

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020

	For the six months ended		Changes
	30 September 2020	2019	
Revenue (HK\$'000)	1,472,297	1,424,748	3%
Profit attributable to equity shareholders (HK\$'000)	152,082	114,415	33%
Basic earnings per share (HK cents)	7.6	5.7	33%
Interim dividend per share (HK cents)	4.0	4.0	—
Special dividend per share (HK cents)	0.5	—	N/A

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 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

(Expressed in Hong Kong dollars)

	30 September 2020	31 March 2020
Note	\$'000	\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	520,478	510,838
Investment properties	305,571	294,800
Intangible assets	7,126	7,893
Investments in an associate	18,452	16,538
Other financial assets	19,733	19,629
Other non-current assets	4 36,376	38,300
Deferred tax assets	5,291	5,291
	913,027	893,289
Current assets		
Inventories	504,322	528,865
Property development and contract costs	890,033	818,881
Trade and bills receivable	4 473,193	301,351
Prepayments, deposits and other receivables	4 95,348	63,728
Amounts due from related companies	130,117	115,135
Current tax recoverable	54	54
Cash and bank deposits	388,634	297,482
	2,481,701	2,125,496
Total assets	3,394,728	3,018,785
EQUITY		
Capital and reserves attributable to equity shareholders of the Company		
Share capital	199,764	199,384
Other reserves	233,483	193,400
Retained earnings	835,116	782,916
Total equity	1,268,363	1,175,700

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONTINUED)**

As at 30 September 2020

(Expressed in Hong Kong dollars)

		30 September	31 March
		2020	2020
	<i>Note</i>	\$'000	\$'000
LIABILITIES			
Current liabilities			
Trade payables	5	287,294	288,987
Accruals and other payables		766,210	492,221
Bank borrowings	6	224,107	126,800
Lease liabilities		3,777	3,244
Amount due to an associate		2,071	4,083
Amounts due to related companies		3,093	632
Current tax payable		103,137	88,568
		1,389,689	1,004,535
Non-current liabilities			
Bank borrowings	6	722,328	824,837
Lease liabilities		1,987	1,421
Provision for long service payments		8,162	8,162
Deferred tax liabilities		4,199	4,130
		736,676	838,550
Total liabilities		2,126,365	1,843,085
Total equity and liabilities		3,394,728	3,018,785
Net current assets		1,092,012	1,120,961
Total assets less current liabilities		2,005,039	2,014,250

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

(Expressed in Hong Kong dollars)

	Note	For the six months ended 30 September	
		2020 \$'000	2019 \$'000
Revenue	3	1,472,297	1,424,748
Cost of revenue		(1,156,954)	(1,185,595)
Gross profit		315,343	239,153
Distribution and selling expenses		(15,861)	(14,309)
General and administrative expenses		(83,330)	(51,596)
Other income/gains	7	7,206	2,951
Operating profit		223,358	176,199
Finance income		1,968	2,560
Finance costs		(5,201)	(13,631)
Finance costs, net	9	(3,233)	(11,071)
Share of profits of an associate		1,267	598
Profit before taxation		221,392	165,726
Income tax	10	(69,310)	(51,311)
Profit for the period		152,082	114,415
Profit for the period attributable to equity shareholders of the Company		152,082	114,415
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share (<i>HK cents</i>)	11	7.6	5.7
Diluted earnings per share (<i>HK cents</i>)	11	7.6	5.7

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

For the six months ended 30 September 2020

(Expressed in Hong Kong dollars)

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Profit for the period	<u>152,082</u>	<u>114,415</u>
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of \$Nil tax	38,548	(65,043)
Fair value gains/(losses) on other financial assets, net of \$Nil tax	<u>13</u>	<u>(102)</u>
Other comprehensive income for the period	<u>38,561</u>	<u>(65,145)</u>
Total comprehensive income for the period	<u>190,643</u>	<u>49,270</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>190,643</u>	<u>49,270</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2020 but are extracted from that interim financial report.

This interim financial report for the six months ended 30 September 2020 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 2020, 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 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2021. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period.

None of these 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 financial report. The Group has not applied any new standard or interpretation that is not yet effective for the 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 three major operating segments. They are (i) metal and plastic business; (ii) electronic manufacturing services business; and (iii) real estate business.

Management considers the business from both geographic and products and services perspective. From a products and services perspective, Management assesses the performance of metal and plastic business, electronic manufacturing services business and real estate business. There is also 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 the 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.

Segment results for the six months ended 30 September 2020 are as follows:

	For the six months ended 30 September 2020			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Real estate business \$'000	Total \$'000
Segment revenue				
Revenue from external customers	901,745	394,732	175,820	1,472,297
Inter-segment revenue	12,462	—	—	12,462
Reportable segment revenue	<u>914,207</u>	<u>394,732</u>	<u>175,820</u>	<u>1,484,759</u>
Gross profit	193,191	21,549	100,603	315,343
Distribution and selling expenses and general and administrative expenses	(75,087)	(9,370)	(14,734)	(99,191)
Other income/gains	5,863	494	849	7,206
Operating profit	<u>123,967</u>	<u>12,673</u>	<u>86,718</u>	<u>223,358</u>
	For the six months ended 30 September 2019			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Real estate business \$'000	Total \$'000
Segment revenue				
Revenue from external customers	761,320	544,089	119,339	1,424,748
Inter-segment revenue	20,725	—	—	20,725
Reportable segment revenue	<u>782,045</u>	<u>544,089</u>	<u>119,339</u>	<u>1,445,473</u>
Gross profit	147,578	23,407	68,168	239,153
Distribution and selling expenses and general and administrative expenses	(48,862)	(8,943)	(8,100)	(65,905)
Other income/gains	1,911	198	842	2,951
Operating profit	<u>100,627</u>	<u>14,662</u>	<u>60,910</u>	<u>176,199</u>

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

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Operating profit	223,358	176,199
Finance income	1,968	2,560
Finance costs	(5,201)	(13,631)
Share of profits of an associate	1,267	598
	<hr/>	<hr/>
Profit before taxation	<u>221,392</u>	<u>165,726</u>

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

	30 September 2020 \$'000	31 March 2020 \$'000
Trade and bills receivable	473,482	301,670
Other receivables	36,547	30,244
	<u>510,029</u>	<u>331,914</u>
Less: Loss allowance for trade and bills receivable	<u>(289)</u>	<u>(319)</u>
	509,740	331,595
Prepayments	69,254	42,016
Deposits	25,923	29,768
	<u>604,917</u>	<u>403,379</u>
Less: Other non-current assets (<i>Note</i>)	<u>(36,376)</u>	<u>(38,300)</u>
	<u><u>568,541</u></u>	<u><u>365,079</u></u>
Representing:		
Trade and bills receivable, net of allowance	473,193	301,351
Prepayments, deposits and other receivables	95,348	63,728
	<u>568,541</u>	<u>365,079</u>

Note : Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately \$16,540,000 (31 March 2020: \$19,160,000), and a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately \$19,836,000 (31 March 2020: \$19,140,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the People's Republic of China (the "PRC").

The Group generally grants credit periods ranging from 30 to 90 days, except for three of the customers who is granted a credit period over 90 days. An ageing analysis of trade and bills receivable, based on invoice date, is as follows:

	30 September	31 March
	2020	2020
	\$'000	\$'000
0 to 90 days	454,529	291,397
91 to 180 days	13,832	8,972
181 to 360 days	4,299	954
Over 360 days	822	347
	<u>473,482</u>	<u>301,670</u>

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivable, 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	31 March
	2020	2020
	\$'000	\$'000
0 to 90 days	266,284	220,453
91 to 180 days	17,825	67,198
181 to 360 days	3,173	695
Over 360 days	12	641
	<u>287,294</u>	<u>288,987</u>

6 BANK BORROWINGS

	30 September	31 March
	2020	2020
	\$'000	\$'000
Portion of bank borrowings repayable within one year and classified as current liabilities	<u>224,107</u>	<u>126,800</u>
Portion of bank borrowings repayable after one year and classified as non-current liabilities		
After 1 year but within 2 years	216,716	226,180
After 2 years but within 5 years	505,612	598,657
	<u>722,328</u>	<u>824,837</u>
Total bank borrowings	<u>946,435</u>	<u>951,637</u>
Representing:		
Secured	427,452	420,387
Unsecured	518,983	531,250
Total bank borrowings	<u>946,435</u>	<u>951,637</u>

As at 30 September 2020, banking facilities of \$508,380,000 (31 March 2020: \$499,900,000) were secured by the property under development for sale of \$270,163,000 (31 March 2020: \$585,356,000) and the share capital of the 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 \$427,452,000 (31 March 2020: \$420,387,000).

At 30 September 2020, bank borrowings totaling \$224,107,000 (31 March 2020: \$126,800,000) have a contractual maturity within one year or are subject to repayment on demand clauses. 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 2020 and 31 March 2020 none of the covenants relating to drawn down facilities had been breached.

7 OTHER INCOME/GAINS

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Rental income	1,978	2,005
Gain on disposal of property, plant and equipment	340	187
Government grants received from the Hong Kong Special Administrative Region Government	2,999	—
Others	1,889	759
	<u>7,206</u>	<u>2,951</u>

8 EXPENSES BY NATURE

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Amortisation and depreciation of property, plant and equipment	40,779	28,479
Amortisation of intangible assets	767	751
Employee benefit expenses (including directors' remuneration)	184,465	173,979

9 FINANCE COSTS, NET

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Finance income		
Interest income from financial assets measured at amortised cost	1,751	2,353
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	217	207
	<u>1,968</u>	<u>2,560</u>
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(19,577)	(23,118)
Interest expense on lease liabilities	(114)	(112)
Less: Interest expenses capitalised into property under development for sale	14,490	9,599
	<u>(5,201)</u>	<u>(13,631)</u>
Finance costs, net	<u><u>(3,233)</u></u>	<u><u>(11,071)</u></u>

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profit for the period for all group companies incorporated in Hong Kong.

The Group's operations in the PRC are subject to Corporate Income Tax Law of the PRC at the standard tax rate of 25%. Land Appreciation Tax is levied on properties in Mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

The amount of tax charged to the unaudited condensed consolidated statement of profit or loss represents:

	For the six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Current taxation		
Hong Kong Profits Tax	11,006	7,332
PRC Taxes	58,304	43,979
	<hr/>	<hr/>
	69,310	51,311
	<hr/> <hr/>	<hr/> <hr/>

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	
	2020	2019
Profit attributable to equity shareholders of the Company (\$'000)	<u>152,082</u>	<u>114,415</u>
Weighted average number of ordinary shares in issue (in thousand shares)	1,995,256	1,992,221
Effect of outstanding share options (in thousand shares)	<u>13,363</u>	<u>15,616</u>
Weighted average number of ordinary shares (diluted) in issue (in thousand shares)	<u>2,008,619</u>	<u>2,007,837</u>
Basic earnings per share (HK cents)	<u>7.6</u>	<u>5.7</u>
Diluted earnings per share (HK cents)	<u>7.6</u>	<u>5.7</u>

12 DIVIDENDS

The final dividend for the year ended 31 March 2020 amounting to \$99,882,000 representing HK5.0 cents per share, was paid in September 2020 (2019: \$99,692,000, representing HK5.0 cents per share, was paid in September 2019).

The Board declared an interim dividend of HK4.0 cents per share and special dividend of HK0.5 cent per share for the six months ended 30 September 2020 (six months ended 30 September 2019: interim dividend of HK4.0 cents per share). The interim dividend amounting to \$79,906,000 and special dividend amounting to \$9,988,000 (six months ended 30 September 2019: interim dividend amounting to \$79,754,000) has not been recognised as liability at the end of the reporting period.

DIVIDEND

The Board declared an interim dividend of HK4.0 cents per share for the six months ended 30 September 2020 (the “**Period**”) (for the six months ended 30 September 2019: HK4.0 cents) and a special dividend of HK0.5 cent per share (for the six months ended 30 September 2019: nil) to celebrate the 40th Anniversary of the establishment of the Group to all shareholders whose names appear on the register of members of the Company on 8 January 2021. The interim dividend will be payable to those entitled on or about 28 January 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 7 January 2021 to Friday, 8 January 2021 (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, 6 January 2021.

BUSINESS REVIEW

For the Period, the turnover of the Group was HK\$1,472,297,000 (for the six months ended 30 September 2019: HK\$1,424,748,000), which increased by approximately 3% when compared with the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK\$152,082,000 (for the six months ended 30 September 2019: HK\$114,415,000), which increased by approximately 33% when compared with the corresponding period of last year. Such increase was mainly due to the satisfactory results of our industrial business, in particular our metal and plastic business, following the strong momentum of last year. Amid the China-US trade dispute and the epidemic, the Group was able to see growth in profit with encouraging results.

(A) Industrial Business:

1. For the Period, the turnover of the overall industrial business was HK\$1,296,477,000 (for the six months ended 30 September 2019: HK\$1,305,409,000), which was similar to that of the corresponding period last year. For the Period, the operating profit of the overall industrial business was HK\$136,640,000 (for the six months ended 30 September 2019: HK\$115,289,000), which increased by approximately 19% when compared with the corresponding period last year. The turnover of industrial business remained stable due to the growth in the turnover of metal and plastic business, while the Group continued to strategically reduce the electronic manufacturing services business.
2. For the Period, the turnover of the metal and plastic business was HK\$901,745,000 (for the six months ended 30 September 2019: HK\$761,320,000), which increased by approximately 18% when compared with the corresponding period last year. Metal and plastic business is the main source of profit of the industrial business. Following the alleviation of the China-U.S. trade dispute by the end of last year, the number of orders from customers surged, leading to the recovery of the number of order to its original size. This, combined with the implementation of work-from-home during the epidemic and the increase in use of big data and social platform business, resulted in an increase of the relevant turnover when compared with the corresponding period last year.
3. For the Period, the turnover of the electronic manufacturing services business was HK\$394,732,000 (for the six months ended 30 September 2019: HK\$544,089,000), which decreased by approximately 27% when compared with the corresponding period last year. The decrease in electronic manufacturing services business was related to the Group's continuous strategy to reduce its lower-margin business.
4. To maintain its leading position as a global server casing manufacturer, the Group continued to implement automation processes. Automation projects are mainly distributed in metal stamping, plastic injection moulding, chassis assembly and storage product, and its key items include production automatic silk screen, HDD carrier automated assembly line, smart visual inspection system and rackmount server slide rail automated assembly, so as to maintain the Group's consistent competitive advantages, enhance production efficiency, improve product quality and save human resources. The automation of metal stamping has been greatly enhanced. In the future, the Group will strive to promote secondary processing and assembly automation. In addition, the Group is also committed to developing new products, making breakthroughs in the fields of personal health care products and automobile mould manufacturing during the Period.

At the same time, the Group possesses extensive production experience and is able to provide comprehensive solutions such as engineering support and mechanical design for product development in various aspects, including metal and plastic mould design and assembly within the industry. It has become the leading mechanical engineering solution provider. The Group cooperated with well-known international companies through different means to meet the specific project needs of customers.

5. The Group's cooperation plans with listed automotive parts and components company in Thailand have achieved good progresses. Both parties will further strengthen cooperation in various fields, including industrial process and customer promotion, etc. On the other hand, China, Japan, Korea, Australia, New Zealand and ASEAN have formally signed the Regional Comprehensive Economic Partnership ("RCEP"), which became the free trade agreement with the largest scale worldwide, covering 2 billion people across the globe and promoting free trade in a wide range of products, finance and services, etc. As such, ASEAN countries have demonstrated greater potential for development. The Group will consider establishing production bases in ASEAN countries to seek more business opportunities, develop new products and satisfy the needs of customers.
6. The Group attaches great importance to passing on industrial process, and advocates popular science education and trainings on industrial knowledge. A public welfare base for the artificial intelligence education and experience was established in Fenggang Town to continuously nurture talents for the Group, keep its talent pool growing strong and demonstrate the Group's contribution to the industrial manufacturing industry in the Greater Bay Area.
7. The Group is pleased to announce that the Group was awarded the Gold Award in the sector of Manufacturing and Industrial Services of the "Hong Kong Awards for Environmental Excellence 2019". It recognised the Group's consistent efforts in supporting environmental protection and clean production. The Group will continue to strive for clean production, such as enhancing the efficiency of transformer and high and low-voltage power distribution, as well as continuously promoting the upgrade and transformation of water pump transformer system to reduce carbon emission.

8. The novel coronavirus epidemic had no material impact on the Group, and epidemic prevention work has been carried out smoothly and orderly. Besides, the Group has been upholding its philosophy of “heartfelt dedication in all details” by strictly implementing a series of epidemic prevention measures to reduce the risk of spreading virus during the epidemic. With all the logistics employees actively supporting the production in plants, production and epidemic prevention can be carried out at the same time. By delivering orders on time, the Group wins the trust of customers and fully showcases the spirit of cooperation of all employees. During the epidemic, the Group did not forget to organise caring activities.

(B) Real Estate Business:

9. The Real Estate Business has begun to reap its harvest with a revenue of HK\$175,820,000 (for the six months ended 30 September 2019: HK\$119,339,000) recorded for the Period. A total of 12,800 square metres were sold at an increased price of RMB27,300 per square metre, with a total of 129 units delivered.
10. Phase 3 of Castfast Villas, a joint residential project with our major shareholder, has been completed and is now on sale. During the Period, 30 units were available for pre-sale, with a total of 605 units available under the entire phase. As of the end of September 2020, 587 units have been pre-sold (approximately 97%), of which 502 units have been delivered and 18 units are still available for sale. Upon the completion of the relevant procedures and delivery, the relevant income will be recognised in the second half of the financial year. Phase 3 of Castfast Villas has commenced construction since September 2016. The Group has established a professional team with extensive experience in real estate development, and taken leads in works such as engineering design, tendering and procurement, construction supervision, and sales and promotion. Based on the current sales progress, selling price and customer satisfaction feedback, we have achieved excellent results and laid a solid foundation for Phases 4 and 5 of Castfast Villas.
11. In addition, during the Period, 248 units were available for pre-sale under Phases 4 and 5 of Castfast Villas, the Three Old Renovation project wholly-owned by the Group. As of the end of September 2020, a total of 312 units have been launched, and approximately 297 units have been pre-sold, continuing the good reputation of Phase 3 with positive market response. Upon the completion of the relevant procedures and delivery, the relevant income will be recognised gradually.
12. The progress of Castfast Masion in Boluo County, Huizhou is on schedule and pre-sale will be commenced.

PROSPECTS

1. The Group remains committed to securing orders from reputable customers and strengthening the advantages of its mechanical design engineering services to meet the needs of new projects. The Group will make full use of its resources and technologies to expand its manufacturing business into various industries, such as automobile industry and personal health care products, and actively seek opportunities. At the same time, the Group will also build a new factory to expand its production capacity with an aim to meet the current orders and reserve room for future product development, so as to strengthen customers' confidence and satisfy the demand for new products. In addition, the Group will continue to explore both domestic and overseas markets. Taking into account the signing of RCEP, which has formed the world's largest free trade economy, it will bring trade growth to ASEAN countries. The Group will also consider setting up production bases in ASEAN countries, with a view to enhance synergies and address various needs of customers. With the mindset of "go global strategy" and "bring in strategy", the Group will not only introduce technological innovation capability, but also expand overseas investment, extending its capital, technology and industrial chain to cope with the challenges of uncertain business environment.
2. For the real estate business, after the completion of sales of Phase 3 of Castfast Villas, the property projects of Phases 4 and 5 of Castfast Villas will be launched as planned. The revitalization of the Yan Tien industrial land was also carried out in an orderly manner as planned with an aim to release the land value of the Company. In addition, the Group is constantly identifying suitable urban renewal and real estate projects to exert its brand effect.

CONCLUSION

This year marks the 40th anniversary of the establishment of the Group. In the last 40 years, the Group has evolved from a simple family-operated factory to a listed enterprise managed by a professional team. Leveraging on the traditional craftsmanship spirit and the corporate culture of "everything is possible", the Group has responded flexibly in times of adversity. Through "turning adversity into advantage, finding opportunity during crisis" and enduring the wheel of time, the Group is committed to seeking long-term, stable and sustainable development. We wish Karrie will become a century-old enterprise with a vision of a thousand years of history.

LIQUIDITY RESOURCES AND FINANCING POLICIES

The unaudited net interest-bearing borrowings (represent bank borrowings less cash and bank deposits) as at 30 September 2020 were approximately HK\$557,801,000 (as at 30 September 2019: HK\$459,609,000) and the net interest-bearing borrowings ratio (represent the proportion of total net interest-bearing borrowings over total equity) was 44% (as at 30 September 2019: 41%) whereas the ratio of non-current assets to total equity was approximately 72%. Hence, the Management considers the Group's financial position is healthy.

The interest bearing borrowings were HK\$946,435,000. The cash in hand and the bank balances amounted to HK\$388,634,000 with unutilised banking facilities of HK\$552,878,000 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 2020, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to HK\$57,992,000 as at 30 September 2020 which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had reduced from approximately 3,500 at the end of the same period of last year to approximately 3,400 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 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 competitive labour market.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

In accordance with the requirements of 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 Officer should be separated 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 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. 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.

- 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 Non-executive Director and Deputy Chairman on 1 May 2011 without a specific term. Mr. Ho Kai Man was re-designated as the Non-executive Director on 1 November 2012 without a specific term. Although Mr. Ho Cheuk Ming and Mr. Ho Kai Man are not appointed for a specific term, they are subject to retirement by rotation according to the Bye-laws of the Company.

- Moreover, Code Provision A.4.2 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 Company's 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 Company's 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 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 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; 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 reappointment. 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 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.

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

Hong Kong, 25 November 2020

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*