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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	For the six months ended 30 September		
	2016	2015	*Changes*
Revenue *(HK$'000)*	**1,301,760**	1,499,797	-13%
Profit attributable to equity shareholders *(HK$'000)*	**76,860**	59,799	+29%
Basic earnings per share *(HK cents)*	**3.85**	3.00	+28%
Interim dividend per share *(HK cents)*	**1.30**	0.75	+73%

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 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016
(Expressed in Hong Kong dollars)

	Note	**30 September 2016** *$'000*	31 March 2016 *$'000*
ASSETS			
Non-current assets			
Land use rights		**17,371**	17,607
Property, plant and equipment		**458,545**	440,510
Investment properties		**311,204**	316,800
Intangible assets		**26,573**	28,417
Investments in associates		**17,108**	15,223
Available-for-sale financial assets		**18,595**	18,393
Other non-current assets	*4*	**52,198**	84,738
Deferred tax assets		**638**	638
		902,232	922,326
Current assets			
Inventories		**398,328**	350,584
Property development		**171,131**	146,142
Trade and bills receivables	*4*	**317,651**	329,321
Prepayments, deposits and other receivables	*4*	**81,034**	52,465
Current tax recoverable		**1,348**	712
Cash and bank deposits		**242,079**	276,541
		1,211,571	1,155,765
Total assets		**2,113,803**	2,078,091
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,620**	199,620
Other reserves		**228,988**	240,785
Retained earnings		**598,740**	576,775
		1,027,348	1,017,180
Non-controlling interests		**(1,664)**	(1,344)
Total equity		**1,025,684**	1,015,836

	Note	30 September 2016 $'000	31 March 2016 $'000
LIABILITIES			
Current liabilities			
Trade payables	*5*	**326,525**	259,352
Accruals and other payables		**319,987**	284,296
Receipts in advance		**38,905**	36,184
Bank borrowings	*6*	**153,078**	331,528
Obligations under finance leases		**2,769**	6,848
Amount due to an associate		**591**	6,741
Current tax payable		**64,147**	59,262
		906,002	984,211
Non-current liabilities			
Deferred revenue		**206**	515
Bank borrowings	*6*	**164,700**	60,278
Provision for long service payments		**7,653**	7,653
Deferred tax liabilities		**9,558**	9,598
		182,117	78,044
Total liabilities		**1,088,119**	1,062,255
Total equity and liabilities		**2,113,803**	2,078,091
Net current assets		**305,569**	171,554
Total assets less current liabilities		**1,207,801**	1,093,880

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
		2016	2015
	Note	***$'000***	*$'000*
Revenue	*3*	**1,301,760**	1,499,797
Cost of sales		**(1,136,047)**	(1,320,523)
Gross profit		**165,713**	179,274
Distribution and selling expenses		**(11,007)**	(27,805)
General and administrative expenses		**(66,713)**	(76,104)
Other income and gains	*7*	**3,059**	1,116
Operating profit		**91,052**	76,481
Finance income		**592**	628
Finance costs		**(5,783)**	(7,187)
Finance costs, net	*9*	**(5,191)**	(6,559)
Share of profits/(losses) of associates		**65**	(53)
Profit before taxation		**85,926**	69,869
Income tax expense	*10*	**(9,101)**	(10,252)
Profit for the period		**76,825**	59,617
Attributable to:			
Equity shareholders of the Company		**76,860**	59,799
Non-controlling interests		**(35)**	(182)
		76,825	59,617
Earnings per share of profit attributable to equity shareholders of the Company			
– Basic *(HK cents)*	*11*	**3.85**	3.00
– Diluted *(HK cents)*	*11*	**3.84**	3.00

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	For the six months ended 30 September	
	2016	2015
	$'000	*$'000*
Profit for the period	**76,825**	59,617
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
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 $Nil tax	**(12,061)**	(581)
Other comprehensive income for the period	**(12,061)**	(782)
Total comprehensive income for the period	**64,764**	58,835
Attributable to:		
Equity shareholders of the Company	**64,799**	59,017
Non-controlling interests	**(35)**	(182)
Total comprehensive income for the period	**64,764**	58,835

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 September 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 unaudited condensed consolidated financial information has been reviewed by the Group's audit committee.

This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

This unaudited 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 2016, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2017. 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 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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.

During the year ended 31 March 2016, the Group commenced its operation in the real estate business. The respective financial results that were reported as part of other segments in previous periods' financial statements are now separately reported to the Group's most senior executive management as one single operating segment for the purpose of resource allocation and performance assessment. Following the change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the six months ended 30 September 2015 has been restated.

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

Management considers the business from both a geographic and products and services perspective. From a products and services perspective, management assesses the performance of metal and plastic business, electronic manufacturing services business, consumer and services business and real estate business. And there is further evaluation on a geographic basis (Japan, Hong Kong, the 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 unaudited 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 2016 are as follows:

	For the six months ended 30 September 2016				
	Metal and plastic business *$'000*	**Electronic manufacturing services business** *$'000*	**Consumer and services business** *$'000*	**Real estate business** *$'000*	**Total** *$'000*
Segment revenues					
Reportable segment revenue	**743,034**	**570,653**	**8,779**	**–**	**1,322,466**
Inter-segment revenue	**(20,706)**	**–**	**–**	**–**	**(20,706)**
Revenue from external customers	**722,328**	**570,653**	**8,779**	**–**	**1,301,760**
Gross profit/(loss)	**134,868**	**35,588**	**(4,743)**	**–**	**165,713**
Distribution and selling expenses and general and administrative expenses	**(56,729)**	**(15,060)**	**(5,225)**	**(706)**	**(77,720)**
Other income/gains and (losses)	**2,339**	**734**	**(14)**	**–**	**3,059**
Operating profit/(loss)	**80,478**	**21,262**	**(9,982)**	**(706)**	**91,052**

	For the six months ended 30 September 2015 (Restated)				
	Metal and plastic business *$'000*	Electronic manufacturing services business *$'000*	Consumer and services business *$'000*	Real estate business *$'000*	Total *$'000*
Segment revenues					
Reportable segment revenue	795,323	728,881	12,261	–	1,536,465
Inter-segment revenue	(36,668)	–	–	–	(36,668)
Revenue from external customers	758,655	728,881	12,261	–	1,499,797
Gross profit/(loss)	141,546	46,418	(8,690)	–	179,274
Distribution and selling expenses and general and administrative expenses	(72,173)	(19,839)	(10,315)	(1,582)	(103,909)
Other income/gains	137	570	409	–	1,116
Operating profit/(loss)	69,510	27,149	(18,596)	(1,582)	76,481

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

	For the six months ended 30 September	
	2016	2015
	$'000	*$'000*
Operating profit	**91,052**	76,481
Finance income	**592**	628
Finance costs	**(5,783)**	(7,187)
Share of profits/(losses) of associates	**65**	(53)
Profit before taxation	**85,926**	69,869

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

	30 September 2016	31 March 2016
	$'000	*$'000*
Trade and bills receivables	**321,672**	333,342
Other receivables	**40,256**	49,087
	361,928	382,429
Less: Allowance for impairment of trade, bills and other receivables	**(4,021)**	(4,021)
	357,907	378,408
Prepayments *(Note A)*	**52,564**	35,760
Deposits	**40,412**	52,356
	450,883	466,524
Less: Other non-current assets *(Note B)*	**(52,198)**	(84,738)
	398,685	381,786
Representing:		
Trade and bills receivables, net of allowance	**317,651**	329,321
Prepayments, deposits and other receivables, net of allowance	**81,034**	52,465
	398,685	381,786

Note A: On 1 August 2016, a wholly-owned subsidiary of the Company ("Party A") entered into a new cooperation agreement ("New Cooperation Agreement") with Kar Info International Property Limited ("Party B"), a company controlled by the Chairman of the board of directors of the Company and 東莞市嘉訊通電腦產品有限公司 ("Project Company") in relation to a property development project ("the Project") developed by Project Company in Fenggang Town, Dongguan City, Guangdong Province, the PRC. Pursuant to the New Cooperation Agreement, Party A will make an investment in the amount of $140,000,000 in consideration of it being entitled to a share of profit to be gained from the project. The original cooperation agreement that was entered into by Party A and Party B on 27 April 2015 was also terminated upon signing the New Cooperation Agreement. The New Cooperation Agreement was approved by the shareholders in the special general meeting on 7 October 2016. Further details are set out in the Company's announcement dated 14 September 2016. As at 30 September 2016, $40,000,000 was prepaid in relation to the Project as a refundable deposit.

Note B: Other non-current assets represent deposits paid for purchase of property, plant and equipment amounting to approximately $31,840,000 (31 March 2016: $43,858,000) and, a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately $20,358,000 (31 March 2016: $20,880,000) in relation to the acquisition and property development of a piece of land in Yixing, Jiangsu, the PRC in 2010. As at 31 March 2016, there was a prepaid investment cost to Party B in connection with the Project, amounted to $20,000,000. Such prepaid investment cost was classified as current assets upon signing the New Cooperation Agreement on 1 August 2016.

The Group generally grants credit periods ranging from 30 to 90 days, except for one of the customers who is granted a credit period of 150 days. Ageing analysis of trade, bills and other receivables before allowance for impairment, based on invoice date, is as follows:

	30 September 2016	31 March 2016
	$'000	*$'000*
0 to 90 days	**309,876**	373,075
91 to 180 days	**45,838**	8,614
181 to 360 days	**6,200**	733
Over 360 days	**14**	7
	361,928	382,429

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 TRADE PAYABLES

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

	30 September 2016	31 March 2016
	$'000	*$'000*
0 to 90 days	**307,541**	240,857
91 to 180 days	**13,340**	15,439
181 to 360 days	**4,441**	2,928
Over 360 days	**1,203**	128
	326,525	259,352

6 BANK BORROWINGS

	30 September 2016 *$'000*	31 March 2016 *$'000*
Current portion:		
Portion of bank borrowings repayable within one year	**153,078**	331,528
Non-current portion:		
Portion of bank borrowings repayable after one year	**164,700**	60,278
Total bank borrowings	**317,778**	391,806
Representing:		
– Secured	**–**	188,005
– Unsecured	**317,778**	203,801
Total bank borrowings	**317,778**	391,806

As at 30 September 2016, all the banking facilities were unsecured. (31 March 2016: banking facilities of $188,005,000 were secured by land and buildings with an aggregate carrying value of $99,389,000, such facilities were utilised to the extent of $188,005,000.)

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet 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 2016, none of the covenants relating to the drawn down facilities had been breached.

7 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2016 *$'000*	2015 *$'000*
Rental income	**1,310**	1,203
Management fee income	**–**	97
Gain/(loss) on disposal of property, plant and equipment	**256**	(641)
Fair value gain on derivative financial instruments	**–**	12,996
Gain on disposal of available-for-sale financial assets	**–**	1,086
Realised loss on forward derivatives	**–**	(14,829)
Others	**1,493**	1,204
	3,059	1,116

8 EXPENSES BY NATURE

	For the six months ended 30 September	
	2016 *$'000*	2015 *$'000*
Depreciation of property, plant and equipment	**27,460**	41,069
Amortisation of land use rights	**236**	320
Amortisation of intangible assets	**1,844**	1,644
Employee benefit expenses (including directors' emoluments)	**186,321**	201,122

9 FINANCE COSTS, NET

	For the six months ended 30 September	
	2016	2015
	$'000	*$'000*
Finance income:		
– Interest income from bank deposits	**390**	430
– Other interest income	**202**	198
	592	628
Finance costs:		
– Interest expenses on bank borrowings wholly repayable within five years	**(7,429)**	(6,896)
– Finance charges on obligations under finance leases	**(114)**	(291)
Less: Interest expenses capitalised into properties under development	**1,760**	–
	(5,783)	(7,187)
Finance costs, net	**(5,191)**	(6,559)

10 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profit for the period for all group companies incorporated in Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group generates. The amount of tax charged to the unaudited condensed consolidated income statement represents:

	For the six months ended 30 September	
	2016	2015
	$'000	*$'000*
Current taxation:		
Hong Kong Profits Tax		
– Current period	**8,699**	9,841
Overseas taxation		
– Current period	**402**	411
Income tax expense	**9,101**	10,252

11 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	
	2016	2015
Profit attributable to equity shareholders of the Company *(in $'000)*	**76,860**	59,799
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,996,196**	1,996,196
Basic earnings per share *(HK cents)*	**3.85**	3.00

Diluted 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 after adjusting for the potential dilutive effect of the outstanding options during the period.

	For the six months ended 30 September	
	2016	2015
Profit attributable to equity shareholders of the Company *(in $'000)*	**76,860**	59,799
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,996,196**	1,996,196
Adjustments for share options *(in thousand shares)*	**4,205**	–
Weighted average number of ordinary shares for diluted earnings per share *(in thousand shares)*	**2,000,401**	1,996,196
Diluted earnings per share *(HK cents)*	**3.84**	3.00

12 DIVIDENDS

The final dividend for the year ended 31 March 2016 amounting to $54,895,000 representing HK2.75 cents per share, was paid in September 2016 (2015: $35,932,000, representing HK1.8 cents per share, was paid in September 2015).

No special dividend was proposed for the year ended 31 March 2016. (2015: $19,962,000, representing HK1.0 cent, was paid in September 2015).

The Board declared an interim dividend of HK 1.3 cents per share for the six months ended 30 September 2016 (six months ended 30 September 2015: HK 0.75 cent per share). The interim dividend amounting to $25,951,000 (six months ended 30 September 2015: $14,971,000) has not been recognised as liability in this interim financial information.

13 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 7 October 2016, an ordinary resolution was passed by way of poll at the special general meeting of the Company to approve the New Cooperation Agreement that was entered into on 1 August 2016. On 24 October 2016, the remaining investment cost of $100,000,000 was paid in accordance with the New Cooperation Agreement.

DIVIDEND

The Board declared an interim dividend of HK1.3 cents per share for the six months ended 30 September 2016 (the "Relevant Period") (for the six months ended 30 September 2015: HK0.75 cent) to eligible shareholders whose names appear on the register of members of the Company on 15 December 2016. The interim dividend will be payable in cash on or about 30 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 December 2016 to Thursday, 15 December 2016 (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 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 12 December 2016.

BUSINESS REVIEW

1. For the six months ended 30 September 2016, the revenue of the Group was HK$1,301,760,000 (for the six months ended 30 September 2015: HK$1,499,797,000), decreased by approximately 13% when compared with the corresponding period of last year. Profit attributable to the equity holders of the Company amounted to HK$76,860,000 (for the six months ended 30 September 2015: HK$59,799,000), increased by approximately 29% when compared with the corresponding period of last year. The decrease in revenue was mainly due to the decrease in sales of electronic manufacturing services ("EMS") business that has a lower gross profit contribution. Despite a decrease in revenue, profit of the Group recorded a sound growth, which was mainly due to the production efficiency improvement brought by the merging of plant and the continuous deepening of automation application, and the mitigation of production cost pressure due to Renminbi depreciation during the period. In addition, for consumer and services business, which continued its accelerated integration of its operation with unsatisfactory efficiency in the previous year, the operating loss of relevant businesses during the period decreased by 46% to HK$9,982,000 (for the six months ended 30 September 2015: HK$18,596,000) when compared with the corresponding period of last year, while the real estate business was still at its development stage and no significant profit or loss was recorded during the period.

(I) Industrial Business:

2. Revenue of the metal and plastic business for the six months ended 30 September 2016 decreased slightly by approximately 5% to HK$722,328,000 (for the six months ended 30 September 2015: HK$758,655,000) when compared with the corresponding period of last year. The slight decrease in revenue was mainly due to the drop in revenue resulting from the non-mainstream server casings products that entered into their saturation stage.

3. Revenue of the EMS business for the six months ended 30 September 2016 decreased by approximately 22% to HK$570,653,000 (for the six months ended 30 September 2015: HK$728,881,000) when compared with the corresponding period of last year, which was mainly due to (i) the significant increase in the relevant base number due to the special project orders received by point of sale system in the corresponding period of last year; (ii) the fierce competition of data storage products which caused the customers to become cautious in placing orders for magnetic tape data storages; and (iii) the strategically decrease in manufacturing the lower profit margin office automation products.

4. In the first half of 2016, without affecting production operation, the relocation of Fenggang Guanjingtou Plant was completed in full, and production lines are integrated into the Fenggang Yuquan Plant. The merging of the production lines at the plants in Guanjingtou and Yuquan made the Group's production process more concentrated and with better economies of scale, the economic effectiveness of which has already gradually emerged.

5. The main focus of industry development remains the continuous deepening of automation development. With the computer numeral controlled welding and bending robots formally put into use, coupled with the metal staking automation application, the Group's production efficiency has improved. The Group still endeavors to facilitate the progress of automation, expand its application into various production sectors to further increase production capacity and efficiency accordingly. The Group also strives to improve its overall manufacturing quality, enhances its innovative capabilities and automation production distinctively and places great emphasis on environmental protection production to improve its competitiveness, aiming at achieving the "Made in China 2025" objective.

6. In the first half of the year, despite a decrease in revenue of its industrial business when compared with the corresponding period of last year, the industrial operation profit still recorded a 5% increase when compared with the corresponding period of last year. The increase was mainly due to the production efficiency improvement brought by the deepening automation machinery application and the merging of Yuquan and Guanjingtou Plants, the effective cost control and Renminbi depreciation.

(II) Real Estate Business:

7. For the Cooperation Agreement (the "Original Agreement") in relation to a PRC development project ("PRC Development Project") entered into on 27 April 2015, the parties to the Original Agreement have all along been negotiating to amend certain terms in the Original Agreement. After taking into account of (i) the ever-changing market conditions one year after the Original Agreement was executed; and (ii) the completion of the Original Agreement is still conditional upon the fulfillment of certain conditions precedent, and in order to facilitate the cooperation, the parties have agreed to terminate the Original Agreement and enter into the New Cooperation Agreement.

   On 1 August 2016, the parties to the Original Agreement entered into the Termination Agreement to terminate the Original Agreement, and Massive Era Limited ("Massive Era") (a wholly-owned subsidiary of the Company) entered into the New Cooperation Agreement with Kar Info International Property Limited, 東莞市嘉訊通電腦產品有限公司 (the "Project Company") and Mr. Ho Cheuk Fai in relation to the PRC Development Project to be developed by the Project Company.

Pursuant to the New Cooperation Agreement, Massive Era will invest HK$140,000,000 in consideration of being entitled to a 50% of the profit to be earned from the PRC Development Project upon the completion of the PRC Development Project and expiry of the term of the cooperation. The PRC Development Project will develop a piece of land in Fenggang, Dongguan, with an area of approximately 32,000 square meters, into a residential project with a floor area of over 60,000 square meters.

The PRC Development Project has commenced its construction as planned and is expected to pre-sale in the second half of 2017. The target customers of the PRC Development Project are the population of Shenzhen, the reasons of which are: (1) the favorable geographical location of the PRC Development Project (about 40 kilometers or about 45-minute drive from the central business district of Futian District, Shenzhen), which is located in Fenggang Town, Dongguan and adjacent to Shenzhen; and (2) the sale price of residential properties in Fenggang is comparatively lower than that in Shenzhen.

The New Cooperation Agreement has completed its transaction in October 2016, the details of which can be referred to the circular of the Company published on 14 September 2016.

8. Under the agitation of the local government's urban, plant and village policy and the smooth relocation of Guanjingtou Plant, the demolition works of Guanjingtou Plant have commenced and it is expected for the Group to commence construction in 2017 for developing into a residential project with a floor area of over 120,000 square meters. The project is progressing well as scheduled.

(III) Consumer and Services Business:

9. After an effective integration, the "Fullhouse World" Brand is now operating a chain restaurant with flexibility and small scale, supplying food from central kitchen, and selling in-house designed household products and experiential customized gifts from its Fullhouse World, which is not only of its unique style but can also reduce the number of staff and avoid expensive rent. The first Fullhouse Kitchen restaurant located at Discovery Park, Tsuen Wan, Hong Kong is now in operation and the second branch in Whampoa was also opened in August 2016. In addition, the Fullhouse Egglet, selling Hong Kong style egglets as its principal products, opened its first specialty shop in Malaysia. Apart from its original flavor, it also introduces widely accepted innovative new taste and becomes a very popular egglets shops in Selangor, Malaysia.

   As the competition of food and beverages business is very intense, having its own unique style is essential if one wants to excel and fulfill customer needs. With its own brand, coupled with selling its creative design products, including experiential laser products, the Fullhouse Kitchen restaurant enables its customers to deeply experience the unique restaurant style of "life savour, individual characteristic". The central kitchen will also make a series of food, such as Fullhouse cookies, packaged with the in-house produced creative containers from its Fullhouse World. This kind of specialty food will bring in a new sales model. Besides, complementing with the benefits provided by the dream hotels, mini dream paradises and theme parks under the theme of "Fullhouse World" of other important strategic partners, it is expected to achieve win-win results in brand promotion and the growth of marketing.

PROSPECTS

1. The continuous deepening of automation progress is still the fundamental strategy of the Group's industrial business. The Group hopes to enhance the automation of assembly process in the second half year. Besides, the Group will also continue to rationalize the workforce to improve efficiency and strengthen cost control. Salaries costs will be controlled effectively through organic resignations, appropriate deployment and training.

2. For the new generation of server casing project 2017-2020 cycle, the Group has substantially completed the moulds production and testing phase. A new generation of server casing project is expected to commence mass production in the second half year of 2017. The marketing department is proactively exploring new customers, including those large-leading technology enterprises in the PRC. The research and development department also carries out product development in different sectors to broaden product categories and income stream of the Group.

3. Apart from the development in industrial business, the Group will continue the development of the following businesses in the second half year:

   (i) On 17 October 2016, 東莞市嘉灝實業有限公司, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreements to acquire 47 residential units (formerly used as service apartments) situated at 東莞市鳳崗鎮大龍工業區嘉輝豪庭B區, with an aggregate floor area of approximately 3,683.42 square meters, at the aggregate consideration of RMB36,834,200;

   The Group is optimistic about the prospects of the residential property market in Fenggang, Dongguan, which is adjacent to Shenzhen, and of the view that such acquisition provides the Group with good opportunity to invest in the residential properties in Fenggang, Dongguan. As the properties have already been used as service apartments for over 10 years, after the acquisition, the Group will refurbish the properties before considering selling or leasing them, depending on the then market conditions;

   (ii) In terms of PRC Development Project and Fenggang Guanjingtou residential renovation project, the Group has carried out relevant works as scheduled and will closely monitor the progress, with a view to completing these two real estate projects on time. The PRC Development Project is expected to commence its first pre-sale in the second half year of 2017;

   (iii) With regard to the land parcel of over 20,000 square meters of Fenggang Yantian Plant, Dongguan in which the production is suspended, the Group has communicated with the relevant local authorities about its plan to change the land use for residential projects development purposes and it has preliminarily obtained a consensus. The Group will continue to have active communication with the relevant authorities to reach an agreement as soon as possible;

(iv) As the "Fullhouse World" business is led by flexible and small business models, except for continuously identifying the suitable places for opening a Fullhouse Kitchen restaurant, the Group will also open egglet shops in Hong Kong in the name of Fullhouse Egglet. The first egglet shop had been opened in Metro City Plaza I, Tseung Kwan O in early November, 2016. In addition, Penang Queensbay Mall Outlet and Kuala Lumpur Airport Outlet in Malaysia had been opened respectively in early November and late November of 2016. The unique small chain restaurant sells the characteristic products and the "Fullhouse World" brand will build stronger brand image more effectively. In the future, the "Fullhouse World" business plans to open franchise shops by ways of joint venture or franchised operation to expand the characteristic restaurant and product business.

Conclusion

This year is the twentieth anniversary of the Company since its successful listing on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). At present, the business has spread across the industrial business, consumer and service business and real estate, and the industrial business remains the backbone of the Group's business. The Group believes that the diversified business needs to support each other so as to enable each business to generate synergistic effect, whereby making Karrie to become a stronger integrated corporate and create greater values for shareholders.

Liquidity resources and financing policies

The unaudited net bank borrowing amounted to HK$78,468,000, with the net bank borrowing ratio at approximately 8% (the unaudited net bank borrowing ratio was approximately 26% as at 30 September 2015) whereas the ratio of non-current assets to shareholders' capital was approximately 88%. Hence, the management considers the Group's financial position is healthy.

The interest bearing borrowings were HK$320,547,000. The cash in hand and the bank balances amounted to HK$242,079,000 with unutilised banking facilities of HK$974,704,000 in total. The Company is confident that these are sufficient to meet the funding needs for the current and future operation and those for the investments 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 cost. To mitigate the impact of exchange rate fluctuation of the RMB on its business, if necessary, the Group will actively communicate with its customers in order to adjust the selling prices of its products and use foreign exchange forward contracts to hedge against foreign currency risk.

CONTINGENT LIABILITY

As at 30 September 2016, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had dropped from approximately 4,500 at the end of the same period of last year to approximately 4,200 at the end of the Relevant Period. 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, the Group still adopts ”human” approach to manage and care for its 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. The Group works 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 Company’s audited business performance and by the appraisal and reward system. Other employee benefits include medical insurance, “housing subsidy scheme” 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 Relevant Period.

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on 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 reviewing and supervising the Company’s financial reporting process 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 appointed as Non-executive Director and Deputy Chairman on 1 May 2011 without a specific term. Mr. Ho Kai Man was re-designated as the non-executive Director on 1 November 2012 without a specific term. Although Mr. Ho Cheuk Ming and Mr. Ho Kai Man are not appointed for a specific term, they are subject to retirement by rotation according to the Bye-laws of the Company.

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

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

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

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 Mr. Ho Cheuk Fai, Ms. Chan Ming Mui, Silvia, Mr. Zhao Kai and Mr. Chan Raymond; the non-executive Directors are Mr. Ho Cheuk Ming and Mr. Ho Kai Man; the independent non-executive Directors are Mr. So Wai Chun, Mr. Fong Hoi Shing and Mr. Yam Chung Shing.

By order of the Board
Karrie International Holdings Limited
HO CHEUK FAI
Chairman

Hong Kong, 28 November 2016

* *For identification purposes only*