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## Karrie International Holdings Limited

嘉利國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	For the six months ended		Changes
	30 September 2021	2020	
Revenue (HK\$'000)	1,909,904	1,472,297	+30%
Profit attributable to equity shareholders (HK\$'000)	253,327	152,082	+67%
Basic earnings per share (HK cents)	12.6	7.6	+66%
Interim dividend per share (HK cents)	4.5	4.0	+13%
Special dividend per share (HK cents)	1.0	0.5	+100%

### 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 2021 as follows:

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

(Expressed in Hong Kong dollars)

	30 September 2021 \$'000	31 March 2021 \$'000
	<i>Note</i>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	569,397	519,498
Investment properties	322,818	317,420
Intangible assets	5,578	6,350
Investments in an associate	20,526	19,266
Other financial assets	30,055	26,401
Other non-current assets	4 52,402	10,849
Deferred tax assets	1,696	1,696
	1,002,472	901,480
<b>Current assets</b>		
Inventories	611,243	391,072
Property development and contract costs	1,071,691	1,064,989
Trade and bills receivable	4 723,783	658,268
Prepayments, deposits and other receivables	4 80,946	83,583
Amounts due from related companies	6,151	131,082
Current tax recoverable	403	200
Restricted deposits	791,859	275,785
Cash and bank deposits	166,289	144,978
	3,452,365	2,749,957
<b>Total assets</b>	4,454,837	3,651,437
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity shareholders of the Company</b>		
Share capital	201,849	201,244
Other reserves	300,797	272,066
Retained earnings	1,068,148	957,309
<b>Total equity</b>	1,570,794	1,430,619

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

*As at 30 September 2021*

*(Expressed in Hong Kong dollars)*

		<b>30 September</b>	31 March
		<b>2021</b>	2021
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	5	<b>456,554</b>	340,424
Accruals and other payables		<b>990,367</b>	803,798
Lease liabilities		<b>6,184</b>	2,594
Bank borrowings	6	<b>316,949</b>	301,010
Amount due to an associate		<b>4,121</b>	1,669
Amounts due to related companies		<b>3,659</b>	4,032
Current tax payable		<b>296,984</b>	134,961
		<b>2,074,818</b>	1,588,488
<b>Non-current liabilities</b>			
Bank borrowings	6	<b>783,915</b>	616,456
Lease liabilities		<b>10,537</b>	1,141
Provision for long service payments		<b>9,149</b>	9,149
Deferred tax liabilities		<b>5,624</b>	5,584
		<b>809,225</b>	632,330
<b>Total liabilities</b>		<b>2,884,043</b>	2,220,818
<b>Total equity and liabilities</b>		<b>4,454,837</b>	3,651,437
<b>Net current assets</b>		<b>1,377,547</b>	1,161,469
<b>Total assets less current liabilities</b>		<b>2,380,019</b>	2,062,949

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

(Expressed in Hong Kong dollars)

	Note	For the six months ended 30 September	
		2021 \$'000	2020 \$'000
Revenue	3	<b>1,909,904</b>	1,472,297
Cost of revenue		<b>(1,384,856)</b>	(1,156,954)
Gross profit		<b>525,048</b>	315,343
Distribution and selling expenses		<b>(21,814)</b>	(15,861)
General and administrative expenses		<b>(73,975)</b>	(83,330)
Other income/gains	7	<b>5,277</b>	7,206
Operating profit		<b>434,536</b>	223,358
Finance income		<b>4,206</b>	1,968
Finance costs		<b>(3,900)</b>	(5,201)
Finance income/(costs), net	9	<b>306</b>	(3,233)
Share of profits of an associate		<b>933</b>	1,267
Profit before taxation		<b>435,775</b>	221,392
Income tax	10	<b>(182,448)</b>	(69,310)
Profit for the period		<b>253,327</b>	152,082
Profit for the period attributable to equity shareholders of the Company		<b>253,327</b>	152,082
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share ( <i>HK cents</i> )	11	<b>12.6</b>	7.6
Diluted earnings per share ( <i>HK cents</i> )	11	<b>12.5</b>	7.6

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

For the six months ended 30 September 2021

(Expressed in Hong Kong dollars)

	For the six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
Profit for the period	<u>253,327</u>	<u>152,082</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	19,143	38,548
Exchange differences on other financial assets	(1,149)	—
Fair value gains on other financial assets, net of \$Nil tax	<u>4,613</u>	<u>13</u>
Other comprehensive income for the period	<u>22,607</u>	<u>38,561</u>
Total comprehensive income for the period	<u>275,934</u>	<u>190,643</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>275,934</u>	<u>190,643</u>

## **NOTES:**

*(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 2021 but are extracted from that interim financial report.

The interim financial report for the six months ended 30 September 2021 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.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The 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 2021, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2022. 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 announcement. 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 2021 are as follows:

	<b>For the six months ended 30 September 2021</b>			
	<b>Metal and plastic business \$'000</b>	<b>Electronic manufacturing services business \$'000</b>	<b>Real estate business \$'000</b>	<b>Total \$'000</b>
<b>Segment revenue</b>				
Revenue from external customers	958,990	550,592	400,322	1,909,904
Inter-segment revenue	17,352	—	—	17,352
Reportable segment revenue	<u>976,342</u>	<u>550,592</u>	<u>400,322</u>	<u>1,927,256</u>
Gross profit	192,790	27,591	304,667	525,048
Distribution and selling expenses and general and administrative expenses	(73,160)	(9,618)	(13,011)	(95,789)
Other income/gains	4,086	342	849	5,277
Operating profit	<u>123,716</u>	<u>18,315</u>	<u>292,505</u>	<u>434,536</u>
	<b>For the six months ended 30 September 2020</b>			
	<b>Metal and plastic business \$'000</b>	<b>Electronic manufacturing services business \$'000</b>	<b>Real estate business \$'000</b>	<b>Total \$'000</b>
<b>Segment revenue</b>				
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>



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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating profit	<b>434,536</b>	223,358
Finance income	<b>4,206</b>	1,968
Finance costs	<b>(3,900)</b>	(5,201)
Share of profits of an associate	<b>933</b>	1,267
	<hr/>	<hr/>
Profit before taxation	<b><u>435,775</u></b>	<b><u>221,392</u></b>

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

	30 September 2021 \$'000	31 March 2021 \$'000
Trade and bills receivable	724,072	658,557
Other receivables	<u>17,110</u>	<u>17,326</u>
	741,182	675,883
Less: Loss allowance for trade and bills receivable	<u>(289)</u>	<u>(289)</u>
	740,893	675,594
Prepayments	51,566	58,997
Deposits	<u>64,672</u>	<u>18,109</u>
	857,131	752,700
Less: Other non-current assets ( <i>Note</i> )	<u>(52,402)</u>	<u>(10,849)</u>
	<u><u>804,729</u></u>	<u><u>741,851</u></u>
Representing:		
Trade and bills receivable, net of allowance	723,783	658,268
Prepayments, deposits and other receivables	<u>80,946</u>	<u>83,583</u>
	<u><u>804,729</u></u>	<u><u>741,851</u></u>

*Note* : Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately \$52,402,000 (31 March 2021: \$10,849,000).

The Group generally grants credit periods ranging from 30 to 90 days, except for four 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:

	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>\$'000</b>	\$'000
0 to 90 days	<b>575,929</b>	651,073
91 to 180 days	<b>144,851</b>	5,098
181 to 360 days	<b>1,431</b>	2,386
Over 360 days	<b>1,861</b>	—
	<u><b>724,072</b></u>	<u>658,557</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:

	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>\$'000</b>	\$'000
0 to 90 days	<b>432,020</b>	322,729
91 to 180 days	<b>23,466</b>	16,097
181 to 360 days	<b>1,020</b>	1,434
Over 360 days	<b>48</b>	164
	<u><b>456,554</b></u>	<u>340,424</u>

## 6 BANK BORROWINGS

	<b>30 September 2021 \$'000</b>	31 March 2021 \$'000
Portion of bank borrowings repayable within one year and classified as current liabilities	<b>316,949</b>	301,010
Portion of bank borrowings repayable after one year and classified as non-current liabilities		
After 1 year but within 2 years	<b>508,915</b>	612,706
After 2 years but within 5 years	<b>275,000</b>	3,750
	<b>783,915</b>	616,456
Total bank borrowings	<b>1,100,864</b>	917,466
Representing:		
Secured	<b>353,095</b>	439,530
Unsecured	<b>747,769</b>	477,936
Total bank borrowings	<b>1,100,864</b>	917,466

As at 30 September 2021, banking facilities of \$419,980,000 (31 March 2021: \$516,700,000) were secured by the property under development for sale of \$Nil (31 March 2021: \$151,977,000), the restricted deposits of \$779,630,000 (31 March 2021: \$275,017,000) 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 \$353,095,000 (31 March 2021: \$439,530,000).

As at 30 September 2021, bank borrowings totaling \$316,949,000 (31 March 2021: \$301,010,000) 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 2021 and 31 March 2021, none of the covenants relating to drawn down facilities had been breached.

## 7 OTHER INCOME/GAINS

	For the six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
Rental income	2,190	1,978
Gain on disposal of property, plant and equipment	1,142	340
Government grants received from the Hong Kong Special Administrative Region Government	—	2,999
Others	1,945	1,889
	<u>5,277</u>	<u>7,206</u>

## 8 EXPENSES BY NATURE

	For the six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
Amortisation and depreciation of property, plant and equipment	46,572	40,779
Amortisation of intangible assets	772	767
Employee benefit expenses (including directors' remuneration)	236,106	184,465

## 9 FINANCE INCOME/(COSTS), NET

	For the six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
Finance income		
Interest income from financial assets measured at amortised cost	3,907	1,751
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	299	217
	<u>4,206</u>	<u>1,968</u>
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(17,202)	(19,577)
Interest expense on lease liabilities	(191)	(114)
Less: Interest expenses capitalised into property under development for sale	13,493	14,490
	<u>(3,900)</u>	<u>(5,201)</u>
Finance income/(costs), net	<u><u>306</u></u>	<u><u>(3,233)</u></u>

## 10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 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 (the "PRC") are subject to Corporate Income Tax Law of the PRC at the standard tax rate of 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% for a period of three years, effective from 1 January 2020. 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:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current taxation		
Hong Kong Profits Tax	<b>11,577</b>	11,006
PRC Taxes	<b>170,871</b>	58,304
	<b><u>182,448</u></b>	<b><u>69,310</u></b>

## 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.

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	2020
Profit attributable to equity shareholders of the Company (\$'000)	<u><u>253,327</u></u>	<u><u>152,082</u></u>
Weighted average number of ordinary shares in issue (in thousand shares)	<b>2,015,185</b>	1,995,256
Effect of outstanding share options (in thousand shares)	<u>6,350</u>	<u>13,363</u>
Weighted average number of ordinary shares (diluted) in issue (in thousand shares)	<u><u>2,021,535</u></u>	<u><u>2,008,619</u></u>
Basic earnings per share (HK cents)	<u><u>12.6</u></u>	<u><u>7.6</u></u>
Diluted earnings per share (HK cents)	<u><u>12.5</u></u>	<u><u>7.6</u></u>

## 12 DIVIDENDS

The final dividend for the year ended 31 March 2021 amounting to \$141,259,000 representing HK7.0 cents per share, was paid in September 2021 (2020: \$99,882,000, representing HK5.0 cents per share, was paid in September 2020).

The Board declared an interim dividend of HK4.5 cents per share and special dividend of HK1.0 cent per share for the six months ended 30 September 2021 (six months ended 30 September 2020: interim dividend of HK4.0 cents per share and special dividend of HK0.5 cent per share). The interim dividend amounting to \$90,779,000 and special dividend amounting to \$20,173,000 (six months ended 30 September 2020: interim dividend amounting to \$79,906,000 and special dividend amounting to \$9,988,000) have not been recognised as liability at the end of the reporting period.



## **DIVIDEND**

The Board declared an interim dividend of HK4.5 cents per share for the six months ended 30 September 2021 (the “Period”) (for the six months ended 30 September 2020: HK4.0 cents) and a special dividend of HK1.0 cent per share (for the six months ended 30 September 2020: HK0.5 cent) to celebrate the 25th Anniversary of the listing of the Company to all shareholders whose names appear on the register of members of the Company on 15 December 2021. The interim dividend and special dividend will be payable to those entitled on or about 31 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 14 December 2021 to Wednesday, 15 December 2021 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend and special 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, 13 December 2021.

## **BUSINESS REVIEW**

For the Period, the turnover of the Group was HK\$1,909,904,000 (for the six months ended 30 September 2020: HK\$1,472,297,000), which increased by approximately 30% when compared with the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK\$253,327,000 (for the six months ended 30 September 2020: HK\$152,082,000), which increased by approximately 67% when compared with the corresponding period last year. This was due to the good relationship between the Group and the global industrial customers of server and the increasing demand for servers from new customers. In addition, the gradual maturity of real estate projects brought considerable profits to the Group. It is gratifying to note that the Group has achieved such outstanding results despite the challenges of rising costs and the appreciation of Renminbi, together with the lasting of pandemic and tough business environment for the Period.

**(A) Industrial Business:**

1. For the Period, the turnover of the overall industrial business was HK\$1,509,582,000 (for the six months ended 30 September 2020: HK\$1,296,477,000), which increased by approximately 16% when compared with the corresponding period last year. For the Period, the operating profit of the overall industrial business was HK\$142,031,000 (for the six months ended 30 September 2020: HK\$136,640,000), which slightly increased by approximately 4% when compared with the corresponding period last year. The increment was less than that of turnover during the Period, which was mainly due to the absence of COVID-19-related expenses reduction and government subsidies in the corresponding period last year, the appreciation in RMB, and the increase in labour and material costs.
2. For the Period, the turnover of the metal and plastic business was HK\$958,990,000 (for the six months ended 30 September 2020: HK\$901,745,000), which increased by approximately 6% when compared with the corresponding period last year. The metal and plastic business is the main source of profit of the industrial business. The increase was due to the boosting demand for servers in the market, the gradual increase in the shipment volume of new generation of server chassis products during the Period and the results of our customer expansion efforts paid off.
3. For the Period, the turnover of the electronic manufacturing services business was HK\$550,592,000 (for the six months ended 30 September 2020: HK\$394,732,000), which increased by approximately 39% when compared with the corresponding period last year. The increase in the electronic manufacturing services business was due to an increase in orders from a customer for storage products.
4. For the Period, the Group continued to face challenges in different business environments. The spread of the pandemic has disrupted the order of the global supply chain and the increase in demand for overseas orders, resulting in an increase in raw material costs and a shortage of manpower. The Group actively sought solutions, communicated closely with customers, re-negotiated the pricing and passed on high costs to overseas customers, committed to reduce the impact of rising costs on the Group. In addition, the Group also continued to strengthen intelligent production, use manufacturing execution system, monitor and manage each manufacturing process, optimize production scheduling through data analysis, reduce material consumption, save human resources, strengthen on-the-job training, and stabilize technical strength to cope with increasing demand from customers.

5. For the Period, despite the implementation of power curtailment measures in various regions in Mainland China, as a quality enterprise in the region, the Group has not been required to suspend production. The Group has internally installed power generators, and the impact of this measure on production was minimal. To cope with the normalization of dual control measures on energy consumption, the Group will actively maintain close communication with local government departments and continue to implement environmental protection measures in our factories to reduce energy consumption and further improve operational efficiency.
6. The construction of the new production complex of the Group “Karrie Craftsmanship Building (嘉利工匠大樓)” is in good progress and has completed the topping-out of the building with subsequent renovation works undergoing. The “Karrie Craftsmanship Building” is located adjacent to the existing factory in Fenggang Town, Dongguan City, which will become the new headquarters of the Group in the PRC upon completion. The building is equipped with production lines and office buildings in preparation for further expansion of business scale. The construction of the building is designed with the concept of carbon-balanced. In addition to the natural lighting design, the construction materials used are all environmentally friendly. Using 6MM single-piece coated glass for the exterior wall to effectively reduce the amount of solar heat infiltration and reduce energy consumption. Our low-carbon building supports green and environmental protection, and creates a healthy and comfortable factory environment.
7. The renovation of the factory of the Group in Thailand has completed and the final fitting works are in progress. The shipment of machinery and equipment was delayed due to the tight schedule of global trade transportation, which was one to two months longer than expected. The Group has actively accelerated the assembly process and expects to commence trial production in the first quarter of next year.

**(B) Real Estate Business:**

8. The real estate business has begun to reap its harvest with a revenue of HK\$400,322,000 (for the six months ended 30 September 2020: HK\$175,820,000) recorded for the Period. A total area of 12,236 square metres were sold at a price of approximately RMB29,700 per square metre with a total of 123 units delivered.

9. The residential project of Phase 4 of Castfast Villas, a wholly-owned development project under Three Old Renovation Plan has delivered 164 units since the commencement of sales and recorded a total revenue of HK\$519,383,000 (with a total of 16,179 square metres at an average selling price of approximately RMB29,450 per square metre). As at 30 September 2021, the remaining saleable floor area of residential project of Phase 4 of Castfast Villas was approximately 34,000 square metres, which approximately 138 units with an area of approximately 13,600 square metres were subscribed at an average selling price of approximately RMB29,900 per square metre.
10. In addition, the residential project of Phase 5 of Castfast Villas has a total saleable floor area of approximately 67,000 square metres, which approximately 179 units with an area of approximately 23,000 square metres were subscribed at an average selling price of approximately RMB32,500 per square metre. Upon the completion of the relevant procedures and delivery, the relevant income will be recognised gradually.
11. Landscaping works of Huizhou Castfast Mansion in Boluo County with a saleable floor area of approximately 30,000 square metres are in progress and pre-sale has commenced.
12. The economic integration of the Hong Kong-Zhuhai-Macao Greater Bay Area and the coordinated development among cities will develop into a high-quality urban agglomeration economy, with improving transportation network, especially the expansion of rail transit, it will further attract talents and drive the development of real estate business. With its sound financial position and affluent cash flow, the Group seeks project development opportunities in the Greater Bay Area, establishes our operational and commercial branding and explores the development potential of the Greater Bay Area layout.
13. In an announcement dated April 2021, the Group announced that we were considering the spin-off and separate listing of the real estate business on the Main Board of the Stock Exchange by way of introduction. Such plan is still actively making progress and it is believed that the value of both the industrial and real estate businesses will be further realized upon completion, and it will create positive impacts to the long-term development of both businesses.

## **PROSPECTS**

Looking forward to the second half of the year, the production in various regions gradually recovered, the exchange rate of RMB gradually stabilized, and the prices of wages and materials were temporarily stable. The Group is still committed to developing diversified products for new customers and actively expanding internal and external production factories to meet the demand with sufficient production capacity. The Group has also received orders for new generation products from various customers to stabilize the development of the industrial business. For the real estate business, although there are stringent real estate control measures implemented in the Mainland China, we believe it will help reduce the risk of bubble blasting in the long run and enable a more stable and healthy development of the real estate industry. With the solid financial strength of the Group and the support of our experienced sales team, we are confident in the sales of Phase 5 of Castfast Villas.

## **CONCLUSION**

Cold black night will usher in a warm daytime, and hot summer will also appear after a cold winter season. Karrie has experienced sunset and sunrise since its 25 years of listing. Nevertheless, we work with our shareholders hand-in-hand throughout highs and lows to achieve fruitful results with long-term continuously profitability and distribution. We are committed to maintain stable and growing returns for our shareholders and stakeholders. The Group attaches great importance to corporate governance and has set various missions and visions for the Group at a consistent pace which adhere to the principle of “A Thousand-Mile Journey Starts With A First Step”. We strive to strengthen our core value of craftsmanship spirit, forge ahead with determination and create value. We wish Karrie to pass on our craftsmanship spirit and establish a long lasting century-old business. Last but not least, we are grateful to our shareholders for their continuous support over the past 25 years.

## **LIQUIDITY RESOURCES AND FINANCING POLICIES**

The unaudited net interest-bearing borrowings (represent bank borrowings less cash and bank deposits and restricted deposits) as at 30 September 2021 were approximately HK\$142,716,000 (as at 30 September 2020: HK\$557,801,000) and the net interest-bearing borrowings ratio (represent the proportion of total net interest-bearing borrowings over total equity) was 9% (as at 30 September 2020: 44%) whereas the ratio of non-current assets to total equity was approximately 64%. Hence, the Management considers the Group’s financial position is healthy.

The interest bearing borrowings were HK\$1,100,864,000. The cash and bank deposits amounted to HK\$166,289,000 and the unutilised banking facilities of HK\$751,313,000. 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 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 2021, the Group had issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to HK\$372,072,000 as at 30 September 2021 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 increased from approximately 3,400 at the end of the same period of last year to approximately 3,690 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 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

During the Period, the Company repurchased its 1,880,000 listed shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), of which 698,000 shares were cancelled during the Period. Accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The remaining 1,182,000 shares have already been cancelled as at the date of this announcement. Details of the repurchases during the Period are summarised as follows:

<b>Date of repurchases</b>	<b>Number of Shares repurchased</b>	<b>Highest price per Share (HK\$)</b>	<b>Lowest price per Share (HK\$)</b>	<b>Aggregate consideration paid (HK\$)</b>
2 July 2021	104,000	1.75	1.73	180,880
5 July 2021	424,000	1.78	1.76	750,800
8 July 2021	170,000	1.75	1.74	296,780
16 September 2021	278,000	1.54	1.50	422,080
17 September 2021	370,000	1.53	1.53	566,100
21 September 2021	180,000	1.50	1.49	269,320
28 September 2021	354,000	1.49	1.47	523,800
<b>Total:</b>	<b><u>1,880,000</u></b>			<b><u>3,009,760</u></b>

## 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 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 assigned 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, 29 November 2021

*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: Messrs. Ho Cheuk Ming and 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*