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 2017

	For the six months ended 30 September		
	2017	2016	*Changes*
Revenue *(HK$'000)*	**1,447,940**	1,301,760	+11%
Profit attributable to equity shareholders *(HK$'000)*	**81,168**	76,860	+6%
Basic earnings per share *(HK cents)*	**4.07**	3.85	+6%
Interim dividend per share *(HK cents)*	**1.60**	1.30	+23%

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 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

(Expressed in Hong Kong dollars)

	Note	30 September 2017 *$'000*	31 March 2017 *$'000*
ASSETS			
Non-current assets			
Land use rights		**16,899**	17,135
Property, plant and equipment		**456,942**	439,017
Investment properties		**312,530**	301,710
Intangible assets		**23,486**	24,760
Investments in associates		**15,191**	14,136
Available-for-sale financial assets		**18,799**	18,597
Other non-current assets	*4*	**49,605**	36,676
Deferred tax assets		**10,119**	1,524
		903,571	853,555
Current assets			
Inventories		**451,170**	384,883
Property development		**545,785**	479,811
Trade and bills receivables	*4*	**382,987**	321,113
Prepayments, deposits and other receivables	*4*	**47,437**	80,078
Current tax recoverable		**2,396**	1,701
Cash and bank deposits		**172,484**	215,363
		1,602,259	1,482,949
Total assets		**2,505,830**	2,336,504
EQUITY			
Capital and reserves attributable to the equity shareholders of the Company			
Share capital		**199,623**	199,620
Other reserves		**239,459**	212,604
Retained earnings		**636,601**	666,279
		1,075,683	1,078,503
Non-controlling interests		**(1,882)**	(1,750)
Total equity		**1,073,801**	1,076,753

	Note	30 September 2017 $'000	31 March 2017 $'000
LIABILITIES			
Current liabilities			
Trade payables	*5*	**283,324**	230,309
Accruals and other payables		**363,202**	315,565
Receipts in advance		**24,990**	35,191
Bank borrowings	*6*	**112,400**	50,333
Obligation under finance lease		**15**	17
Amount due to an associate		**3,691**	2,992
Amount due to a related company		**99,469**	65,067
Current tax payable		**72,346**	55,402
		959,437	754,876
Non-current liabilities			
Bank borrowings	*6*	**457,400**	489,467
Obligation under finance lease		**91**	111
Provision for long service payments		**5,429**	5,642
Deferred tax liabilities		**9,672**	9,655
		472,592	504,875
Total liabilities		**1,432,029**	1,259,751
Total equity and liabilities		**2,505,830**	2,336,504
Net current assets		**642,822**	728,073
Total assets less current liabilities		**1,546,393**	1,581,628

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2017

		For the six months ended 30 September	
		2017	2016
	Note	***$'000***	*$'000*
Revenue	*3*	**1,447,940**	1,301,760
Cost of sales		**(1,261,642)**	(1,136,047)
Gross profit		**186,298**	165,713
Distribution and selling expenses		**(15,603)**	(11,007)
General and administrative expenses		**(72,844)**	(66,713)
Other income and gains	*7*	**4,232**	3,059
Operating profit		**102,083**	91,052
Finance income		**679**	592
Finance costs		**(6,237)**	(5,783)
Finance costs, net	*9*	**(5,558)**	(5,191)
Share of profits of associates		**545**	65
Profit before taxation		**97,070**	85,926
Income tax	*10*	**(16,034)**	(9,101)
Profit for the period		**81,036**	76,825
Attributable to:			
Equity shareholders of the Company		**81,168**	76,860
Non-controlling interests		**(132)**	(35)
Profit for the period		**81,036**	76,825
Earnings per share of profit attributable to equity shareholders of the Company			
– Basic *(HK cents)*	*11*	**4.07**	3.85
– Diluted *(HK cents)*	*11*	**4.04**	3.84

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

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017	2016
	$'000	*$'000*
Profit for the period	**81,036**	76,825
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations, net of $Nil tax	**20,479**	(12,061)
Other comprehensive income for the period	**20,479**	(12,061)
Total comprehensive income for the period	**101,515**	64,764
Attributable to:		
Equity shareholders of the Company	**101,647**	64,799
Non-controlling interests	**(132)**	(35)
Total comprehensive income for the period	**101,515**	64,764

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 2017 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 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 2017, 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 2017, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2018. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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 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 2017 are as follows:

	For the six months ended 30 September 2017				
	Metal and plastic business	**Electronic manufacturing services business**	**Consumer and services business**	**Real estate business**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Segment revenues					
Reportable segment revenue	**778,353**	**641,012**	**12,094**	**39,453**	**1,470,912**
Inter-segment revenue	**(22,972)**	**–**	**–**	**–**	**(22,972)**
Revenue from external customers	**755,381**	**641,012**	**12,094**	**39,453**	**1,447,940**
Gross profit/(loss)	**146,319**	**35,490**	**(10,583)**	**15,072**	**186,298**
Distribution and selling expenses and general and administrative expenses	**(60,142)**	**(14,168)**	**(5,076)**	**(9,061)**	**(88,447)**
Other income and gains	**2,623**	**796**	**–**	**813**	**4,232**
Operating profit/(loss)	**88,800**	**22,118**	**(15,659)**	**6,824**	**102,083**

	For the six months ended 30 September 2016				
	Metal and plastic business	Electronic manufacturing services business	Consumer and services business	Real estate business	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'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

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

	For the six months ended 30 September	
	2017	2016
	$'000	*$'000*
Operating profit	**102,083**	91,052
Finance income	**679**	592
Finance costs	**(6,237)**	(5,783)
Share of profits of associates	**545**	65
Profit before taxation	**97,070**	85,926

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

	30 September 2017	31 March 2017
	$'000	*$'000*
Trade and bills receivables	**387,008**	325,134
Other receivables	**44,817**	46,965
	431,825	372,099
Less: Allowance for impairment of trade, bills and other receivables	**(4,021)**	(4,021)
	427,804	368,078
Prepayments	**10,224**	14,479
Deposits	**42,001**	55,310
	480,029	437,867
Less: Other non-current assets *(Note)*	**(49,605)**	(36,676)
	430,424	401,191
Representing:		
Trade and bills receivables, net of allowance	**382,987**	321,113
Prepayments, deposits and other receivables, net of allowance	**47,437**	80,078
	430,424	401,191

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounting to approximately $29,247,000 (31 March 2017: $17,014,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately $20,358,000 (31 March 2017: $19,662,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the PRC in 2010.

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 2017 *$'000*	31 March 2017 *$'000*
0 to 90 days	**405,985**	333,045
91 to 180 days	**22,515**	31,687
181 to 360 days	**52**	4,196
Over 360 days	**3,273**	3,171
	431,825	372,099

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 2017 *$'000*	31 March 2017 *$'000*
0 to 90 days	**273,596**	220,017
91 to 180 days	**6,627**	9,216
181 to 360 days	**1,976**	276
Over 360 days	**1,125**	800
	283,324	230,309

6 BANK BORROWINGS

	30 September 2017 *$'000*	31 March 2017 *$'000*
Current portion:		
Portion of bank borrowings repayable within one year	**112,400**	50,333
Non-current portion:		
Portion of bank borrowings repayable after one year	**457,400**	489,467
Total bank borrowings	**569,800**	539,800
Representing:		
– Secured	**100,000**	100,000
– Unsecured	**469,800**	439,800
Total bank borrowings	**569,800**	539,800

As at 30 September 2017 and 31 March 2017, banking facilities of $240,000,000 were secured by the share capital of two wholly-owned subsidiaries of the Company, Castfast Industrial (Yan Tien) Limited and 東莞嘉創房地產開發有限公司, such facilities were utilised to the extent of $100,000,000.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position 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 2017, 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	
	2017	2016
	$'000	*$'000*
Rental income	**1,299**	1,310
Gain on disposal of property, plant and equipment	**2,869**	256
Others	**64**	1,493
	4,232	3,059

8 EXPENSES BY NATURE

	For the six months ended 30 September	
	2017	2016
	$'000	*$'000*
Depreciation of property, plant and equipment	**26,017**	27,460
Amortisation of land use rights	**236**	236
Amortisation of intangible assets	**1,843**	1,844
Employee benefit expenses (including directors' emoluments)	**195,923**	186,321

9 FINANCE COSTS, NET

	For the six months ended 30 September	
	2017	2016
	$'000	*$'000*
Finance income:		
– Interest income from bank deposits	**477**	390
– Other interest income	**202**	202
	679	592
Finance costs:		
– Interest expenses on bank borrowings wholly repayable within five years	**(11,499)**	(7,429)
– Finance charges on obligations under finance leases	**(4)**	(114)
Less: Interest expenses capitalised into properties under development for sale	**5,266**	1,760
	(6,237)	(5,783)
Finance costs, net	**(5,558)**	(5,191)

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 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	
	2017	2016
	$'000	*$'000*
Current taxation		
Hong Kong Profits Tax		
– Current period	**9,647**	8,699
Overseas taxation		
– Current period	**14,981**	402
Deferred taxation	**(8,594)**	–
Income tax	**16,034**	9,101

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.

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	
	2017	2016
Profit attributable to equity shareholders of the Company *($'000)*	**81,168**	76,860
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,994,189**	1,996,196
Effect of outstanding share options *(in thousand shares)*	**14,308**	4,205
Weighted average number of ordinary shares (diluted) in issue *(in thousand shares)*	**2,008,497**	2,000,401
Basic earnings per share *(HK cents per share)*	**4.07**	3.85
Diluted earnings per share *(HK cents per share)*	**4.04**	3.84

12 DIVIDENDS

The final dividend for the year ended 31 March 2017 amounting to $83,841,000 representing HK4.2 cents per share, was paid in September 2017 (2016: $54,895,000, representing HK2.75 cents per share, was paid in September 2016).

The special dividend for the year ended 31 March 2017 amounting to $19,962,000 representing HK1.0 cent per share, was paid in September 2017 (2016: Nil).

The Board declared an interim dividend of HK1.6 cents per share for the six months ended 30 September 2017 (six months ended 30 September 2016: HK1.3 cents per share). The interim dividend amounting to $31,940,000 (six months ended 30 September 2016: $25,951,000) has not been recognised as liability in this interim financial information.

DIVIDEND

The Board declared an interim dividend of HK1.6 cents per share for the six months ended 30 September 2017 (the "Period") (for the six months ended 30 September 2016: HK1.3 cents) to eligible shareholders whose names appear on the register of members of the Company on 14 December 2017. The interim dividend will be payable in cash on or about 29 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 December 2017 to Thursday, 14 December 2017 (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 Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 December 2017.

BUSINESS REVIEW

For the six months ended 30 September 2017, the revenue of the Group was HK$1,447,940,000 (for the six months ended 30 September 2016: HK$1,301,760,000), which increased by approximately 11% when compared with the corresponding period of last year. Profit attributable to the equity shareholders of the Company amounted to HK$81,168,000 (for the six months ended 30 September 2016: HK$76,860,000), which increased by approximately 6% when compared with the corresponding period of last year.

(I) Industrial Business – Metal and Plastic and Electronic Manufacturing Services:

1. Revenue of the overall industrial business for the six months ended 30 September 2017 increased by approximately 8% to HK$1,396,393,000 when compared with the corresponding period of last year (for the six months ended 30 September 2016: HK$1,292,981,000). Overall operating profit of the industrial business for the six months ended 30 September 2017 increased by approximately 9% to HK$110,918,000 when compared with the corresponding period of last year (for the six months ended 30 September 2016: HK$101,740,000).

2. Revenue of the metal and plastic business for the six months ended 30 September 2017 increased by approximately 5% to HK$755,381,000 when compared with the corresponding period of last year (for the six months ended 30 September 2016: HK$722,328,000). The increase in revenue was mainly due to the continuing upward momentum of sales resulting from the gradual increase in the shipment of the new generation of server chassis products for which we commenced shipment during the Period.

3. Revenue of the electronic manufacturing services business for the six months ended 30 September 2017 increased by approximately 12% to HK$641,012,000 when compared with the corresponding period of last year (for the six months ended 30 September 2016: HK$570,653,000), which was mainly due to the growing market demand for products and the continuing increase in market share of customers.

4. Since the plant integration, the Group has improved the effectiveness of its production equipment and reduced the time required for solving engineering problems. Operating efficiency has been improved as a result of shortening the time required for moulds fabrication and reduction of mould repair frequency, which has saved both working hours and manpower.

5. With our efforts in deepening our automation initiatives, the Group succeeded in the full implementation of automated production in the riveting and staking process. Meanwhile, the successful application of robotic welding solved the problem of shortage of welding personnel. Automation and integration were also achieved in degating with plastic injection and secondary processes such as nailing and pad printing. Besides, automation also enables timely delivery of production data, contributing to the resilience of each department towards production issues, which ensures a more efficient coordination among departments to handle such issues and achieve real-time quality management. By deepening of our automation initiatives, operating costs can be saved and product quality can be enhanced in an effective manner.

6. The Group strived to expand its product research and development, and successfully developed a series of product technologies, which significantly strengthened our capability to deal with the production of various parts, and thus broadened our business scope.

7. The Group continued to expand its market reach to renowned technological enterprises, of which one of the major target renowned technological enterprises is conducting the final review in relation to including the Group as its recognized supplier.

8. During the Period, the industrial business continued to maintain a stable growth momentum with an increase in both revenue and operating profit, which was due to the plant integration, sustained deepening of automated production and continuous product research and development, along with the Group's focus on building a team of talents, real-time quality management as well as market expansion. The Group should focus on the industrial business to further consolidate its business foundation.

(II) Real Estate Business:

9. The real estate business recorded a revenue of approximately HK$39,453,000 for the Period (for the six months ended 30 September 2016: Nil), which was mainly attributable to the recognition of some of the sold units situated at 嘉輝豪庭B區. Subject to the completion of relevant procedures, revenue from the remaining sold units will be recognized in the current fiscal year. As other real estate projects of the Group were still under development, such projects have yet to make contributions to the Group's operating revenue.

10. The new cooperation agreement development project entered into with connected parties has obtained commodity property pre-sale permit (商品房預售許可證) in October 2017 and the first round of over 200 units has been launched for pre-sale. As at mid-November 2017, approximately over 160 units were subscribed pre-sales for this project with an average selling price of approximately RMB24,000 per square meter.

11. The Guanjingtou Plant modification project (官井頭舊廠房改造項目), which is wholly owned by the Group, is conducting foundation pit work and made good progress. The pre-sale is expected to commence in the second half of 2018.

12. The Huizhou Boluo County project (惠州博羅縣項目) is expected to commence construction in the first half of 2018 and the Yantian Plant modification project (雁田廠房改造項目) was still under active negotiation.

(III) Consumer and Services Business:

13. The consumer and services business, which operates under a flexible and small shop model, sets up delightful family restaurants by selling a variety of light meals, distinctive gifts and durable household products. Riding on the strengths of our strategic partners, it has successfully promoted the brand "Fullhouse World". For the six months ended 30 September 2017, operating loss increased to HK$15,659,000 when compared with the corresponding period of last year (for the six months ended 30 September 2016: HK$9,982,000), which was mainly due to the rapid change of and the exceptionally fierce competition in the industry. The business model of the consumer and services business is still subject to continuous integration and adjustment so as to adapt to the changing market.

PROSPECTS

1. Given the gradual launch of the new generation of servers and the additional new orders for non-mainstream server chassis secured during the Period, coupled with the growing demand for magnetic tape data storages and vending machines, the industrial business of the Group will be able to maintain a stable growth momentum.

2. The Group currently has no plan to construct new plants, and will continue to focus on improving the plant distribution of its business units to shorten the distance of transporting materials in the future. Besides, the Group will continue to implement automated production. By completing the implementation of fully automated parts manufacturing, the Group will fully implement the MES (Manufacturing Execution System) to achieve real-time production and quality management, as well as automatic and timely data reporting, which can effectively improve production efficiency and save manpower. In future, more attention will be paid to the automation in flexible assembly, which will represent a big step towards intelligent production.

3. The Group also actively engages in the research and development of new technologies and new products to broaden its business scope. The Group will set up and promote sub-unit level management teams for each of its businesses in its plants to enhance production efficiency.

4. The Group's future scope should also include promoting the use of professional logistics management system software and personnel management system software by integrating such software with the ERP (Enterprise Resource Planning) system to achieve digital and timely intelligent management. By saving auxiliary manpower and improving problem solving speed, operational risks can also be reduced.

5. The PRC government has been cooling down the overheating real estate market to ensure the continuing healthy development of the market. In this connection, local governments in the PRC have introduced certain home purchase restrictions, including the "purchase restriction order" and the "price restrictions order". Meanwhile, restrictions have also been imposed on home buyers. As a result, the growth of housing prices in the PRC has slowed down and become mild. However, the real estate projects of the Group are mainly generated from the "urban renewal" policy of the government. Such projects demonstrate significant development potential as the relevant land premiums are low and such projects are close to Shenzhen and located within the development zone of the Guangdong-Hong Kong-Macao Greater Bay Area. These real estate projects have been gradually completed as scheduled and proceeded to the sale stage. The sales results of these projects will gradually be reflected in the accounts of the Group and will bring substantial revenue to the Group. Therefore, in view of the stable and healthy development of the real estate market in the PRC, the Group is cautiously optimistic about its real estate business.

6. For the consumer and services business, the Group will continue to accelerate its integration and adjustment and step up its efforts to adjust operating costs so as to reduce the loss.

CONCLUSION

With regard to the industrial business, although there was a keen competition in the market, the situation of our customers and the sales of products remained stable, which contributed to a steady growth in revenue. This was mainly due to the solid customer base as well as the Group's advantages in terms of management and operation. The Group is still making its best efforts to reinforce the existing foundation of its core industrial business and committed to achieving a growth with solid steps. As for the real estate business, the Group has an optimistic view towards the segment as the business has been on the right track of rapid growth and started generating revenue. Regarding the consumer and services business, the Group still has to step up its efforts to accelerate its consolidation and improve its overall business model.

LIQUIDITY RESOURCES AND FINANCING POLICIES

The unaudited net bank borrowing amounted to HK$397,422,000, with the net bank borrowing ratio at approximately 37% (the unaudited net bank borrowing ratio was approximately 8% as at 30 September 2016) whereas the ratio of non-current assets to shareholders' capital was approximately 84%. Hence, the management considers the Group's financial position is healthy.

The interest bearing borrowings were HK$569,906,000. The cash in hand and the bank balances amounted to HK$172,484,000 with unutilised banking facilities of HK$931,553,000 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 production 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 may use foreign exchange forward contracts to hedge against foreign currency risk (if and when necessary).

CONTINGENT LIABILITY

As at 30 September 2017, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had dropped from approximately 4,200 at the end of the same period of last year to approximately 3,900 at the end of the Period. With a strong reputation in the local community, the Group had not experienced any major difficulties in recruiting employees.

Employee remuneration packages are determined in accordance with prevailing market standards 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 the appraisal and reward system. Other employee benefits include medical insurance and mandatory provident fund.

In addition, to cope with domestic development in the PRC and the actual need for talent-retaining, the Group establishes a "Cooperative Home & Car Ownership Scheme" to encourage and finance potential elites in buying a flat and a car as a means to retain talents who may otherwise be lost in the competitive labour market.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2017, the Company repurchased its 5,172,000 listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 September 2017 are summarised as follows:

Date of repurchases	Number of shares repurchased	Highest price per share *(HK$)*	Lowest price per share *(HK$)*	Aggregate consideration paid *(HK$)*
7 April 2017	120,000	0.97	0.96	115,900
12 April 2017	110,000	1.04	1.04	114,400
26 May 2017	3,836,000	1.26	1.18	4,658,400
9 August 2017	1,106,000	1.16	1.15	1,279,220
Total	**5,172,000**			**6,167,920**

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 of the Company (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 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 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 industrial business, as well as in real estate and culture related industries. At the same time, Mr. Ho has the appropriate management skills and business acumen that are necessary and 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 allow the Group to be more effective and efficient in developing long-term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and both roles should continue to be performed by Mr. Ho.

- According to Code Provision A.4.1 of 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 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 (the "Bye-laws").

- Moreover, Code Provision A.4.2 of 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 Bye-laws, at each annual general meeting, 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 Bye-laws, the Chairman of the 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 in 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 Company 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 the 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 in accordance with the board diversity policy adopted by the Company (the "Policy") annually; considering the re-appointment of Directors; and evaluating the Policy as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid the 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 re-appointment. As such, the Board is of the view that the members of the Board possess the necessary 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 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 Period.

PUBLICATION OF INTERIM RESULTS 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.

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

Hong Kong, 27 November 2017

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.

* *For identification purposes only*