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 2023

	For the six months ended 30 September		
	2023	2022 (Restated)	Change
Revenue *(HK$'000)*	**1,439,788**	1,645,666	–13%
Profit attributable to equity shareholders *(HK$'000)*			
— Continuing operations	**73,455**	92,542	–21%
— Discontinued operations	**—**	166,947	N/A
Basic earnings per share *(HK cents)*			
— Continuing operations	**3.6**	4.6	–22%
— Discontinued operations	**—**	8.3	N/A
Interim dividend per share *(HK cents)*	**1.5**	4.0#	–63%

\# *Included Discontinued Operations*

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 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023
(Expressed in Hong Kong dollars)

	Note	30 September 2023 $'000	31 March 2023 $'000
ASSETS			
Non-current assets			
Property, plant and equipment		**669,681**	670,648
Investment properties		**262,599**	281,865
Intangible assets		**2,785**	3,287
Investments in associates		**79,889**	82,810
Other financial assets		**19,223**	13,067
Other non-current assets	4	**50,859**	91,842
Deferred tax assets		**8,502**	8,951
		1,093,538	1,152,470
Current assets			
Inventories		**489,876**	633,168
Trade and bills receivables	4	**717,340**	558,114
Prepayments, deposits and other receivables	4	**44,156**	39,894
Amounts due from related companies		**3,024**	2,628
Current tax recoverable		**5,061**	5,060
Cash and bank deposits		**218,715**	159,445
		1,478,172	1,398,309
Total assets		**2,571,710**	2,550,779
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**202,146**	202,146
Other reserves		**183,236**	244,285
Retained earnings		**533,464**	490,331
Total equity		**918,846**	936,762

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2023
(Expressed in Hong Kong dollars)

	Note	**30 September 2023** **$'000**	31 March 2023 $'000
LIABILITIES			
Current liabilities			
Trade payables	5	**374,215**	350,212
Accruals and other payables		**476,783**	481,179
Bank borrowings	6	**583,813**	422,372
Lease liabilities		**5,653**	6,611
Amount due to an associate		**4,248**	3,895
Amounts due to related companies		**3,654**	3,848
Current tax payable		**106,601**	109,583
		1,554,967	1,377,700
Non-current liabilities			
Bank borrowings	6	**94,621**	230,000
Lease liabilities		**210**	3,126
Provision for long service payments		**782**	782
Deferred tax liabilities		**2,284**	2,409
		97,897	236,317
Total liabilities		**1,652,864**	1,614,017
Total equity and liabilities		**2,571,710**	2,550,779
Net current (liabilities)/assets		**(76,795)**	20,609
Total assets less current liabilities		**1,016,743**	1,173,079

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
		2023	2022 (Restated)
	Note	***$'000***	*$'000*
CONTINUING OPERATIONS			
Revenue	*3*	**1,439,788**	1,645,666
Cost of revenue		**(1,273,239)**	(1,479,866)
Gross profit		**166,549**	165,800
Distribution and selling expenses		**(11,029)**	(17,230)
General and administrative expenses		**(55,988)**	(47,193)
Other income/gains	*8*	**3,454**	6,839
Operating profit		**102,986**	108,216
Finance income		**1,403**	720
Finance costs		**(21,553)**	(14,767)
Finance costs, net	*10*	**(20,150)**	(14,047)
Share of (losses)/profits of an associates		**(1,518)**	104
Profit before taxation		**81,318**	94,273
Income tax	*11*	**(7,863)**	(1,731)
Profit for the period from continuing operations		**73,455**	92,542
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	*7*	**—**	166,947
Profit for the period		**73,455**	259,489

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
		2023	2022 (Restated)
	Note	***$'000***	*$'000*
Profit for the period attributable to equity shareholders of the Company arises from:	*12*		
— Continuing operations		**73,455**	92,542
— Discontinued operations		**—**	166,947
		73,455	259,489
Earnings per share from continuing operations and discontinued operations attributable to equity shareholders of the Company			
Basic earnings per share *(HK cents)*	*12*		
— Continuing operations		**3.6**	4.6
— Discontinued operations		**—**	8.3
		3.6	12.9
Diluted earnings per share *(HK cents)*	*12*		
— Continuing operations		**3.6**	4.6
— Discontinued operations		**—**	8.3
		3.6	12.9

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

For the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

	For the six months ended 30 September	
	2023	2022 (Restated)
	$'000	*$'000*
Profit for the period	**73,455**	259,489
Other comprehensive income for the period:		
Item that will not be reclassified to profit or loss:		
Changes in fair value of other financial assets	**—**	1,084
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	**(61,105)**	(199,981)
Changes in fair value of other financial assets	**56**	14
Other comprehensive income for the period	**(61,049)**	(198,883)
Total comprehensive income for the period	**12,406**	60,606
Total comprehensive income for the period attributable to equity shareholders of the Company arises from		
— Continuing operations	**12,406**	(2,987)
— Discontinued operations	**—**	63,593
	12,406	60,606

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report for the six months ended 30 September 2023 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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim financial report is unaudited but has been reviewed by the Group's audit committee.

This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2024. Details of the changes in accounting policies are set out in note 2.

As at 30 September 2023, the Group had net current liabilities of $76,795,000, total bank borrowings of $678,434,000 and capital commitments of $48,229,000; while its cash and cash equivalents amounted to $218,715,000.

In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection for the next twelve months from the end of the reporting period, including the Group's unutilized banking facilities related to unsecured bank borrowings of $645,151,000, the Group's ability to renew or refinance banking facilities upon maturity, and its ability to adjust scheduled capital commitments, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, Insurance contracts

- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

- Amendments to HKAS 12, Income taxes: International tax reform — Pillar Two model rules

None of the developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this interim report.

The Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

3 SEGMENT REPORTING

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 two (for the six months ended 30 September 2022: two) major operating segments. They are metal and plastic business and electronic manufacturing 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 and electronic manufacturing services business. In addition, there is further evaluation on a geographic basis (Japan, Hong Kong, Mainland China, Asia (excluding Japan, Hong Kong and Mainland China), 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 interim financial report.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

The segment results for the six months ended 30 September 2023 are as follows:

Continuing operations

	For the six months ended 30 September 2023		
	Metal and plastic business	**Electronic manufacturing services business**	**Total**
	$'000	*$'000*	*$'000*
Segment revenue			
Revenue from external customers	**837,141**	**602,647**	**1,439,788**
Inter-segment revenue	**12,316**	**—**	**12,316**
Reportable segment revenue	**849,457**	**602,647**	**1,452,104**
Gross profit	**145,129**	**21,420**	**166,549**
Distribution and selling expenses and general and administrative expenses	**(60,988)**	**(6,029)**	**(67,017)**
Other income/gains	**3,208**	**246**	**3,454**
Operating profit	**87,349**	**15,637**	**102,986**

The segment results for the six months ended 30 September 2022 are as follows:

Continuing operations

	For the six months ended 30 September 2022 (Restated)		
	Metal and plastic business	Electronic manufacturing services business	Total
	$'000	*$'000*	*$'000*
Segment revenue			
Revenue from external customers	1,022,699	622,967	1,645,666
Inter-segment revenue	17,140	—	17,140
Reportable segment revenue	1,039,839	622,967	1,662,806
Gross profit	150,986	14,814	165,800
Distribution and selling expenses and general and administrative expenses	(59,104)	(5,319)	(64,423)
Other income/gains	6,328	511	6,839
Operating profit	98,210	10,006	108,216

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

	For the six months ended 30 September	
	2023	2022 (Restated)
	$'000	*$'000*
Operating profit from continuing operations	**102,986**	108,216
Finance income	**1,403**	720
Finance costs	**(21,553)**	(14,767)
Share of (losses)/profits of associates	**(1,518)**	104
Profit before taxation from continuing operations	**81,318**	94,273

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

	30 September 2023	31 March 2023
	$'000	*$'000*
Trade and bills receivables	**719,988**	560,793
Less: Loss allowance for trade and bills receivables	**(2,648)**	(2,679)
	717,340	558,114
Prepayments, deposits and other receivables	**95,015**	131,736
	812,355	689,850
Less: Other non-current assets *(Note)*	**(50,859)**	(91,842)
	761,496	598,008
Representing:		
Trade and bills receivables, net of allowance	**717,340**	558,114
Prepayments, deposits and other receivables	**44,156**	39,894
	761,496	598,008
Other non-current assets	**50,859**	91,842

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to $50,859,000 (31 March 2023: $91,842,000)

The Group generally grants credit periods ranging from 30 to 90 days, except for four (31 March 2023: four) of the customers who is granted a credit period over 90 days. An ageing analysis of trade, bills and other receivables, based on invoice date, is as follows:

	30 September 2023	31 March 2023
	$'000	*$'000*
0 to 90 days	**652,700**	538,647
91 to 180 days	**63,126**	19,430
181 to 360 days	**4,039**	2,520
Over 360 days	**123**	196
	719,988	560,793

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 2023	31 March 2023
	$'000	*$'000*
0 to 90 days	**344,026**	318,066
91 to 180 days	**27,103**	28,540
181 to 360 days	**2,647**	2,501
Over 360 days	**439**	1,105
	374,215	350,212

6 BANK BORROWINGS

	30 September 2023 *$'000*	31 March 2023 *$'000*
Portion of bank borrowings repayable within one year or are subject to repayment on demand clauses and classified as current liabilities	**583,813**	422,372
Portion of bank borrowings repayable after one year and classified as non-current liabilities		
After 1 year but within 2 years	**60,303**	230,000
After 2 years but within 5 years	**34,318**	—
	94,621	230,000
Total bank borrowings	**678,434**	652,372
Representing:		
Unsecured	**678,434**	652,372

The Group's certain banking facilities are subject to the fulfilment of covenants relating to the Group's statement of financial position ratios. If the Group were to breach these covenants, the drawn down facilities would become payable on demand. Due to the spin-off of KRP Group (see note 7), as at 30 September 2023, the financial covenant related to net tangible asset balance or the ratio of consolidated EBITDA to the consolidated interest expenses in the bank borrowing amounted to $540,046,000 (31 March 2023: $406,000,000) had been breached. The Group obtained waivers by end of reporting period from the lenders and each of the lenders acknowledged the breach in the results of the Group for the reporting period. As at the date of this report, the lenders have not made any demand for immediate repayment of the loans under the banking facilities and have granted waivers of the breach for the Reporting Period.

Among these, of which $65,455,000 (31 March 2023: $205,000,000) has original contractual maturity of more than 12 months. A waiver has been obtained from the lender and agreed to provide a period of grace after the reporting period, within which the Group can rectify the breach and during which the lenders cannot demand immediate repayment. Therefore, these liabilities of $65,455,000 (31 March 2023:$140,000,000) are classified as non-current as at period/year end. As of 31 March 2023, $65,000,000 became payable on demand as a result of non-fulfilment of covenants due to the spin off had been reclassified from non-current liabilities to current liabilities, $nil identified as of 30 September 2023.

7 DISCONTINUED OPERATIONS

KRP Development Holdings Limited (the "**KRP**") and its subsidiaries (collectively referred to as "**KRP Group**") ceased to be subsidiaries of the Company upon the distribution of KRP's shares to the owners of the Company on 23 March 2023 by way of distribution in specie (the "**Spin-off**"). Upon completion of the distribution in specie, KRP has become a fellow subsidiary of the Company and both the Company and KRP are ultimately controlled by the Controlling Shareholders before and after the distribution.

The comparative figures in the condensed consolidated statement of profit or loss have been restated to represent the operations of KRP Group as discontinued operations. The gain for the six months ended 30 September 2022 from the discontinued operations carried out by KRP Group is set out below.

The summarized financial information of KRP Group presented below represents the amounts after the intra-group elimination.

	For the six months ended 30 September 2022
	$'000
Revenue	553,422
Cost of revenue	(138,736)
Gross profit	414,686
Other income	1,385
Distribution and selling expenses	(8,416)
General and administrative expenses	(22,456)
Operating profit	385,199
Finance income	4,103
Finance costs	(2,556)
Finance income, net	1,547
Profit before taxation	386,746
Income tax	(219,799)
Profit for the period	166,947
Attributable to:	
Equity shareholders of the Company	166,947
Non-controlling interests	—
Profit from discontinued operations	166,947

During the six months ended 30 September 2022, KRP Group contributed $85,208,000 to the Group's net operating cash outflows, received $3,273,000 in respect of investing activities and paid $114,379,000 in respect of financing activities.

8 OTHER INCOME/GAINS

	For the six months ended 30 September	
	2023	2022 (Restated)
	$'000	*$'000*
Rental income	**1,216**	1,339
Gain on disposal of property, plant and equipment	**48**	216
Others	**2,190**	5,284
	3,454	6,839

9 EXPENSES BY NATURE

	For the six months ended 30 September	
	2023	2022 (Restated)
	$'000	*$'000*
Amortisation and depreciation of property, plant and equipment	**44,727**	49,341
Amortisation of intangible assets	**777**	777
Employee benefit expenses (including directors' remuneration)	**186,032**	221,592

10 FINANCE COSTS, NET

	For the six months ended 30 September	
	2023	2022 (Restated)
	$'000	*$'000*
Finance income		
Interest income from financial assets measured at amortised cost	**1,212**	526
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	**191**	194
	1,403	720
Finance costs		
Interest expense from financial liabilities measured at amortised cost	**(23,291)**	(14,382)
Interest expense on lease liabilities	**(213)**	(385)
Less: Interest expenses capitalised into property, plant and equipment	**1,951**	—
	(21,553)	(14,767)
Finance costs, net	**(20,150)**	(14,047)

11 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (for the six months ended 30 September 2022: 16.5%) on the estimated assessable profit for the period for all Group companies incorporated in Hong Kong.

The Group's operations in the People's Republic of China ("**PRC**") are subject to Corporate Income Tax Law of the PRC at the standard tax rate of 25% (for the six months ended 30 September 2022: 25%), except for one PRC subsidiary of the Group was rewarded with Certificate of High and New Technology Enterprise and entitled for a tax reduction from 25% to 15%. The entitlement is subject to review every three years.

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.

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	
	2023	2022 (Restated)
Profit attributable to equity shareholders of the Company *($'000)*		
— Continuing operations	**73,455**	92,542
— Discontinued operations	**—**	166,947
	73,455	259,489
Weighted average number of ordinary shares in issue *(in thousand shares)*	**2,021,318**	2,016,576
Effect of outstanding share options *(in thousand shares)*	**120**	1,100
Weighted average number of ordinary shares (diluted) in issue *(in thousand shares)*	**2,021,438**	2,017,676
Basic earnings per share *(HK cents)*		
— Continuing operations	**3.6**	4.6
— Discontinued operations	**—**	8.3
	3.6	12.9
Diluted earnings per share *(HK cents)*		
— Continuing operations	**3.6**	4.6
— Discontinued operations	**—**	8.3
	3.6	12.9

13 DIVIDENDS

The final dividend for the year ended 31 March 2023 amounting to $30,322,000 representing HK1.5 cents per share, was paid in September 2023 (2022: $80,852,000 representing HK4.0 cents per share, was paid in September 2022).

The Board declared an interim dividend of HK1.5 cents per share for the six months ended 30 September 2023 (six months ended 30 September 2022: HK4.0 cents per share). The interim dividend amounting to $30,322,000 (six months ended 30 September 2022: $80,852,000) has not been recognised as liability at the end of the reporting period.

Dividend

The Board declared an interim dividend of HK1.5 cents per share for the six months ended 30 September 2023 (the "**Period**") (for the six months ended 30 September 2022: HK4.0 cents) to all shareholders whose names appear on the register of members of the Company on 15 December 2023. The interim dividend will be payable to those entitled on or about 29 December 2023.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 14 December 2023 to Friday, 15 December 2023 (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 Wednesday, 13 December 2023.

BUSINESS REVIEW

1. The turnover of the Group for the Period was HK$1,439,788,000 (for the six months ended 30 September 2022: HK$1,645,666,000), representing a decrease of approximately 13% as compared to the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK$73,455,000 (for the six months ended 30 September 2022: HK$92,542,000), which decreased by approximately 21% as compared to the corresponding period last year mainly due to a decrease in the market demand which was attributable to the slowdown in the global economy, the inflation and the rising interest rate environment. In addition, an increase in financing cost also resulted in a decrease in profit margin.

2. The turnover of the metal and plastic business for the Period decreased by approximately 18% to HK$837,141,000 (for the six months ended 30 September 2022: HK$1,022,699,000) mainly due to a combination of factors, including the inflation pressure and rising interest rate policy under the macro-economic environment, a shift to conservative attitude towards capital expenditure by enterprise end customer, and the slowdown in the growth of demand in the server market caused by the delay in the launch of the new generation processor platform.

3. The turnover of electronics manufacturing services business for the Period decreased by approximately 3% to HK$602,647,000 (for the six months ended 30 September 2022: HK$622,967,000). The demand for storage products from the customers remained stable during the Period, which was the main reason for flat performance as recorded by the electronics manufacturing services business.

4. While the effect of novel coronavirus epidemic is fading, the Group has to be prepared for new challenges, including the slowdown in economic growth, the environment of persistently high interest rate, the inflation pressure and the geopolitical tension. Although the trade conflict between China and the United States continues, the Group has not encountered any direct impact from it up to this moment, however, will continue to closely monitor the development of such conflict. Customers adopt a relatively cautious approach towards their procurement under a commercial sentiment that is full of challenges, and thus resulting in a slowdown in order placing rhythm. Nevertheless, the Group will continue to spare no effort on strengthening the Group's core competitiveness, in order to ensure to maintain its leading position in the industry.

5. Part of the internal renovation of B6 Karrie Craftsmanship Building has been completed, the production department and the warehouse department are moving in gradually. Advanced equipments like high speed precision cut-to-length machine line and large straight type double crank power press have been installed, and the upgrade mentioned above will further lower the production cost and enhance the working efficiency.

6. During the Period, with the cooperation of each department, the Group acquired the manufacturing contracts for new generation server from some of its important customers, which generates a stable volume of future order for the Group; in the meantime, the Group was recognized by well-known customers, which reflects the significant compliment and recognition by the customers on the technology level, quality management, quality and speed of services of the new products of the Group.

7. The Group improves the team settings and position, so that the engineering team in Taiwan focuses on the research and development engineering, while the engineering team in Mainland China focuses on production engineering. Each of the teams complements each other, thereby strengthening the technology and new craftmanship development of the engineering teams. In addition, the Group completed the establishment of marketing team in Mainland China, which strengthens the efforts on exploring and servicing customers in Mainland China. Through enhancing the capability on action and coordination, the Group is more capable to satisfy the needs of customers, and strive to acquire more quality customers.

8. The Group continues to promote the automation of processes, and provide specific training to each and every departments, which enhances the expertise and systematic thinking of its staff, and improves the working efficiency and cost efficiency significantly, especially in material packaging and logistics and transportation.

9. On fulfilling the diversification of customer supply chains and under the framework of operating along both lines, the Group's factory in Thailand has commenced operation, providing a more flexible production disposition to satisfy the demand from the international market, and at the same time reducing its reliance to production from a single region. In addition, the Group and T. Krungthai Industries Public Company Ltd. ("**TKT**"), its associates in Thailand achieved a greater synergy successfully, and the ability on capturing the opportunities from Regional Comprehensive Economic Partnership ("**RCEP**") is enhanced.

10. During the Period, the Group also performed its social responsibilities, and incorporated the rationale of sustainable development into its business operation. The Group adheres to the business operating model of "green production, saving energy and reducing emission", in order to facilitates the harmonious relationship among environment, corporate development and society, and thus promoting the sustainable development of the Group.

Prospects

In face of the challenges posed by the evolving geopolitical risks and the persistently rising interest rate environment, the uncertainty on global economic growth is increasing, which affects the capital investment of end customers. Coupled with the trade conflict between China and the United States, and the tight supply in chips, it is necessary for the Group to adopt a more cautious development strategy, and implement a more prudent financial management in the second half of the year. Nevertheless, with the promotion of digitalisation transformation, the development of server industry is relatively stable, especially with the rapid development of artificial intelligence (AI) field. The Group has begun to obtain orders on AI-related servers from certain branded customers, it is expected that such servers will be delivered beginning from 2024.

In view of the new market trend, the Group continuously strengthens its market exploration strategy and expanding its customer base. In the meantime, the Group is proactively enhancing its engineering research and development capability, covering Taiwan, Mainland China and other overseas markets, and further enhancing its engineering technology and craftmanship. The Group strives to provide outstanding services to customers, and lays a solid foundation for its diversified product lines, in order to further exploring the market of non-server products.

Through continuously improving the automated production process and optimising operational structure, the Group's production efficiency has been enhanced significantly, thereby effectively saving costs. Strengthening staff training and technological innovation not only enhances the strategic planning ability of the Group's management, but also has laid a foundation for the upgrade and transformation for the entire industry. Looking forward, the Group strives to achieve continuous expansion in Mainland China and overseas markets. Diversified products and the enhancement in quality efficiency will bring stable development and revenue to the Group, thereby achieving sustainable development, and ensuring the maximation of shareholders' interest.

Conclusion

"A thousand-mile journey starts with a first step", it is not possible for enterprises to hang back in a challenging environment, rather, they must seek changes and innovation, breaking through the established norms, introduce new initiatives to production, be thinking with a multi-dimensional approach, pursue excellence, and strive for together and endeavour. The Group should demonstrate the corporate culture spirit of "Nothing is impossible", making progress in a pragmatic and steady manner, and regarding the creation of value for our enterprise as the fundamental. We encourage each other. The Group would also like to express its heartfelt gratitude for shareholders and stakeholders unremitting support and confidence.

LIQUIDITY RESOURCES AND FINANCING POLICIES

The net interest-bearing borrowings (representing bank borrowings and lease liabilities less cash and bank deposits) as at 30 September 2023 were HK$465,582,000 (as at 31 March 2023: HK$502,664,000) and the net gearing ratio (representing the proportion of total net interest-bearing borrowings in total equity) was 51% (as at 31 March 2023: 54%).

The interest bearing borrowings were HK$684,297,000. The cash and bank deposits amounted to HK$218,715,000 and the unutilised banking facilities HK$645,151,000. 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 Hong Kong dollars, United States dollars and Renminbi. 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 Renminbi 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 2023, the Group had no significant contingent liabilities.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Company has no significant event after the end of the Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had decreased from approximately 3,700 as at the end of the same period of last year to approximately 3,300 as 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 the 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 Mainland China and the actual need for talent retaining, the Group establishes a "Cooperative Home Scheme" to encourage and finance potential elites settled down locally in buying a flat as a means to retain talents who may otherwise be lost in the highly competitive labour market.

Performance Based Incentives

The Group adopted performance based bonus system and objective performance assessment. Employees with outstanding performance will now receive more bonus than before.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities 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 "**Listing Rules**"), the Company established an audit committee in January 1999 which now comprises 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

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

- Code Provision B.2.2 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, one-third of the Directors for the time being or, if their number is not three or a multiple of three, 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 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 of the Board 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 B.2.2 of the CG Code. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

- Moreover, Code Provision C.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, as well as in the property development and cultural related business. At the same time, Mr. Ho has the appropriate management skills and business acumen that 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. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high calibre individuals with a sufficient number thereof independent non-executive Directors.

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 Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries by the Company with each of the Directors, all Directors had confirmed that, they had complied with all of the required standards as set out in the Model Code throughout the Period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(10) of Appendix 16 to 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, 29 November 2023

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 Director is: Mr. Ho Kai Man; the independent non-executive Directors are: Mr. Fong Hoi Shing, Mr. Yam Chung Shing and Dr. Lau Kin Wah.

* *For identification purposes only*