object, symbolizing nobility and permanence. The Group is just like red coral with extreme precious values. These values are precipitated from the diligent use of resources and maintaining deep mutual rapport with stakeholders. The Group hopes to emulate the past to achieve breakthroughs, continues to flourish its strengths to achieve uninterrupted growth and progress.

8. In this October, the unaudited turnover increased by 1% to approximately HK$192,000,000 (October 2014: HK$191,000,000).

   However, the unaudited turnover figure is not sufficiently representative to reflect the performance and results for the year ending 31 March 2016. Investors and shareholders shall be cautious in trading the shares of the Company.

Liquidity resources and financing policies

The unaudited net bank borrowings amounted to HK$254,345,000, with the net bank borrowing ratio at approximately 26% (the unaudited net bank borrowing ratio was approximately 14% as at 30 September 2014). We expect the net bank borrowing ratio for the financial year ended 2015/16 will remain at the level below 30% whereas the ratio of non-current assets to shareholders' capital has stood at 106%. The management has paid close attention to it.

The interest bearing borrowings were HK$537,640,000. The cash in hand and the bank balances amounted to HK$283,295,000 with available banking facilities of HK$794,571,000 in total. We are confident that these are sufficient to meet the funding needs for the current and future operation and those for the investment in fixed assets of the Group.

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.

CONTINGENT LIABILITY

As at 30 September 2015, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

During the Relevant Period, the number of employees was approximately 4,500 similar to same period last year. With a strong reputation in the local community, the Group had not experienced any major difficulties in recruiting employees.

Like many other manufacturing industries in the Guangdong Province, the Group had also experienced the situations of labor shortage and high turnover rate. However, we still adopt "human" approach to manage and care for our staff, organize leisure and cultural activities for the community, provide opportunities for training and development, and focus on staff welfare and occupational safety, so as to establish a harmonious working atmosphere. We work together for a "New Sky".

Employee remuneration is determined in accordance with prevailing market rates and employees' performance and experiences. The Group will also grant bonuses to employees with outstanding performance based on the Group's audited business performance and by the appraisal and reward system. Other employee benefits include medical insurance and mandatory provident fund.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the Relevant Period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company established an Audit Committee in January 1999 which now comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is responsible for dealing with matters relating to the audit area, which include the review of financial statements and internal control, in order to protect the interests of the shareholders of the Company. The unaudited interim results for the Relevant Period of the Company now reported on have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Saved as explained below, the Company had complied with the code provisions of the Corporate Governance Practices Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the Relevant Period:

- Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of its Chairman and Chief Executive Officer and Mr. Ho Cheuk Fai ("Mr. Ho") currently holds both positions.

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

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

- Moreover, Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  According to the Company's Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's Bye-laws, the Chairman of the Board of Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. To comply with Code Provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

- According to Code Provision A.5 of the CG Code, the Company should establish a nomination committee, which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company has not established a nomination committee. The function of the nomination committee was delegated to the Board, which is responsible for reviewing its own structure, size and composition in accordance with the board diversity policy adopted by the Company annually; considering the appointment or re-appointment of Directors as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid any conflict of interests in carrying out such functions. For instance, the relevant Director would abstain from voting for any resolution relating to his or her own appointment. As such, the Board is of the view that the members of the Board possess the adequate experience and knowledge to discharge the functions of a nomination committee. The Board shall review the composition and operation of the Board from time to time and shall consider establishing a nomination committee if such need arises.

The Company will continue to review its practices from time to time to achieve a high standard of corporate governance.

COMPLIANCE WITH THE MODEL CODE

During the Relevant Period, the Company has adopted stringent procedures in governing the Directors' securities transactions in compliance with the requirements contained in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon due enquiry by the Company, all Directors had confirmed that, they had complied with the required standards as set out in the Model Code throughout the Relevant Period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, the executive Directors are: Messrs. Ho Cheuk Fai, Lee Shu Ki, Ms. Chan Ming Mui, Silvia and Zhao Kai; the Non-executive Directors are: Messrs. Ho Cheuk Ming and Ho Kai Man; 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, 26 November 2015

* *For identification purposes only*