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 2019

	For the six months ended 30 September		
	2019	2018	Changes
Revenue *(HK$'000)*	**1,424,748**	1,300,003	+10%
Profit attributable to equity shareholders *(HK$'000)*	**114,415**	88,069	+30%
Basic earnings per share *(HK cents)*	**5.7**	4.4	+30%
Interim dividend per share *(HK cents)*	**4.0**	3.0	+33%

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 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019
(Expressed in Hong Kong dollars)

	Note	30 September 2019 $'000	31 March 2019 $'000
ASSETS			
Non-current assets			
Land use rights		**15,954**	16,190
Property, plant and equipment		**446,200**	451,025
Right-of-use assets		**5,544**	—
Investment properties		**297,033**	318,600
Intangible assets		**8,433**	9,168
Investments in an associate		**15,802**	16,327
Other financial assets		**19,430**	19,325
Other non-current assets	4	**46,422**	32,000
Deferred tax assets		**5,001**	5,001
		859,819	867,636
Current assets			
Inventories		**413,371**	335,491
Property development		**673,674**	689,437
Trade and bills receivable	4	**314,789**	279,285
Prepayments, deposits and other receivables	4	**52,770**	45,904
Amounts due from related companies		**140,427**	21,503
Current tax recoverable		**3,152**	632
Cash and bank deposits		**254,936**	224,030
		1,853,119	1,596,282
Total assets		**2,712,938**	2,463,918
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,384**	199,183
Other reserves		**191,005**	254,217
Retained earnings		**727,388**	713,460
Total equity		**1,117,777**	1,166,860

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2019

(Expressed in Hong Kong dollars)

	Note	**30 September 2019** *\$'000*	**31 March 2019** *\$'000*
LIABILITIES			
Current liabilities			
Trade payables	*5*	**281,066**	155,469
Accruals and other payables		**500,619**	437,151
Bank borrowings	*6*	**79,250**	66,588
Lease liabilities		**3,284**	—
Amount due to an associate		**1,154**	35
Amounts due to related companies		**488**	394
Current tax payable		**80,798**	72,606
		946,659	732,243
Non-current liabilities			
Bank borrowings	*6*	**635,295**	553,754
Lease liabilities		**2,334**	—
Provision for long service payments		**7,380**	7,388
Deferred tax liabilities		**3,493**	3,673
		648,502	564,815
Total liabilities		**1,595,161**	1,297,058
Total equity and liabilities		**2,712,938**	2,463,918
Net current assets		**906,460**	864,039
Total assets less current liabilities		**1,766,279**	1,731,675

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019
(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
		2019	2018
	Note	***$'000***	*$'000*
Revenue	*3*	**1,424,748**	1,300,003
Cost of revenue		**(1,185,595)**	(1,121,197)
Gross profit		**239,153**	178,806
Distribution and selling expenses		**(14,309)**	(11,498)
General and administrative expenses		**(51,596)**	(62,546)
Other income/gains	*7*	**2,951**	3,575
Operating profit		**176,199**	108,337
Finance income		**2,560**	1,347
Finance costs		**(13,631)**	(7,255)
Finance costs, net	*9*	**(11,071)**	(5,908)
Share of profits of an associate		**598**	132
Profit before taxation		**165,726**	102,561
Income tax	*10*	**(51,311)**	(14,492)
Profit for the period		**114,415**	88,069
Profit for the period attributable to equity shareholders of the Company		**114,415**	88,069
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share *(HK cents)*	*11*	**5.7**	4.4
Diluted earnings per share *(HK cents)*	*11*	**5.7**	4.4

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

For the six months ended 30 September 2019
(Expressed in Hong Kong dollars)

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Profit for the period	**114,415**	88,069
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax	**(65,043)**	(63,523)
Fair value losses on other financial assets, net of $Nil tax	**(102)**	(122)
Other comprehensive income for the period	**(65,145)**	(63,645)
Total comprehensive income for the period	**49,270**	24,424
Total comprehensive income for the period attributable to equity shareholders of the Company	**49,270**	24,424

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(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 2019 but are extracted from that interim financial report.

This interim financial report for the six months ended 30 September 2019 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 2019, 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 2019, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2020. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease , HK(SIC) 15, Operating leases — incentives , and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of plant, machinery, tools and equipment as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.39%.

To ease the transition to HKFRS 16, the Group applied the recognition exemption and practical expedients at the date of initial application of HKFRS 16 when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	$'000
Operating lease commitments at 31 March 2019	10,157
Less: commitment relating to leases exempted from capitalisation	(2,140)
	8,017
Less: total future interest expenses	(314)
Total lease liabilities recognised as at 1 April 2019	7,703

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position:

	Carrying amount at 31 March 2019 $'000	**Capitalisation of operating lease contracts $'000**	**Carrying amount at 1 April 2019 $'000**
Line items in the condensed consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	—	7,703	7,703
Non-current assets	**867,636**	**7,703**	**875,339**
Total assets	**2,463,918**	**7,703**	**2,471,621**
Lease liabilities (current)	—	(3,522)	(3,522)
Current liabilities	**(732,243)**	**(3,522)**	**(735,765)**
Lease liabilities (non-current)	—	(4,181)	(4,181)
Non-current liabilities	**(564,815)**	**(4,181)**	**(568,996)**
Total liabilities	**(1,297,058)**	**(7,703)**	**(1,304,761)**
Total equity and liability	**(2,463,918)**	**(7,703)**	**(2,471,621)**
Net current assets	**864,039**	**(3,522)**	**860,517**
Total assets less current liabilities	**1,731,675**	**4,181**	**1,735,856**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset and the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 *$'000*	At 1 April 2019 *$'000*
Non-current assets		
Right-of-use assets	**5,544**	**7,703**
Current liabilities		
Lease liabilities	**(3,284)**	**(3,522)**
Non-current liabilities		
Lease liabilities	**(2,334)**	**(4,181)**

(c) ***Lease liabilities***

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	3,284	3,343	3,522	3,587
After 1 year but within 2 years	2,062	2,165	3,021	3,174
After 2 years but within 5 years	272	293	1,160	1,256
	5,618	5,801	7,703	8,017
Less: total future interest expenses		(183)		(314)
Present value of lease liabilities		5,618		7,703

(d) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit for the period in the Group's condensed consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note (i) below) (C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under HKAS 17
	$'000	***$'000***	***$'000***	***$'000***	*$'000*
Financial result for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:					
Operating profit	**176,199**	**1,682**	**(1,717)**	**176,164**	**108,337**
Finance costs, net	(11,071)	112	—	(10,959)	(5,908)
Profit before taxation	**165,726**	**1,794**	**(1,717)**	**165,803**	**102,561**
Profit for the period	**114,415**	**1,794**	**(1,717)**	**114,492**	**88,069**
Operating profit of segment result for the six months ended 30 September 2019 (note 3) impacted by the adoption of HKFRS 16:					
Metal and plastic business	**100,634**	**1,682**	**(1,717)**	**100,599**	**89,970**

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17 (note (i)&(ii) below) (B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported for 2018 under HKAS 17
	$'000	***$'000***	***$'000***	*$'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	112,081	(1,717)	110,364	223,138
Net cash generated from operating activities	**105,723**	**(1,717)**	**104,006**	**215,985**
Capital element of lease rentals paid	(1,605)	1,605	**—**	—
Interest element of lease rentals paid	(112)	112	**—**	—
Net cash used in financing activities	**(28,551)**	**1,717**	**(26,834)**	**(193,862)**

Note (i): The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note (ii): In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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 (2018: 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. 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 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 2019 are as follows:

	For the six months ended 30 September 2019				
	Metal and plastic business *$'000*	**Electronic manufacturing services business** *$'000*	**Real estate business** *$'000*	**Others** *$'000*	**Total** *$'000*
Segment revenue					
Revenue from external customers	**761,320**	**544,089**	**119,339**	**—**	**1,424,748**
Inter-segment revenue	**20,725**	**—**	**—**	**—**	**20,725**
Reportable segment revenue	**782,045**	**544,089**	**119,339**	**—**	**1,445,473**
Gross profit	**147,578**	**23,407**	**68,168**	**—**	**239,153**
Distribution and selling expenses and general and administrative expenses	**(48,855)**	**(8,943)**	**(8,100)**	**(7)**	**(65,905)**
Other income/gains	**1,911**	**198**	**842**	**—**	**2,951**
Operating profit/(loss)	**100,634**	**14,662**	**60,910**	**(7)**	**176,199**

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

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

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Operating profit	**176,199**	108,337
Finance income	**2,560**	1,347
Finance costs	**(13,631)**	(7,255)
Share of profits of an associate	**598**	132
Profit before taxation	**165,726**	102,561

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

	30 September 2019	31 March 2019
	$'000	*$'000*
Trade and bills receivable	**315,108**	282,614
Other receivables	**33,789**	37,663
	348,897	320,277
Less: Loss allowance for trade and bills receivable	**(319)**	(3,329)
	348,578	316,948
Prepayments	**29,236**	23,720
Deposits	**36,167**	16,521
	413,981	357,189
Less: Other non-current assets *(Note)*	**(46,422)**	(32,000)
	367,559	325,189
Representing:		
Trade and bills receivable, net of allowance	**314,789**	279,285
Prepayments, deposits and other receivables	**52,770**	45,904
	367,559	325,189

Note : Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately $27,282,000 (31 March 2019: $11,468,000), and a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately $19,140,000 (31 March 2019: $20,532,000) 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. An ageing analysis of trade, bills and other receivables, based on invoice date, is as follows:

	30 September 2019	31 March 2019
	$'000	*$'000*
0 to 90 days	**293,741**	256,327
91 to 180 days	**53,750**	58,773
181 to 360 days	**1,372**	2,009
Over 360 days	**34**	3,168
	348,897	320,277

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

5 TRADE PAYABLES

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

	30 September 2019	31 March 2019
	$'000	*$'000*
0 to 90 days	**280,427**	154,666
91 to 180 days	**7**	692
181 to 360 days	**632**	90
Over 360 days	**—**	21
	281,066	155,469

6 BANK BORROWINGS

	30 September 2019	31 March 2019
	$'000	*$'000*
Portion of bank borrowings repayable within one year and classified as current liabilities	**79,250**	66,588
Portion of bank borrowings repayable after one year and classified as non-current liabilities	**635,295**	553,754
Total bank borrowings	**714,545**	620,342
Representing:		
Secured	**277,045**	239,442
Unsecured	**437,500**	380,900
Total bank borrowings	**714,545**	620,342

As at 30 September 2019, banking facilities of $537,000,000 (31 March 2019: $558,600,000) were secured by the property under development for sale of $420,940,000 (31 March 2019: $385,464,000) 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 $277,045,000 (31 March 2019: $239,442,000).

At 30 September 2019, bank borrowings totaling $79,250,000 (31 March 2019: $66,588,000) 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 2019 and 31 March 2019 none of the covenants relating to drawn down facilities had been breached.

7 OTHER INCOME/GAINS

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Rental income	**2,005**	2,049
Gain on disposal of property, plant and equipment	**187**	315
Others	**759**	1,211
	2,951	3,575

8 EXPENSES BY NATURE

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Depreciation of property, plant and equipment	**26,561**	25,620
Amortisation of land use rights	**236**	236
Amortisation of intangible assets	**751**	661
Amortisation of right-of-use assets	**1,682**	—
Employee benefit expenses (including directors' remuneration)	**173,979**	164,320

9 FINANCE COSTS, NET

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Finance income		
Interest income from financial assets measured at amortised cost	**2,353**	1,130
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	**207**	217
	2,560	1,347
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(23,118)**	(17,120)
Interest expense on lease liabilities	**(112)**	—
Less: Interest expenses capitalised into property under development for sale	**9,599**	9,865
	(13,631)	(7,255)
Finance costs, net	**(11,071)**	(5,908)

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profit for the period for all group companies incorporated in Hong Kong.

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

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

	For the six months ended 30 September	
	2019	2018
	$'000	*$'000*
Current taxation		
Hong Kong Profits Tax	**7,332**	6,247
PRC Taxes	**43,979**	8,245
	51,311	14,492

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	
	2019	2018
Profit attributable to equity shareholders of the Company *($'000)*	**114,415**	88,069
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,992,221**	1,993,042
Effect of outstanding share options *(in thousand shares)*	**15,616**	16,214
Weighted average number of ordinary shares (diluted) in issue *(in thousand shares)*	**2,007,837**	2,009,256
Basic earnings per share *(HK cents)*	**5.7**	4.4
Diluted earnings per share *(HK cents)*	**5.7**	4.4

12 DIVIDENDS

The final dividend for the year ended 31 March 2019 amounting to $99,692,000 representing HK5.0 cents per share, was paid in September 2019 (2018: $94,691,000, representing HK4.75 cents per share, was paid in September 2018).

The special dividend for the year ended 31 March 2019 declared of HKnil cent per ordinary share (2018: $50,861,000 representing HK2.55 cents per share, was paid in April 2018).

The Board declared an interim dividend of HK4.0 cents per share for the six months ended 30 September 2019 (six months ended 30 September 2018: HK3.0 cents per share). The interim dividend amounting to $79,754,000 (six months ended 30 September 2018: $59,788,000) has not been recognised as liability at the end of the reporting period.

Dividend

The Board declared an interim dividend of HK4.0 cents per share for the six months ended 30 September 2019 (the "**Period**") (for the six months ended 30 September 2018: HK3.0 cents) to all shareholders whose names appear on the register of members of the Company on 13 December 2019. The interim dividend will be payable to those entitled on or about 31 December 2019.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 12 December 2019 to Friday, 13 December 2019 (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, 11 December 2019.

Business Review

For the six months ended 30 September 2019, the turnover of the Group was HK$1,424,748,000 (for the six months ended 30 September 2018: HK$1,300,003,000), which increased by approximately 10% when compared with the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK$114,415,000 (for the six months ended 30 September 2018: HK$88,069,000), which increased by approximately 30% when compared with the corresponding period of last year. The increase in the profit during the Period was mainly due to the Real Estate Business gradually bringing substantial revenue to the Group.

(A) Industrial Business:

1. For the six months ended 30 September 2019, the turnover of the overall industrial business was HK$1,305,409,000 (for the six months ended 30 September 2018: HK$1,288,154,000), which slightly increased by approximately 1% when compared with the corresponding period last year. For the six months ended 30 September 2019, the operating profit of the overall industrial business was HK$115,296,000 (for the six months ended 30 September 2018: HK$107,869,000), which increased by approximately 7% when compared with the corresponding period last year. The direct impact of the trade dispute between China and the United States on the Group's business is relatively minor as only an insignificant portion of the Group's industrial products are directly exported to the United States. However, against the backdrop of an uncertain global economic outlook, it is an arduous and satisfactory achievement that the turnover of the industrial business has been maintained and achieved a slight increase. The increase in the operating profit of industrial business was mainly due to the continuous tight cost control of the Group and the depreciation of RMB during the Period.

2. For the six months ended 30 September 2019, the turnover of the metal and plastic business was HK$761,320,000 (for the six months ended 30 September 2018: HK$735,810,000), which slightly increased by approximately 3% when compared with the corresponding period last year. Metal and plastic business is the main source of profit of the industrial business. Despite the challenging environment, the turnover achieved a slight increase, which was mainly due to the stable order from existing customers and the Group securing orders from new customers.

3. For the six months ended 30 September 2019, the turnover of the electronic manufacturing services business was HK$544,089,000 (for the six months ended 30 September 2018: HK$552,344,000), which slightly decreased by approximately 1% when compared with the corresponding period last year. The electronic manufacturing services business was generally in line with that of last year and remained stable.

4. Amid the China-US trade dispute and uncertain economic prospects, the Group's industrial business has still achieved a slight growth. Thanks to our staff members and their combined effort in the deepening of automation and reduction of production processes, we have effectively improved production efficiency, mitigated the pressure from the continuously growing labour cost and boosted competitiveness among the industry.

5. The Group maintained good partnership with its existing renowned technology enterprise customers, and secured orders from existing customers for new-generation server casings till 2022. Furthermore, the Group has secured orders for casings and parts from another global large-scale server supplier, and is expected to receive orders for its new-generation server casings, which will provide new growth driver for the industrial business. Meanwhile, the Group proactively develops parts products for potential enterprises and other industries.

6. During the Period, the Group continued to optimize its working environment to attract talents, in order to build a talent pool and provide continuous supply of talents for the ongoing development of the Group. In the meantime, the Group has an attitude of zero tolerance to industrial accidents, and has endeavored to stop such accidents by improving protective facilities, enhancing the safety awareness of the staff and improving the safety management system, with a focus on the occupational safety and health of the staff.

(B) Real Estate Business:

7. The Real Estate Business has begun to reap its harvest with a revenue of HK$119,339,000 (for the six months ended 30 September 2018: HK$11,849,000) recorded for the Period. The significant increase was mainly due to the delivery of, and recognition of revenue from, over 90 units of Phase 3 of the joint residential project Castfast Villas (嘉輝豪庭) ("**Phase 3 project**"). A total area of 9,300 square metres was delivered with an average selling price of approximately RMB25,800 per square metre.

8. The construction work of the Phase 3 project was completed and the project has entered the delivery stage. The project, from which the Group would enjoy 50% of the profit, has a saleable floor area of approximately 61,000 square metres with a total of more than 600 units. As at 30 September 2019, the total number of units delivered was over 260, with an area of over 25,000 square metres and the average selling price of approximately RMB24,600 per square metre. The relevant revenue was recognized in the previous year and the Period. Except for the above, approximately over 280 units with an area of over 28,600 square metres were pre-sold up to 31 October 2019 and the average selling price was approximately RMB27,300 per square metre. Over 90% of the units of the project were sold. The revenue therefrom will be gradually recognized after the completion and delivery thereby contributing to the Group's profit.

9. The development of the residential project of Phases 4 and 5 of Castfast Villas (嘉輝豪庭), which was redeveloped from the old Guanjingtou Plant, is making progress as scheduled. Wholly-owned by the Group, the project was named One Peak (逸峯) and has a saleable floor area of approximately 120,000 square metres and 1,000 units. The first phrase of pre-sale began in early November 2019, where Building no. 1 and no.11 of over 110 units with a total area of approximately over 10,700 square metres were offered for sale. As at 15 November 2019, approximately over 40 units were pre-sold with an area of approximately over 4,000 square metres and an average selling price of approximately over RMB28,000 per square metre. The remaining units of the project will gradually be launched for sale. It is expected that the project would be completed and delivered in the first half of 2021.

10. Meanwhile, the pre-sale of the residential project of Castfast Mansion in Buluo County, Huizhou is expected to commence at the beginning of next year. The project has a total of approximately 300 units and a floor area of approximately over 30,000 square metres. The Real Estate Business had made good progress and contributed to the Group's profit. It is believed that the profit it contributed will gradually increase, providing shareholders with substantial earnings.

Prospects

1. Against the backdrop of the uncertainties concerning the China-US trade dispute, Brexit, social unrest in Hong Kong and prevailing weak economy and trade, the economic prospects seem dim. The Group continues to self-strengthen by expanding automatic production, effectively allocating resources and solidifying its industrial business to maintain competitive and its position as a global leading mechanical parts manufacturer. The Group had gained the trust of international renowned technology enterprises and secured orders for new-generation server casings till 2022. Moreover, apart from existing orders, the Group had secured new orders for server casings from another global server supplier. The Group is cautiously optimistic in respect of the development of its industrial business.

2. The Group has established a professional real estate management team, proactively promoted urban renewal, adopted flexible strategies for selling properties to provide a good living environment with a mission of "Building house for good living community, not commodity". The central government formulated measures for stabilizing property prices in order to support a healthy and steady development of the real estate market in the Mainland. The Group has put their hopes on the search of suitable development projects, making its Real Estate Business the main growth driver of the Group.

Conclusion

Rome was not built in a day. Facing challenges of uncertain business environment and soaring pressure, the Group must maintain its core value and uphold its philosophy of overcoming obstacles in unity. Believing that nothing is impossible with diligence, the Group will break new grounds.

On the road to its 40th anniversary, the Group never focuses only on short term development, but has shown visions and insights. Major decisions include expanding automatic production, adjusting business allocation and diversifying its source of revenue. Furthermore, the Group fulfilled its corporate social responsibility by promoting clean production and implementing community integration policy, in order to facilitate its sustainable development. It is believed that the Group can rely on its established industrial business for stable income, and utilize its flexible, opportune and diversified businesses as growth driver, in order to continuously refine its business portfolio, release its value and build a century-old enterprise.

Liquidity resources and financing policies

The unaudited net interest-bearing borrowings (represent bank borrowings less cash and bank deposits) as at 30 September 2019 were approximately HK$459,609,000 (as at 30 September 2018: HK$342,115,000) and the net interest-bearing borrowings ratio (represent the proportion of total net interest-bearing borrowings over total equity) was 41% (as at 30 September 2018: 32%) whereas the ratio of non-current assets to total equity was approximately 77%. Hence, the management considers the Group's financial position is healthy.

The interest bearing borrowings were HK$714,545,000. The cash in hand and the bank balances amounted to HK$254,936,000 with unutilised banking facilities of HK$826,545,000 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 2019, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had increased from approximately 3,100 at the end of the same period of last year to approximately 3,500 at the end of the Period. With a strong reputation in the local community, the Group had not experienced any major difficulties in recruiting employees.

Employee remuneration packages are determined in accordance with prevailing market standards and employees' performance and experiences. The Group will also grant bonuses to employees with outstanding performance based on the Company's audited business performance and the appraisal and reward system. Other employee benefits include medical insurance and mandatory provident fund.

In addition, to cope with domestic development in the PRC and the actual need for talent-retaining, the Group establishes a "Cooperative Home & Car Ownership Scheme" to encourage and finance potential elites in buying a flat and a car 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 2019, the Company repurchased its 714,000 listed shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), of which these Shares were cancelled during the Period. Accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 September 2019 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$)*
27 June 2019	438,000	1.14	1.11	491,540
28 June 2019	184,000	1.13	1.12	206,240
5 August 2019	92,000	1.07	1.06	97,820
Total:	**714,000**			**795,600**

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 manufacturing industry, as well as in the property development and culture related industries. 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.

- According to Code Provision A.4.1 of CG Code, non-executive director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-designated as Non-executive Director on 1 June 2007 and he was appointed as 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.

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

  According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's Bye-laws, the Chairman of the 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, 25 November 2019

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*