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 2018

	For the six months ended 30 September		
	2018	2017 (Restated)	*Changes*
Revenue *(HK$'000)*	**1,300,003**	1,436,584	−10%
Profit attributable to equity shareholders *(HK$'000)*	**88,069**	81,168	+9%
Basic earnings per share *(HK cents)*	**4.4**	4.1	+7%
Interim dividend per share *(HK cents)*	**3.0**	1.6	+88%

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 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(Expressed in Hong Kong dollars)

	Note	30 September 2018 $'000	31 March 2018 $'000
ASSETS			
Non-current assets			
Land use rights		**16,427**	16,663
Property, plant and equipment		**445,875**	449,206
Investment properties		**306,830**	336,250
Intangible assets		**8,664**	9,317
Investments in an associate		**15,231**	16,562
Other financial assets		**18,994**	18,916
Other non-current assets	*4*	**33,853**	46,224
Deferred tax assets		**7,354**	7,354
		853,228	900,492
Current assets			
Inventories		**331,130**	381,143
Property development		**680,199**	657,428
Trade and bills receivables	*4*	**347,470**	403,794
Prepayments, deposits and other receivables	*4*	**35,727**	28,469
Current tax recoverable		**138**	138
Cash and bank deposits		**245,285**	272,153
		1,639,949	1,743,125
Total assets		**2,493,177**	2,643,617
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,295**	199,456
Other reserves		**225,263**	287,519
Retained earnings		**640,791**	701,307
Total equity		**1,065,349**	1,188,282

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2018

(Expressed in Hong Kong dollars)

	Note	30 September 2018 $'000	31 March 2018 $'000
LIABILITIES			
Current liabilities			
Trade payables	5	**210,933**	208,737
Accruals and other payables		**349,625**	345,886
Receipts in advance		**86,741**	65,411
Bank borrowings	6	**132,750**	135,002
Amount due to an associate		**3,615**	2,587
Amount due to related companies		**102,808**	123,397
Current tax payable		**76,833**	71,727
		963,305	952,747
Non-current liabilities			
Bank borrowings	6	**454,650**	490,900
Provision for long service payments		**6,129**	7,718
Deferred tax liabilities		**3,744**	3,970
		464,523	502,588
Total liabilities		**1,427,828**	1,455,335
Total equity and liabilities		**2,493,177**	2,643,617
Net current assets		**676,644**	790,378
Total assets less current liabilities		**1,529,872**	1,690,870

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

	Note	For the six months ended 30 September **2018** **$'000**	2017 *$'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*3*	**1,300,003**	1,436,584
Cost of revenue		**(1,121,197)**	(1,238,604)
Gross profit		**178,806**	197,980
Distribution and selling expenses		**(11,498)**	(15,005)
General and administrative expenses		**(62,546)**	(68,461)
Other income and gains	*7*	**3,575**	4,232
Operating profit		**108,337**	118,746
Finance income		**1,347**	677
Finance costs		**(7,255)**	(6,233)
Finance costs, net	*9*	**(5,908)**	(5,556)
Share of profits of an associate		**132**	545
Profit before taxation		**102,561**	113,735
Income tax	*10*	**(14,492)**	(16,034)
Profit for the period from continuing operations		**88,069**	97,701
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	*11*	**—**	(16,665)
Profit for the period		**88,069**	81,036

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2018
(Expressed in Hong Kong dollars)

	Note	For the six months ended 30 September 2018 $'000	2017 $'000 (Restated)
Attributable to:			
Equity shareholders of the Company		**88,069**	81,168
Non-controlling interests		**—**	(132)
Profit for the period		**88,069**	81,036
Profit/(loss) attributable to equity shareholders of the Company arises from:			
— Continuing operations		**88,069**	97,701
— Discontinued operations		**—**	(16,533)
		88,069	81,168
Earnings per share from continuing operations and discontinued operations attributable to equity shareholders of the Company			
Basic earnings/(loss) per share *(HK cents)*			
— Continuing operations		**4.4**	4.9
— Discontinued operations		**—**	(0.8)
— Profit for the period	*12*	**4.4**	4.1
Diluted earnings/(loss) per share *(HK cents)*			
— Continuing operations		**4.4**	4.9
— Discontinued operations		**—**	(0.8)
— Profit for the period	*12*	**4.4**	4.1

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

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

	For the six months ended 30 September	
	2018	2017
	$'000	*$'000*
		(Restated)
Profit for the period	**88,069**	81,036
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations, net of $Nil tax	**(63,523)**	20,479
Fair value losses on other financial assets, net of $Nil tax	**(122)**	—
Other comprehensive income for the period	**(63,645)**	20,479
Total comprehensive income for the period	**24,424**	101,515
Attributable to:		
Equity shareholders of the Company	**24,424**	101,647
Non-controlling interests	**—**	(132)
Total comprehensive income for the period	**24,424**	101,515
Total comprehensive income attributable to equity shareholders of the Company arises from:		
— Continuing operations	**24,424**	118,791
— Discontinued operations	**—**	(17,276)
	24,424	101,515

NOTES

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The interim financial results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 September 2018 but are extracted from that interim financial report.

This interim financial report for the six months ended 30 September 2018 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 2018, 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 2018, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2019. 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9.

(a) HKFRS 9, Financial instruments, including the amendments to HKFRS9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement.* It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	**Reclassification**	**HKFRS 9 carrying amount at 1 April 2018**
	$'000	*$'000*	*$'000*
Financial assets carried at FVOCI (recycling)			
Key management insurance contract (unlisted investment) *(note (i))*	—	18,916	18,916
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	18,916	(18,916)	—

Note:

(i) Under HKAS 39, key management insurance contracts were classified as available-for-sale financial assets. These insurance contracts are classified as at FVOCI under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVPL at 1 April 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and bank deposits, trade and bills receivables and prepayments, deposits and other receivables).

Financial assets measured at fair value, including debt securities and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractual due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Groups' financial assets as at 1 April 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39.

– the following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– if, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. when the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. when the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and properties. Taking into account the contract terms and the Group's business practice, the sales of goods and properties do not meet the criteria for recognising revenue over time and therefore such revenue continues to be recognised at a point in time. This change in accounting policy had no material impact on opening balances as at 1 April 2018.

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 (2017: four) major operating segments. They are (i) metal and plastic business; (ii) electronic manufacturing services business; and (iii) real estate business. Consumer and services business was formerly a major operating segment until it was disposed of to a related party during the year ended 31 March 2018 (note 11).

Management considers the business from both a geographic and products and services perspective. From a products and services perspective, management assesses the performance of metal and plastic business, electronic manufacturing services business and real estate business. And there is further evaluation on a geographic basis (Japan, Hong Kong, the People's Republic of China (the "PRC"), Asia (excluding Japan, Hong Kong and the PRC), North America and Western Europe). Management assesses the performance of the operating segments based on operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in this 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 2018 are as follows:

	For the six months ended 30 September 2018						
	Continuing operations					Discontinued operations	Total
	Metal and plastic business	Electronic manufacturing services business	Real estate business	Others	Sub-total		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment revenue							
Reportable segment revenue	**757,611**	**552,344**	**11,849**	**—**	**1,321,804**	**—**	**1,321,804**
Inter-segment revenue	**(21,801)**	**—**	**—**	**—**	**(21,801)**	**—**	**(21,801)**
	735,810	**552,344**	**11,849**	**—**	**1,300,003**	**—**	**1,300,003**
Revenue among continuing and discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Revenue from external customers	**735,810**	**552,344**	**11,849**	**—**	**1,300,003**	**—**	**1,300,003**
Gross profit	**144,083**	**30,620**	**4,103**	**—**	**178,806**	**—**	**178,806**
Distribution and selling expenses and general and administrative expenses	**(56,369)**	**(13,141)**	**(4,510)**	**(24)**	**(74,044)**	**—**	**(74,044)**
Other income and gains	**2,256**	**420**	**899**	**—**	**3,575**	**—**	**3,575**
Operating profit/(loss)	**89,970**	**17,899**	**492**	**(24)**	**108,337**	**—**	**108,337**

	For the six months ended 30 September 2017 (Restated)						
	Continuing operations					Discontinued operations	Total
	Metal and plastic business	Electronic manufacturing services business	Real estate business	Others	Sub-total		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment revenue							
Reportable segment revenue	778,909	641,012	39,453	182	1,459,556	12,028	1,471,584
Inter-segment revenue	(22,972)	—	—	—	(22,972)	—	(22,972)
	755,937	641,012	39,453	182	1,436,584	12,028	1,448,612
Revenue among continuing and discontinued operations	(556)	—	—	—	(556)	(116)	(672)
Revenue from external customers	755,381	641,012	39,453	182	1,436,028	11,912	1,447,940
Gross profit/(loss)	147,378	35,490	15,072	40	197,980	(11,650)	186,330
Distribution and selling expenses and general and administrative expenses	(60,070)	(14,174)	(9,061)	(161)	(83,466)	(5,013)	(88,479)
Other income and gains	2,623	796	813	—	4,232	—	4,232
Operating profit/(loss)	89,931	22,112	6,824	(121)	118,746	(16,663)	102,083

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

	For the six months ended 30 September	
	2018	2017
	$'000	*$'000*
		(Restated)
Operating profit from continuing operations	**108,337**	118,746
Finance income	**1,347**	677
Finance costs	**(7,255)**	(6,233)
Share of profits of an associate	**132**	545
Profit before taxation from continuing operations	**102,561**	113,735

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

	30 September 2018 *$'000*	31 March 2018 *$'000*
Trade and bills receivables	**351,491**	407,815
Other receivables	**32,974**	34,860
	384,465	442,675
Less: Allowance for impairment of trade and bills receivables	**(4,021)**	(4,021)
	380,444	438,654
Prepayments	**17,489**	10,059
Deposits	**19,117**	29,774
	417,050	478,487
Less: Other non-current assets *(Note)*	**(33,853)**	(46,224)
	383,197	432,263
Representing:		
Trade and bills receivables, net of allowance	**347,470**	403,794
Prepayments, deposits and other receivables	**35,727**	28,469
	383,197	432,263

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounting to approximately $14,017,000 (31 March 2018: $24,474,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounting to approximately $19,836,000 (31 March 2018: $21,750,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the PRC.

The Group generally grants credit periods ranging from 30 to 90 days, except for two of the customers who is granted a credit period of 150 days. Ageing analysis of trade, bills and other receivables based on invoice date, is as follows:

	30 September 2018 *$'000*	31 March 2018 *$'000*
0 to 90 days	**296,600**	325,046
91 to 180 days	**76,240**	94,723
181 to 360 days	**3,522**	19,778
Over 360 days	**8,103**	3,128
	384,465	442,675

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, deposits and other receivables stated above. The Group does not hold any collateral as security.

5 TRADE PAYABLES

Trade payables ageing analysis, based on invoice date, is as follows:

	30 September 2018	31 March 2018
	$'000	*$'000*
0 to 90 days	**203,246**	197,284
91 to 180 days	**6,479**	8,047
181 to 360 days	**542**	2,794
Over 360 days	**666**	612
	210,933	208,737

6 BANK BORROWINGS

	30 September 2018	31 March 2018
	$'000	*$'000*
Current portion:		
Portion of bank borrowings repayable within one year	**132,750**	135,002
Non-current portion:		
Portion of bank borrowings repayable after one year	**454,650**	490,900
Total bank borrowings	**587,400**	625,902
Representing:		
Secured	**190,000**	190,000
Unsecured	**397,400**	435,902
Total bank borrowings	**587,400**	625,902

As at 30 September 2018 and 31 March 2018, banking facilities of $240,000,000 were secured by 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 $190,000,000 (31 March 2018: $190,000,000).

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2018, none of the covenants relating to the drawn down facilities had been breached.

7 OTHER INCOME AND GAINS

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		(Restated)
Rental income	**2,049**	1,299	**—**	—
Gain on disposal of property, plant and equipment	**315**	2,869	**—**	—
Others	**1,211**	64	**—**	—
	3,575	4,232	**—**	—

8 EXPENSES BY NATURE

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		(Restated)
Depreciation of property, plant and equipment	**25,620**	23,434	**—**	2,583
Amortisation of land use rights	**236**	236	**—**	—
Amortisation of intangible assets	**661**	643	**—**	1,200
Employee benefit expenses (including directors' emoluments)	**164,320**	187,860	**—**	8,090

9 FINANCE COSTS, NET

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		(Restated)
Finance income				
— Interest income from bank deposits	**1,130**	475	**—**	2
— Other interest income	**217**	202	**—**	—
	1,347	677	**—**	2
Finance costs				
— Interest expenses on bank borrowings wholly repayable within five years	**(17,120)**	(11,499)	**—**	—
— Finance charges on obligations under finance lease	**—**	—	**—**	(4)
Less: Interest expenses capitalised into property under development for sale	**9,865**	5,266	**—**	—
	(7,255)	(6,233)	**—**	(4)
Finance costs, net	**(5,908)**	(5,556)	**—**	(2)

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2017: 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:

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		(Restated)
Current taxation				
Hong Kong Profits Tax				
— Current period	**6,247**	9,647	**—**	—
PRC Taxes				
— Current period	**8,245**	14,981	**—**	—
Deferred taxation	**—**	(8,594)	**—**	—
Income tax	**14,492**	16,034	**—**	—

11 DISCONTINUED OPERATIONS

On 29 March 2018, the Group disposed of its consumer and services business through the sale of its subsidiaries. As the disposed business are considered as separate major lines of business, the corresponding operations have been classified as discontinued operations as a result of the completion of such disposal.

The result of the discontinued operations for the six months ended 30 September 2017 is set out below:

	For the six months ended 30 September 2017 *$'000*
Revenue	12,028
Cost of revenue	(23,678)
Gross loss	(11,650)
Distribution and selling expenses	(598)
General and administrative expenses	(4,415)
Operating loss	(16,663)
Finance income	2
Finance costs	(4)
Finance costs, net	(2)
Loss before taxation	(16,665)
Income tax	—
Loss for the period from discontinued operations	(16,665)
Attributable to:	
Equity shareholders of the Company	(16,533)
Non-controlling interests	(132)
Loss for the period from discontinued operations	(16,665)

12 EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2018	2017 (Restated)
Profit/(loss) attributable to equity shareholders of the Company arises from *($'000)*		
— Continuing operations	**88,069**	97,701
— Discontinued operations	**—**	(16,533)
	88,069	81,168
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,993,042**	1,994,189
Effect of outstanding share options *(in thousand shares)*	**16,214**	14,308
Weighted average number of ordinary shares (diluted) in issue *(in thousand shares)*	**2,009,256**	2,008,497
Basic earnings/(loss) per share *(HK cents)*		
— Continuing operations	**4.4**	4.9
— Discontinued operations	**—**	(0.8)
— Profit for the period	**4.4**	4.1
Diluted earnings/(loss) per share *(HK cents)*		
— Continuing operations	**4.4**	4.9
— Discontinued operations	**—**	(0.8)
— Profit for the period	**4.4**	4.1

13 DIVIDENDS

The final dividend for the year ended 31 March 2018 amounting to $94,691,000 representing HK4.75 cents per share, was paid in September 2018 (2017: $83,841,000, representing HK4.2 cents per share, was paid in September 2017).

The special dividend for the year ended 31 March 2018 amounting to $50,861,000 representing HK2.55 cents per share, was paid in April 2018 (2017: $19,962,000 representing HK1.0 cent per share, was paid in September 2017).

The Board declared an interim dividend of HK3.0 cents per share for the six months ended 30 September 2018 (six months ended 30 September 2017: HK1.6 cents per share). The interim dividend amounting to $59,788,000 (six months ended 30 September 2017: $31,942,000) has not been recognised as liability in this interim financial report.

DIVIDEND

The Board declared an interim dividend of HK3.0 cents per share for the six months ended 30 September 2018 (the "Period") (for the six months ended 30 September 2017: HK1.6 cents) to eligible shareholders whose names appear on the register of members of the Company on 14 December 2018. The interim dividend will be payable to those entitled on or about 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 December 2018 to Friday, 14 December 2018 (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, 12 December 2018.

BUSINESS REVIEW

For the six months ended 30 September 2018, the revenue of the Group was HK$1,300,003,000 (for the six months ended 30 September 2017: HK$1,436,584,000), which decreased by approximately 10% when compared with the corresponding period of last year. Profit attributable to the equity shareholders of the Company amounted to HK$88,069,000 (for the six months ended 30 September 2017: HK$81,168,000), which increased by approximately 9% when compared with the corresponding period of last year. The increase in the profit during the Period was mainly due to the absence of losses from the discontinued consumer and services business.

(I) Continuing Operations

(A) Industrial Business:

1. For the six months ended 30 September 2018, the turnover of the overall industrial business was HK$1,288,154,000 (for the six months ended 30 September 2017: HK$1,396,949,000), which decreased by approximately 8% when compared with the corresponding period of last year. For the six months ended 30 September 2018, the operating profit of the overall industrial business was HK$107,869,000 (for the six months ended 30 September 2017: HK$112,043,000), which decreased by approximately 4% when compared with the corresponding period of last year. The decrease in the operating profit of the industrial business was mainly due to the decrease in the turnover of the industrial business and appreciation of the RMB during the Period.

2. For the six months ended 30 September 2018, the turnover of the metal and plastic business was HK$735,810,000 (for the six months ended 30 September 2017: HK$755,937,000), which slightly decreased by approximately 3% when compared with the corresponding period of last year, mainly due to the decrease in the sales of products other than server casings.

3. For the six months ended 30 September 2018, the turnover of the electronic manufacturing services business was HK$552,344,000 (for the six months ended 30 September 2017: HK$641,012,000), which decreased by approximately 14% when compared with the corresponding period of last year. The decrease was mainly due to the decrease in the sales of magnetic tape data storage and the Group's strategic decision of reducing the manufacturing of lower profit margin office automation products. As the gross profit of the electronic manufacturing services business was lower than that of the metal and plastic business, the decrease in the electronic manufacturing services business had a relatively slight impact on the overall profitability of the Group.

4. In terms of market, the Group continued to maintain good relationships with the internationally renowned customers and continuously invested resources to acquire new customers, thus maintaining its position as a global leading mechanical parts manufacturer. In addition, the product mix was adjusted accordingly. The Group began to gradually cease production of products in saturated markets, such as office automation products, while it made greater investment in product markets with high growth and potential to grow. It is believed that the Group would achieve steady and sustainable growth in terms of metal and plastic business and moulds in the foreseeable future. Moreover, in terms of new customers, the Group successfully secured an order in relation to server parts from an international renowned technology enterprise, benefiting the future development of industrial business of the Group.

5. In terms of industrial production technology innovation, the Group has successfully integrated the manufacturing procedures of plastic injection products. Meanwhile, the Group basically realized automated production of metal products. It has formulated automated production schemes for processes including numerically-controlled bending, polish and flashing, and increased relevant automation equipment. As a result, the number of transfers during production and the production costs were reduced.

6. In terms of safety and environmental protection, the Group carried out safe production management strictly in accordance with national standards, increased safety facilities. No major safety accidents occurred in the first half of the year. In addition, the Group has consistently paid attention to green and clean production, with the production process and products totally meeting national environmental protection standards. The Group has not been subject to any influence even under the circumstance that environmental protection policies have been strictly implemented by the government.

7. In terms of management, the Group successfully implemented the new human resource system platform to unify the electronic management information platforms in China and Hong Kong, implemented the performance indicator assessment system and improved the management system, thus making the operation management more standardised and efficient.

8. In the first half of the year, there was a greater difficulty in the operation of the Group under the uncertain situation of international trade, the resurgence of global trade protectionism and the continuous increase in labor costs. Nevertheless, in the first half of the year, the Group was able to develop steadily, due to efforts of all employees, support of our customers and partners and the unity of shareholders.

(B) Real Estate Business:

9. As at 30 September 2018, the turnover of the real estate business reached approximately HK$11,849,000, mainly in relation to the recognition of certain revenue from eight units in Area B, Castfast Villas (嘉輝豪庭B區) which were sold. All units of Area B, Castfast Villas (嘉輝豪庭B區) were sold. The revenue from the remaining units sold with a total contracted sales amount of RMB11 million will be recognised in the second half of the year upon completion of relevant procedures. As the other real estate projects of the Group were still under development, this business segment made no significant contribution to the revenue of the Group during the Period.

10. A good progress was made in the residential project, cooperating development with the Company's substantial shareholder, of the Phase 3 of Castfast Villas (嘉輝豪庭). The project has approximately 600 units and a total sales area of approximately 61,000 square meters, and is expected to be completed by March 2019. As at 31 October 2018, over 380 units of the project were offered for sale. Among which approximately 250 units were pre-sold with an area of approximately 23,000 square meters, a total contracted sales amount of approximately RMB550 million and an average selling price of approximately RMB24,000 per square meter. It is expected that certain pre-sold units would be delivered by the end of March 2019, with relevant revenue to be recognised in the second half of the year, generating a considerable amount of income for the Group.

11. Guanjingtou Plant Modification Project under the local government's urban, plant and village policy (三舊改造), namely Phases 4 & 5 of Castfast Villas and Boluo County residential project, were in construction as scheduled with a construction permit. The projects are expected to start their pre-sale in the second half of 2019.

(II) Discontinued Operations

12. The disposal of the consumer and services business was completed on 29 March 2018. Therefore, during the Period, the Company discontinued the consumer and services business.

PROSPECTS

1. With the resurgence of trade protectionism and the changes in Chinese policies, it is believed that there will be significant fluctuations in the global economy during this financial year. Under the uncertain situation, the Group is committed to developing intelligent production to improve its production efficiency and flexibility, so as to ensure production quality and stability, and effectively control costs. In addition, RMB exchange rate in the second half of the year showed a downtrend, which is expected to reduce production costs.

   Moreover, as the bids for new-generation servers will start soon, the Group will endeavor to secure more orders of new-generation products from our existing internationally renowned customers. In order to expand the market share, the Group has endeavored to secure orders from potential new customers, especially those international renowned technology enterprisers and data center server manufacturers. Meanwhile, the Group has been committed to developing new products with high profit margin, thus improving the use of resources and its profitability.

2. The central government has started to implement measures to regulate the real estate industry in China, so as to curb the rapid increase in the property price in certain cities. Purchasing and price restrictions, credit tightening and other measures have influence on the real estate business in China. However, the regulation measures to prevent burst of bubble are conducive to the long-term development of the real estate industry. Moreover, most of the Group's projects are developed in the form of plant modification under the local government's urban, plant and village policy with a lower land cost, and they are all located in the Guangdong — Hong Kong — Macau Greater Bay Area and adjacent to Shenzhen. Under the stable economic environment of China, the Group is confident about the development of its real estate business.

Conclusion

In order to better respond to opportunities and challenges, the Group has established professional teams, adopted more flexible management methods and pursued a strategy that places priority on efficiency. The revenue from the real estate business is expected to substantially increase in 2019 and the business will achieve good progress supported by the healthy core industrial business. With the two-pronged development of industrial and real estate businesses, the Group will be able to seize opportunities and overcome challenges in the future, thus bring fruitful results to shareholders.

LIQUIDITY RESOURCES AND FINANCING POLICIES

The unaudited net interest-bearing borrowings (represent bank borrowings and obligations under finance leases less cash and bank deposits) as at 30 September 2018 were approximately HK$342,115,000 (as at 30 September 2017: HK$397,422,000) and the net interest-bearing borrowings ratio (represent the proportion of total net interest-bearing borrowings over total equity) was 32% (as at 30 September 2017: 37%) whereas the ratio of non-current assets to total equity was approximately 80%. Hence, the management considers the Group's financial position is healthy.

The interest bearing borrowings were HK$587,400,000. The cash in hand and the bank balances amounted to HK$245,285,000 with unutilised banking facilities of HK$972,992,000 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 2018, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had dropped from approximately 3,900 at the end of the same period of last year to approximately 3,100 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 may also grant bonuses and share option to employees with outstanding performance based on its own 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 "Favorable Offer for Employees Buying Flat Scheme" to encourage and finance potential elites in buying a flat locally as a means to retain talents who may otherwise be lost in the competitive labour market.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2018, the Company repurchased its 2,974,000 listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 2,696,000 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 278,000 shares have already been cancelled as at the date of this announcement. Details of the repurchases during the six months ended 30 September 2018 are summarised as follows:

Date of repurchases	**Number of shares repurchased**	**Highest price per share** *(HK$)*	**Lowest price per share** *(HK$)*	**Aggregate consideration paid** *(HK$)*
18 April 2018	92,000	1.15	1.13	105,100
23 April 2018	458,000	1.15	1.12	517,520
24 April 2018	206,000	1.16	1.15	237,320
25 April 2018	112,000	1.16	1.14	128,960
26 April 2018	198,000	1.15	1.14	226,020
3 May 2018	118,000	1.16	1.15	136,420
4 May 2018	148,000	1.17	1.16	171,760
7 May 2018	90,000	1.17	1.16	104,540
8 May 2018	124,000	1.18	1.17	145,440
9 May 2018	32,000	1.18	1.18	37,760
10 May 2018	20,000	1.18	1.18	23,600
11 May 2018	36,000	1.19	1.18	42,820
14 May 2018	26,000	1.18	1.18	30,680
17 May 2018	24,000	1.20	1.20	28,800
23 May 2018	12,000	1.20	1.20	14,400
29 June 2018	130,000	1.18	1.16	151,180
3 July 2018	58,000	1.17	1.16	67,400
4 July 2018	130,000	1.17	1.15	150,740
5 July 2018	120,000	1.17	1.15	138,880
6 July 2018	10,000	1.16	1.16	11,600
4 September 2018	210,000	1.02	1.00	211,800
5 September 2018	190,000	1.03	1.02	194,120
7 September 2018	58,000	1.03	1.02	59,260
10 September 2018	106,000	1.03	1.02	109,020
11 September 2018	66,000	1.02	1.01	67,120
12 September 2018	96,000	1.02	1.01	97,880
19 September 2018	44,000	1.02	1.01	44,680
21 September 2018	60,000	1.02	1.01	61,180
Total	**2,974,000**			**3,316,000**

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company established an audit committee in January 1999 which now comprises one non-executive Director and three independent non-executive Directors. The audit committee of the Company (the "Audit Committee") is responsible for dealing with matters relating to the audit area, which include reviewing and supervising the Company's financial reporting process and internal control, in order to protect the interests of the shareholders of the Company. The unaudited interim results for the Period of the Company now reported on have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

- Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of its Chairman and Chief Executive Officer and Mr. Ho Cheuk Fai ("Mr. Ho") currently holds both positions.

  Being the founder of the Group, Mr. Ho has substantial experience in the industrial business, as well as in real estate and culture related industries. At the same time, Mr. Ho has the appropriate management skills and business acumen that are necessary and are the pre-requisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and both roles should continue to be performed by Mr. Ho.

- According to Code Provision A.4.1 of CG Code, a non-executive director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-designated as non-executive Director on 1 June 2007 and he was appointed as Deputy Chairman on 1 May 2011 without a specific term. Mr. Ho Kai Man was re-designated as the non-executive Director on 1 November 2012 without a specific term. Although Mr. Ho Cheuk Ming and Mr. Ho Kai Man are not appointed for a specific term, they are subject to retirement by rotation according to the Bye-laws of the Company (the "Bye-laws").

- Moreover, Code Provision A.4.2 of CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Bye-laws, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. The Chairman 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; and evaluating the Policy as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid the conflict of interests in carrying out such functions. For instance, the relevant Director would abstain from voting for any resolution relating to his or her own re-appointment. As such, the Board is of the view that the members of the Board possess the necessary experience and knowledge to discharge the functions of a nomination committee. The Board shall review the composition and operation of the Board from time to time and shall consider establishing a nomination committee if such need arises.

The Company will continue to review its practices from time to time to achieve a high standard of corporate governance.

COMPLIANCE WITH THE MODEL CODE

During the Period, the Company has adopted stringent procedures in governing the Directors' securities transactions in compliance with the requirements contained in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon due enquiry by the Company, all Directors had confirmed that, they had complied with the required standards as set out in the Model Code throughout the Period.

PUBLICATION OF INTERIM 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, 28 November 2018

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*