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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 2022

	For the six months ended 30 September		Changes
	2022	2021 (Restated)	
Revenue (HK\$'000)	2,199,088	1,941,423	+13%
Profit attributable to equity shareholders (HK\$'000)	259,489	256,559	+1%
Basic earnings per share (HK cents)	12.9	12.7	+2%
Interim dividend per share (HK cents)	4.0	4.5	-11%
Special dividend per share (HK cents)	—	1.0	-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 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

(Expressed in Hong Kong dollars)

	30 September 2022	31 March 2022
Note	\$'000	\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	654,200	688,260
Investment properties	297,836	332,961
Intangible assets	4,064	4,840
Investment in an associate	19,116	21,265
Other financial assets	30,508	29,216
Other non-current assets	45,979	43,077
4		
Deferred tax assets	97,448	189,991
	<u>1,149,151</u>	<u>1,309,610</u>
Current assets		
Inventories	745,420	778,366
Property development and contract costs	1,013,487	1,268,088
Trade and bills receivable	706,448	605,903
4		
Prepayments, deposits and other receivables	227,719	138,946
4		
Amounts due from related companies	4,861	39,952
Current tax recoverable	1,938	1,153
Pledged deposits	24,124	84,539
Restricted deposits	10,871	397,961
Cash and bank deposits	618,958	441,548
	<u>3,353,826</u>	<u>3,756,456</u>
Total assets	<u><u>4,502,977</u></u>	<u><u>5,066,066</u></u>
EQUITY		
Capital and reserves attributable to equity shareholders of the Company		
Share capital	202,131	202,131
Other reserves	(85,701)	98,202
Retained earnings	1,559,876	1,396,219
	<u>1,676,306</u>	<u>1,696,552</u>
Total equity	<u><u>1,676,306</u></u>	<u><u>1,696,552</u></u>

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

As at 30 September 2022

(Expressed in Hong Kong dollars)

		30 September	31 March
		2022	2022
	<i>Note</i>	\$'000	\$'000
LIABILITIES			
Current liabilities			
Trade payables	5	527,829	375,951
Accruals and other payables		758,319	1,143,981
Bank borrowings	6	568,437	738,434
Lease liabilities		6,956	7,942
Amount due to an associate		3,858	1,532
Amounts due to related companies		3,287	3,664
Current tax payable		528,302	607,122
		2,396,988	2,878,626
Non-current liabilities			
Bank borrowings	6	407,000	462,750
Lease liabilities		7,740	12,634
Provision for long service payments		5,988	6,241
Deferred tax liabilities		8,955	9,263
		429,683	490,888
Total liabilities		2,826,671	3,369,514
Total equity and liabilities		4,502,977	5,066,066
Net current assets		956,838	877,830
Total assets less current liabilities		2,105,989	2,187,440

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
		2022	2021
			(Restated)
	Note	\$'000	\$'000
Revenue	3	2,199,088	1,941,423
Cost of revenue		(1,618,602)	(1,395,661)
Gross profit		580,486	545,762
Distribution and selling expenses		(25,646)	(23,353)
General and administrative expenses		(69,649)	(76,370)
Other income/gains	7	8,224	5,277
Operating profit		493,415	451,316
Finance income		4,823	7,228
Finance costs		(17,323)	(3,900)
Finance (costs)/income, net	9	(12,500)	3,328
Share of profits of an associate		104	933
Profit before taxation		481,019	455,577
Income tax	10	(221,530)	(199,018)
Profit for the period		259,489	256,559
Profit for the period attributable to equity shareholders of the Company		259,489	256,559
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share (<i>HK cents</i>)	11	12.9	12.7
Diluted earnings per share (<i>HK cents</i>)	11	12.9	12.7

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

For the six months ended 30 September 2022

(Expressed in Hong Kong dollars)

	For the six months ended	
	30 September	
	2022	2021
		(Restated)
	\$'000	\$'000
Profit for the period	259,489	256,559
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
Changes in fair value of other financial assets	1,084	3,439
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(199,981)	21,609
Changes in fair value of other financial assets	14	25
Other comprehensive income for the period	(198,883)	25,073
Total comprehensive income for the period	60,606	281,632
Total comprehensive income for the period attributable to equity shareholders of the Company	60,606	281,632

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 2022 but are extracted from that interim financial report.

The interim financial report for the six months ended 30 September 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("**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 2022, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2023. Details of the changes in accounting policies are set out in note 2.

The Group has restated the comparative information as a result of the business combination under common control.

Merger accounting and restatements

On 28 January 2022, Benefit Master Limited ("**Benefit Master**") (an indirect wholly-owned subsidiary of the Company) entered into an acquisition agreement ("**Kar Info International Acquisition Agreement**") to conditionally acquire the entire issued share capital of Kar Info International Property Limited ("**Kar Info International**") from Mr. Ho Cheuk Fai ("**Mr. Ho**") at a nominal consideration of US\$100 (equivalent to \$775).

On the even day, KRP Development Company Limited ("**KRP**") (an indirect wholly-owned subsidiary of the Company) entered into another acquisition agreement ("**Jiaxuntong Acquisition Agreement**") to conditionally acquire the entire equity interest of 東莞市嘉訊通電腦產品有限公司 ("**Jiaxuntong**") from Kar Info Property

Limited, which is wholly-owned by Mr Ho, at a consideration of RMB38,000,000 (equivalent to approximately \$45,600,000) or its Hong Kong dollar equivalent. The difference between the consideration paid and the book value of the acquirees is recognised in the merger reserve. Under the Jiaxuntong Acquisition Agreement, it is also agreed to assume the amount due from Dongguan Jiale Enterprise Development Company Limited (“**Dongguan Jiale**”) owned by Jiaxuntong, in the amount of approximately RMB276,278,000 (equivalent to approximately \$331,600,000). This amount is recognised in the merger reserve on the completion date of the acquisitions.

The details of the acquisitions of Kar Info International and Jiaxuntong (the “**Acquisitions**”) are more fully explained in the circular named “(1) Major and Connected Transaction – Acquisition of Kar Info International and Acquisition of the Target Company and (2) Notice of special general meeting” published by the Company on 31 January 2022. The circular is available on the Company’s website and Hong Kong Exchanges and Clearing Limited’s website.

The Acquisitions were completed on 8 March 2022 and the Company has become the ultimate holding company of both Kar Info International and Jiaxuntong. As the Company, Kar Info International and Jiaxuntong are ultimately controlled by Mr. Ho before and after the Acquisitions and that control is not transitory, there would be a continuation of the risks and benefits to Mr. Ho and therefore the Acquisitions should be regarded as a business combination of entities under common control, Accounting Guideline 5 (“**AG5**”), *Merger Accounting for Common Control Combinations*, issued by HKICPA has been applied. The interim financial report of the Group have been therefore prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The net assets of the companies comprising the Group have been consolidated using the existing book values from the perspective of Mr. Ho.

Comparative amounts in the interim financial report are presented as if the entities or businesses had been combined at the beginning of the comparative period.

The unaudited condensed consolidated statement of profit or loss and the unaudited condensed consolidated statement of profit or loss and other comprehensive income include the results of combining entities or businesses from the earliest date presented. The effects of all transactions between the combining entities or businesses, whether occurring before or after the Acquisitions, are eliminated.

A uniform set of accounting policies is adopted when preparing the interim financial report.

The effects of the application of merger accounting on the unaudited condensed consolidated statement of financial position as at 30 September 2021 are as follows:

	As at 30 September 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	As at 30 September 2021 as restated \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	569,397	50	569,447
Investment properties	322,818	—	322,818
Intangible assets	5,578	—	5,578
Investment in an associate	20,526	—	20,526
Other financial assets	30,055	—	30,055
Other non-current assets	52,402	—	52,402
Deferred tax assets	1,696	144,302	145,998
	<u>1,002,472</u>	<u>144,352</u>	<u>1,146,824</u>
Current assets			
Inventories	611,243	—	611,243
Property development and contract costs	1,071,691	67,701	1,139,392
Trade and bills receivable	723,783	—	723,783
Prepayments, deposits and other receivables	80,946	23,282	104,228
Amounts due from related companies	6,151	505,169	511,320
Current tax recoverable	403	—	403
Restricted deposits	791,859	—	791,859
Cash and bank deposits	166,289	99,581	265,870
	<u>3,452,365</u>	<u>695,733</u>	<u>4,148,098</u>
Total assets	<u><u>4,454,837</u></u>	<u><u>840,085</u></u>	<u><u>5,294,922</u></u>

	As at 30 September 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	As at 30 September 2021 as restated \$'000
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	201,849	—	201,849
Other reserves	300,797	107,625	408,422
Retained earnings	1,068,148	164,160	1,232,308
	<u>1,570,794</u>	<u>271,785</u>	<u>1,842,579</u>
Total equity	<u>1,570,794</u>	<u>271,785</u>	<u>1,842,579</u>
LIABILITIES			
Current liabilities			
Trade payables	456,554	—	456,554
Accruals and other payables	990,367	71,114	1,061,481
Bank borrowings	316,949	—	316,949
Lease liabilities	6,184	—	6,184
Amount due to an associate	4,121	—	4,121
Amounts due to related companies	3,659	—	3,659
Current tax payable	296,984	497,186	794,170
	<u>2,074,818</u>	<u>568,300</u>	<u>2,643,118</u>
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	As at 30 September 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	As at 30 September 2021 as restated \$'000
Non-current liabilities			
Bank borrowings	783,915	—	783,915
Lease liabilities	10,537	—	10,537
Provision for long service payments	9,149	—	9,149
Deferred tax liabilities	5,624	—	5,624
	<u>809,225</u>	<u>—</u>	<u>809,225</u>
Total liabilities	<u>2,884,043</u>	<u>568,300</u>	<u>3,452,343</u>
Total equity and liabilities	<u>4,454,837</u>	<u>840,085</u>	<u>5,294,922</u>
Net current assets	<u>1,377,547</u>	<u>127,433</u>	<u>1,504,980</u>
Total assets less current liabilities	<u>2,380,019</u>	<u>271,785</u>	<u>2,651,804</u>

The effects of the application of merger accounting on the unaudited condensed consolidated statement of profit or loss for the six months ended 30 September 2021 are as follows:

	For the six months ended 30 September 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	For the six months ended 30 September 2021 as restated \$'000
Revenue	1,909,904	31,519	1,941,423
Cost of revenue	<u>(1,384,856)</u>	<u>(10,805)</u>	<u>(1,395,661)</u>
Gross profit	525,048	20,714	545,762
Distribution and selling expenses	(21,814)	(1,539)	(23,353)
General and administrative expenses	(73,975)	(2,395)	(76,370)
Other income/gains	<u>5,277</u>	<u>—</u>	<u>5,277</u>
Operating profit	<u>434,536</u>	<u>16,780</u>	<u>451,316</u>
Finance income	4,206	3,022	7,228
Finance costs	<u>(3,900)</u>	<u>—</u>	<u>(3,900)</u>
Finance income, net	<u>306</u>	<u>3,022</u>	<u>3,328</u>
Share of profits of an associate	<u>933</u>	<u>—</u>	<u>933</u>
Profit before taxation	435,775	19,802	455,577
Income tax	<u>(182,448)</u>	<u>(16,570)</u>	<u>(199,018)</u>
Profit for the period	<u>253,327</u>	<u>3,232</u>	<u>256,559</u>
Profit for the period attributable to equity shareholders of the Company	<u>253,327</u>	<u>3,232</u>	<u>256,559</u>
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share (HK cents)	<u>12.6</u>	<u>0.1</u>	<u>12.7</u>
Diluted earnings per share (HK cents)	<u>12.5</u>	<u>0.2</u>	<u>12.7</u>

The effects of the application of merger accounting on the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2021 are as follows:

	For the six months ended 30 September 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	For the six months ended 30 September 2021 as restated \$'000
Profit for the period	253,327	3,232	256,559
Other comprehensive income for the period:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of other financial assets	3,439	—	3,439
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong	19,143	2,466	21,609
Changes in fair value of other financial assets	25	—	25
Other comprehensive income for the period	22,607	2,466	25,073
Total comprehensive income for the period	<u>275,934</u>	<u>5,698</u>	<u>281,632</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>275,934</u>	<u>5,698</u>	<u>281,632</u>

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRS 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 2022 are as follows:

	For the six months ended 30 September 2022			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Real estate business \$'000	Total \$'000
Segment revenue				
Revenue from external customers	1,022,699	622,967	553,422	2,199,088
Inter-segment revenue	17,140	—	—	17,140
Reportable segment revenue	<u>1,039,839</u>	<u>622,967</u>	<u>553,422</u>	<u>2,216,228</u>
Gross profit	150,986	14,814	414,686	580,486
Distribution and selling expenses and general and administrative expenses	(59,104)	(5,319)	(30,872)	(95,295)
Other income/gains	6,328	511	1,385	8,224
Operating profit	<u>98,210</u>	<u>10,006</u>	<u>385,199</u>	<u>493,415</u>

Segment results for the six months ended 30 September 2021 are as follows:

	For the six months ended 30 September 2021 (Restated)			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Real estate business \$'000	Total \$'000
Segment revenue				
Revenue from external customers	958,990	550,592	431,841	1,941,423
Inter-segment revenue	17,352	—	—	17,352
Reportable segment revenue	<u>976,342</u>	<u>550,592</u>	<u>431,841</u>	<u>1,958,775</u>
Gross profit	192,790	27,591	325,381	545,762
Distribution and selling expenses and general and administrative expenses	(73,160)	(9,618)	(16,945)	(99,723)
Other income/gains	4,086	342	849	5,277
Operating profit	<u>123,716</u>	<u>18,315</u>	<u>309,285</u>	<u>451,316</u>

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

	For the six months ended	
	30 September	
	2022	2021
		(Restated)
	\$'000	\$'000
Operating profit	493,415	451,316
Finance income	4,823	7,228
Finance costs	(17,323)	(3,900)
Share of profits of an associate	104	933
	<hr/>	<hr/>
Profit before taxation	<u>481,019</u>	<u>455,577</u>

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

	30 September 2022 \$'000	31 March 2022 \$'000
Trade and bills receivable	708,731	608,194
Less: Loss allowance for trade and bills receivable	<u>(2,283)</u>	<u>(2,291)</u>
	706,448	605,903
Prepayments, deposits and other receivables	<u>273,698</u>	<u>182,023</u>
	980,146	787,926
Less: Other non-current assets (<i>Note</i>)	<u>(45,979)</u>	<u>(43,077)</u>
	<u>934,167</u>	<u>744,849</u>
Representing:		
Trade and bills receivable, net of allowance	706,448	605,903
Prepayments, deposits and other receivables	<u>227,719</u>	<u>138,946</u>
	<u>934,167</u>	<u>744,849</u>
Other non-current assets	<u>45,979</u>	<u>43,077</u>

Note : Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to approximately \$45,979,000 (31 March 2022: \$43,077,000).

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:

	30 September	31 March
	2022	2022
	\$'000	\$'000
0 to 90 days	671,951	562,688
91 to 180 days	35,238	37,933
181 to 360 days	1,539	7,562
Over 360 days	3	11
	<u>708,731</u>	<u>608,194</u>

The maximum exposure to credit risk at the end of the reporting period 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
	2022	2022
	\$'000	\$'000
0 to 90 days	484,016	353,522
91 to 180 days	40,196	20,600
181 to 360 days	3,511	1,285
Over 360 days	106	544
	<u>527,829</u>	<u>375,951</u>

6 BANK BORROWINGS

	30 September 2022 \$'000	31 March 2022 \$'000
Portion of bank borrowings repayable within one year and classified as current liabilities	568,437	738,434
Portion of bank borrowings repayable after one year and classified as non-current liabilities		
After 1 year but within 2 years	367,000	167,750
After 2 years but within 5 years	40,000	295,000
	407,000	462,750
Total bank borrowings	975,437	1,201,184
Representing:		
Secured	160,748	291,077
Unsecured	814,689	910,107
Total bank borrowings	975,437	1,201,184

As at 30 September 2022, banking facilities of \$495,500,000 (31 March 2022: \$359,636,000) were secured by the pledged deposits of \$24,124,000 (31 March 2022: \$84,539,000) 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 \$160,748,000 (31 March 2022: \$291,077,000).

As at 30 September 2022, bank borrowings totaling \$568,437,000 (31 March 2022: \$738,434,000) 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 2022 and 31 March 2022, none of the covenants relating to drawn down facilities had been breached.

7 OTHER INCOME/GAINS

	For the six months ended 30 September	
	2022	2021 (Restated)
	\$'000	\$'000
Rental income	2,224	2,190
Gain on disposal of property, plant and equipment	216	1,142
Others	5,784	1,945
	<u>8,224</u>	<u>5,277</u>

8 EXPENSES BY NATURE

	For the six months ended 30 September	
	2022	2021 (Restated)
	\$'000	\$'000
Amortisation and depreciation of property, plant and equipment	50,170	46,627
Amortisation of intangible assets	777	772
Employee benefit expenses (including directors' remuneration)	229,085	236,106
	<u>229,085</u>	<u>236,106</u>

9 FINANCE (COSTS)/INCOME, NET

	For the six months ended	
	30 September	
	2022	2021
		(Restated)
	\$'000	\$'000
Finance income		
Interest income from financial assets measured at amortised cost	4,629	6,931
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	194	297
	<u>4,823</u>	<u>7,228</u>
Finance costs		
Interest expense from financial liabilities measured at amortised cost	(21,182)	(17,202)
Interest expense on lease liabilities	(445)	(191)
Less: Interest expenses capitalised into property under development for sale	4,304	13,493
	<u>(17,323)</u>	<u>(3,900)</u>
Finance (costs)/income, net	<u>(12,500)</u>	<u>3,328</u>

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 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.

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	
	2022	2021 (Restated)
Profit attributable to equity shareholders of the Company (\$'000)	<u>259,489</u>	<u>256,559</u>
Weighted average number of ordinary shares in issue (in thousand shares)	2,016,576	2,015,185
Effect of outstanding share options (in thousand shares)	<u>1,100</u>	<u>6,350</u>
Weighted average number of ordinary shares (diluted) in issue (in thousand shares)	<u>2,017,676</u>	<u>2,021,535</u>
Basic earnings per share (HK cents)	<u>12.9</u>	<u>12.7</u>
Diluted earnings per share (HK cents)	<u>12.9</u>	<u>12.7</u>

12 DIVIDENDS

The final dividend for the year ended 31 March 2022 amounting to \$80,852,000 representing HK4.0 cents per share, was paid in September 2022 (2021: \$141,259,000, representing HK7.0 cents per share, was paid in September 2021).

The Board declared an interim dividend of HK4.0 cents per share for the six months ended 30 September 2022 (six months ended 30 September 2021: interim dividend of HK4.5 cents per share and special dividend of HK1.0 cent per share). The interim dividend amounting to \$80,852,000 (six months ended 30 September 2021: interim dividend amounting to \$90,779,000 and special dividend amounting to \$20,173,000) have 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 2022 (the “**Period**”) (for the six months ended 30 September 2021 interim dividend: HK4.5 cents and a special dividend: HK1.0 cent) to all shareholders whose names appear on the register of members of the Company on 9 December 2022. The interim dividend will be payable to those entitled on or about 29 December 2022.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 8 December 2022 to Friday, 9 December 2022 (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, 7 December 2022.

BUSINESS REVIEW

The turnover of the Group was HK\$2,199,088,000 (for the six months ended 30 September 2021 (restated): HK\$1,941,423,000), which increased by approximately 13% when compared with the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK\$259,489,000 (for the six months ended 30 September 2021 (restated): HK\$256,559,000), which increased by approximately 1% when compared with the corresponding period last year, mainly as a result of strong growth of the real estate business.

(A) Industrial Business:

1. For the Period, the turnover of the overall industrial business was HK\$1,645,666,000 (for the six months ended 30 September 2021: HK\$1,509,582,000), which increased by approximately 9% when compared with the corresponding period last year. The operating profit of the overall industrial business was HK\$108,216,000 (for the six months ended 30 September 2021: HK\$142,031,000), which decreased by approximately 24% when compared with the corresponding period last year. Under global economic volatility and political turmoil, the Group still achieved stable growth in customer orders. However, influenced by the external environment, the short-term increase in price of raw materials during the Period led to rising production cost. This, together with changes in product portfolio during the Period, contributed to the overall decrease in profit.

2. For the Period, the turnover of the metal and plastic business was HK\$1,022,699,000 (for the six months ended 30 September 2021: HK\$958,990,000), which increased by approximately 7% when compared with the corresponding period last year. The Group maintained good business relationship with its customers. Given the rapidly changing external market environment, the Group dedicated its effort on aligning production and transportation arrangement, so as to sufficiently fulfill the order demands from customers.
3. For the Period, the turnover of the electronic manufacturing services business was HK\$622,967,000 (for the six months ended 30 September 2021: HK\$550,592,000), which increased by approximately 13% when compared with the corresponding period last year. The increase in turnover from the electronic manufacturing services business was mainly due to higher customer demand for storage products.
4. In October 2022, a wholly-owned subsidiary of the Company exercised the warrants to purchase 113,000,000 shares of T.Krungthai Industries Public Company Limited (a listed company in Thailand, “TKT”) at an exercise price of THB1.7 per share. Upon exercising the warrants, the Group held approximately 38.99% of the issued share capital of TKT. As such, pursuant to the law of Thailand, the Group is required to make a general tender offer to the shareholders of TKT to acquire the remaining TKT shares from the shareholders at a cash consideration of THB1.99 per TKT share (the “Tender Offer”). The Tender Offer is expected to complete on 29 November 2022, the details of which can be found in the announcement of the Company dated 30 September 2022.

TKT has close to 50 years of experience focusing on the manufacturing of molds and plastic part products for the automobile parts industry, and owns rich business resources and automobile brand and customer network in the Thailand market. Close cooperation with TKT can facilitate the Group in entering the automobile part industry and create synergies between the production technologies of both parties, providing more comprehensive production solutions for customers, further deepen the cooperation with existing customers and explore new customer bases. TKT will be an important partner for Karrie’s overseas development, especially in terms of emerging market in Southeast Asia. The parties will seek development opportunities from the Regional Comprehensive Economic Partnership (the “RCEP”), so as to strengthen their competitiveness in the market.

5. Moreover, in order to address changes in the international trading environment, apart from the Group's existing flagship production base in Dongguan, the Group established its first overseas production base in Thailand. It is expected that this can complement our domestic plant, diversifying regional risks while increasing production flexibility to fulfill various demands from customers. The plant officially launched in December 2021 and began first batch of trial production. The Group hopes to attract more potential cooperation opportunities in relation to servers and automobile. This, as well as the resources and assistance from the Thailand Board of Investment (BOI), will further strengthen the Group's diverse development and strategic layout.
6. Labour cost remained stable during the Period. With the successive completion of exterior and office design of the B6 plant in Karrie Craftsmanship Building, the back up office and supporting department will gradually move in, which can leave more room for manufacturing in the plant and raise production efficiency, fulfilling the demands from customers. Furthermore, the Group established the layout for its Taiwan branch, dedicating its effort on improving front end sales and engineering and design teams to provide one-stop services for its customers.
7. The Group adopted renewable energy, by using solar energy for zero-carbon power generation, in order to lower the emission of greenhouse gases. It will expand the use of green energy in phases, and has begun installing photovoltaic facilities in our plants. It is expected that the share of green energy within total power consumption of the plants will gradually increase, which reduce consumption of fossil fuel and lower our reliance on traditional power source, while at the same time support the national carbon reduction initiative and reduce carbon emission.

(B) Real Estate Business:

8. The real estate business has begun to reap its harvest with a revenue of HK\$553,422,000 (for the six months ended 30 September 2021 (restated): HK\$431,841,000) recorded for the Period, which increased by approximately 28% when compared with the corresponding period last year. A total area of 17,670 square metres were sold at a price of approximately RMB29,200 per square metre with a total of 150 units delivered. Timely delivery of the projects allowed the real estate business contributing to the Company's result.
9. The residential project of Phase 4 of Castfast Villas, a wholly-owned development project under Three Old Renovation Plan has delivered 40 units during the Period and recorded a total revenue of HK\$131,576,000 (with a total area of 4,086 square metres at an average selling price of approximately RMB30,000 per square metre).

10. In addition, the residential project of Phase 5 of Castfast Villas has delivered 89 units during the Period and recorded a total revenue of HK\$396,270,000 (with a total area of 11,546 square metres at an average selling price of approximately RMB32,000 per square metre).
11. The residential project of Huizhou Castfast Mansion in Boluo County has a total saleable floor area of approximately 30,300 square metres. The delivery of which has been commenced during the Period. Currently, it has delivered 17 units and recorded a total revenue of HK\$11,830,000 (with a total area of 1,545 square metres at an average selling price of approximately RMB7,100 per square metre).
12. While the real estate business was troubled by uncertainties, the financial situation and liquidity of the Group was still far superior to its competitors in the market. Under such complex environment, the Group will continue to utilize the development opportunities in the Greater Bay Area to make plans for future development. At the same time, the spin off of the Group's real estate business is still in progress. We believe that through proper risk management and capital utilization, our real estate business will continue to maintain its profitability and move forward with stability.

PROSPECTS

Looking forward, the Group still faces significant challenges and unpredictable circumstances in the macro business environment. Unstable geopolitics, Sino-US trade war, inflationary conditions, rising interest rate and evolving pandemic all inevitably slow down the momentum of the global economy. However, as the pandemic gradually becomes the new norm and the market gradually reopens, the cost of raw material is expected to see a downward trend. Global expansion of data center and infrastructure and US dollar appreciation are all favorable to the operation of the Group. With our industrial business and real estate business complementing each other, the Group holds a cautiously optimistic view on the future, and will timely review and adjust its development strategies. Internally, the Group will continue to explore automated and intelligent production, implement strict control on production cost, establish plants in Thailand and increase its shareholdings in TKT, strengthen its business layout, improve the synergies within its industrial chain and carefully manage its capital flow. Externally, the Group will as usual provide more flexible production solutions to its customers, while optimizing its product portfolio, explore potential customers and new businesses in the market and attract more cooperation opportunities, so as to maximize returns for shareholders and stakeholders.

CONCLUSION

The Group will uphold its craftsmanship spirit and customer-first principle, while also seek changes amidst stability, breaking through the established norms to bring forth innovations and diverse thinking and to fuel our momentum, and implementing flexible measures to address changes. With the practical policies of “original intention, breakthrough and vitality” the Group will push forward to provide returns for shareholders, navigating further forward maintaining sustained development for future expansion.

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 2022 were approximately HK\$321,484,000 (as at 31 March 2022: HK\$297,712,000) and the net interest-bearing borrowings ratio (represent the proportion of total net interest-bearing borrowings over total equity) was 19% (as at 31 March 2022: 18%) whereas the ratio of non-current assets to total equity was approximately 69%. Hence, the Management considers the Group’s financial position is healthy.

The interest bearing borrowings were HK\$975,437,000. The cash and bank deposits amounted to HK\$653,953,000 and the unutilised banking facilities of HK\$1,004,174,000. 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 2022, 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\$901,464,000 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 3,690 at the end of the same period of last year to approximately 3,700 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

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 shares 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 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 B.2.2 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 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 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 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. 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, 22 November 2022

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*