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Karrie International Holdings Limited

嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	For the six months ended		Change
	2024	2023	
Revenue (HK\$'000)	1,526,653	1,439,788	6%
Profit attributable to equity shareholders (HK\$'000)	101,779	73,455	39%
Basic earnings per share (HK cents)	5.0	3.6	39%
Diluted earnings per share (HK cents)	5.0	3.6	39%
Interim dividend per share (HK cents)	2.5	1.5	67%

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 2024 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in Hong Kong dollars)

		30 September	31 March
		2024	2024
	<i>Note</i>	\$'000	\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		715,806	693,169
Investment properties		223,733	229,068
Intangible assets		2,349	3,824
Investments in associates		82,593	82,455
Other financial assets		19,730	19,465
Other non-current assets	4	25,224	29,353
Deferred tax assets		2,581	2,581
		<u>1,072,016</u>	<u>1,059,915</u>
Current assets			
Inventories		616,362	512,256
Trade and bills receivables	4	646,324	619,157
Prepayments, deposits and other receivables	4	64,509	53,509
Amounts due from related companies		3,781	3,345
Current tax recoverable		8,259	5,121
Cash and bank deposits		209,177	149,418
		<u>1,548,412</u>	<u>1,342,806</u>
Total assets		<u>2,620,428</u>	<u>2,402,721</u>
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		202,146	202,146
Other reserves		194,668	189,229
Retained earnings		622,550	601,629
Total equity		<u>1,019,364</u>	<u>993,004</u>

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

As at 30 September 2024

(Expressed in Hong Kong dollars)

		30 September	31 March
		2024	2024
	<i>Note</i>	\$'000	\$'000
LIABILITIES			
Current liabilities			
Trade payables	5	446,589	462,793
Accruals and other payables		370,620	307,684
Bank borrowings	6	488,838	333,833
Lease liabilities		4,949	3,329
Amount due to an associate		2,444	2,331
Amounts due to related companies		3,706	3,696
Current tax payable		111,943	99,077
		1,429,089	1,212,743
Non-current liabilities			
Bank borrowings	6	151,707	195,859
Lease liabilities		19,429	276
Provision for long service payments		638	638
Deferred tax liabilities		201	201
		171,975	196,974
Total liabilities		1,601,064	1,409,717
Total equity and liabilities		2,620,428	2,402,721
Net current assets		119,323	130,063
Total assets less current liabilities		1,191,339	1,189,978

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

(Expressed in Hong Kong dollars)

		For the six months ended 30 September	
	Note	2024 \$'000	2023 \$'000
Revenue	3	1,526,653	1,439,788
Cost of revenue		<u>(1,325,490)</u>	<u>(1,273,239)</u>
Gross profit		201,163	166,549
Distribution and selling expenses		(13,392)	(11,029)
General and administrative expenses		(49,843)	(55,988)
Other income/gains	7	2,623	3,454
Net valuation losses on investment properties		<u>(5,400)</u>	<u>—</u>
Operating profit		<u>135,151</u>	<u>102,986</u>
Finance income		1,280	1,403
Finance costs		<u>(19,437)</u>	<u>(21,553)</u>
Finance costs, net	9	<u>(18,157)</u>	<u>(20,150)</u>
Share of profits/(losses) of associates		<u>145</u>	<u>(1,518)</u>
Profit before taxation		117,139	81,318
Income tax	10	<u>(15,360)</u>	<u>(7,863)</u>
Profit for the period		<u><u>101,779</u></u>	<u><u>73,455</u></u>
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share (<i>HK cents</i>)	11	<u><u>5.0</u></u>	<u><u>3.6</u></u>
Diluted earnings per share (<i>HK cents</i>)	11	<u><u>5.0</u></u>	<u><u>3.6</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

(Expressed in Hong Kong dollars)

	For the six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
Profit for the period	<u>101,779</u>	<u>73,455</u>
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	7,611	(61,105)
Changes in fair value of other financial assets	<u>71</u>	<u>56</u>
Other comprehensive income for the period	<u>7,682</u>	<u>(61,049)</u>
Total comprehensive income for the period	<u><u>109,461</u></u>	<u><u>12,406</u></u>

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for six months ended 30 September 2024 but are extracted from that interim financial report. The interim financial report 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 2024, 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 2024, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2025. Details of the changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA to unaudited interim financial information for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

None of the developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this interim report.

The Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 two (for the six months ended 30 September 2023: two) major operating segments. They are metal and plastic business and electronic manufacturing services business.

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 and electronic manufacturing services business. In addition, there is further evaluation on a geographic basis (Japan, Hong Kong, Mainland China, Asia (excluding Japan, Hong Kong and Mainland China), North America and Western Europe). Management assesses the performance of the operating segments based on operating profit. Segment information provided to Management for decision making is measured in a manner consistent with that in the interim financial report.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

The segment results for the six months ended 30 September 2024 are as follows:

	For the six months ended 30 September 2024			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Others \$'000	Total \$'000
Segment revenue				
Revenue from external customers	952,498	574,141	14	1,526,653
Inter-segment revenue	7,854	—	—	7,854
Reportable segment revenue	<u>960,352</u>	<u>574,141</u>	<u>14</u>	<u>1,534,507</u>
Gross profit	186,509	14,652	2	201,163
Distribution and selling expenses and general and administrative expenses	(58,749)	(4,252)	(234)	(63,235)
Other income/gains	2,168	135	320	2,623
Valuation loss on investment properties	—	—	(5,400)	(5,400)
Operating profit	<u>129,928</u>	<u>10,535</u>	<u>(5,312)</u>	<u>135,151</u>

The segment results for the six months ended 30 September 2023 are as follows:

	For the six months ended 30 September 2023			
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Others \$'000	Total \$'000
Segment revenue				
Revenue from external customers	837,115	602,647	26	1,439,788
Inter-segment revenue	12,316	—	—	12,316
Reportable segment revenue	<u>849,431</u>	<u>602,647</u>	<u>26</u>	<u>1,452,104</u>
Gross profit	145,131	21,420	(2)	166,549
Distribution and selling expenses and general and administrative expenses	(60,962)	(6,029)	(26)	(67,017)
Other income/gains	2,888	246	320	3,454
Operating profit	<u>87,057</u>	<u>15,637</u>	<u>292</u>	<u>102,986</u>

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

	For the six months ended 30 September	
	2024 \$'000	2023 \$'000
Operating profit	135,151	102,986
Finance income	1,280	1,403
Finance costs	(19,437)	(21,553)
Share of profits/(losses) of associates	145	(1,518)
Profit before taxation	<u>117,139</u>	<u>81,318</u>

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

	30 September 2024 \$'000	31 March 2024 \$'000
Trade and bills receivables	653,508	626,341
Less: Loss allowance for trade and bills receivables	<u>(7,184)</u>	<u>(7,184)</u>
	646,324	619,157
Prepayments, deposits and other receivables	<u>89,733</u>	<u>82,862</u>
	736,057	702,019
Less: Other non-current assets (<i>Note</i>)	<u>(25,224)</u>	<u>(29,353)</u>
	<u>710,833</u>	<u>672,666</u>
Representing:		
Trade and bills receivables, net of allowance	646,324	619,157
Prepayments, deposits and other receivables	<u>64,509</u>	<u>53,509</u>
	<u>710,833</u>	<u>672,666</u>
Other non-current assets	<u>25,224</u>	<u>29,353</u>

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to \$25,224,000 (31 March 2024: \$29,353,000)

The Group generally grants credit periods ranging from 30 to 90 days. An ageing analysis of trade, bills and other receivables, based on invoice date, is as follows:

	30 September	31 March
	2024	2024
	<i>\$'000</i>	<i>\$'000</i>
0 to 90 days	589,632	599,932
91 to 180 days	51,372	24,886
181 to 360 days	11,866	1,518
Over 360 days	638	5
	<hr/>	<hr/>
	<u>653,508</u>	<u>626,341</u>

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	31 March
	2024	2024
	<i>\$'000</i>	<i>\$'000</i>
0 to 90 days	387,135	416,208
91 to 180 days	55,304	42,881
181 to 360 days	3,836	3,378
Over 360 days	314	326
	<hr/>	<hr/>
	<u>446,589</u>	<u>462,793</u>

6 BANK BORROWINGS

	30 September	31 March
	2024	2024
	\$'000	\$'000
Portion of bank borrowings repayable within one year or are subject to repayment on demand clauses and classified as current liabilities	488,838	333,833
Portion of bank borrowings repayable after one year and classified as non-current liabilities		
After 1 year but within 2 years	67,707	83,859
After 2 years but within 5 years	84,000	112,000
	151,707	195,859
Total bank borrowings	640,545	529,692

7 OTHER INCOME/GAINS

	For the six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
Rental income	1,199	1,216
Gain on disposal of property, plant and equipment	112	48
Others	1,312	2,190
	2,623	3,454

8 EXPENSES BY NATURE

	For the six months ended 30 September	
	2024	2023
	\$'000	\$'000
Amortisation and depreciation of property, plant and equipment	47,676	44,727
Amortisation of intangible assets	1,475	777
Employee benefit expenses (including directors' remuneration)	<u>204,358</u>	<u>186,032</u>

9 FINANCE COSTS, NET

	For the six months ended 30 September	
	2024	2023
	\$'000	\$'000
Finance income		
Interest income from financial assets measured at amortised cost	1,086	1,212
Other interest income from financial assets measured at fair value through other comprehensive income (recycling)	<u>194</u>	<u>191</u>
	<u>1,280</u>	<u>1,403</u>
Finance costs		
Interest expense from financial liabilities measured at amortised cost	(19,243)	(23,291)
Interest expense on lease liabilities	(194)	(213)
Less: Interest expenses capitalised into property, plant and equipment	<u>—</u>	<u>1,951</u>
	<u>(19,437)</u>	<u>(21,553)</u>
Finance costs, net	<u>(18,157)</u>	<u>(20,150)</u>

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (for the six months ended 30 September 2023: 16.5%) on the estimated assessable profit for the period for all Group companies incorporated in Hong Kong.

The Group's operations in the People's Republic of China ("PRC") are subject to Corporate Income Tax Law of the PRC at the standard tax rate of 25% (for the six months ended 30 September 2023: 25%), except for two PRC subsidiary of the Group was rewarded with Certificate of High and New Technology Enterprise and entitled for a tax reduction from 25% to 15%. The entitlement is subject to review every three years.

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	
	2024	2023
Profit attributable to equity shareholders of the Company (\$'000)	<u>101,779</u>	<u>73,455</u>
Weighted average number of ordinary shares as at 1 April (<i>in thousand shares</i>)	2,026,997	2,021,318
Effect of shares purchased under share award plan (<i>in thousand shares</i>)	<u>(5,450)</u>	<u>—</u>
Weighted average number of ordinary shares as at 30 September (<i>in thousand shares</i>)	2,021,547	2,021,318
Effect of outstanding share options (<i>in thousand shares</i>)	<u>—</u>	<u>120</u>
Weighted average number of ordinary shares as at 30 September (<i>in thousand shares</i>)	<u>2,021,547</u>	<u>2,021,438</u>
Basic earnings per share (<i>HK cents</i>)	<u>5.0</u>	<u>3.6</u>
Diluted earnings per share (<i>HK cents</i>)	<u>5.0</u>	<u>3.6</u>

12 DIVIDENDS

The final dividend for the year ended 31 March 2024 amounting to \$80,858,000 representing HK4.0 cents per share, was paid in September 2024 (2023: \$30,322,000 representing HK1.5 cents per share, was paid in September 2023).

The Board declared an interim dividend of HK2.5 cents per share for the six months ended 30 September 2024 (six months ended 30 September 2023: HK1.5 cents per share). The interim dividend amounting to \$50,536,000 (six months ended 30 September 2023: \$30,322,000) has not been recognised as liability at the end of the reporting period.

Dividend

The Board declared an interim dividend of HK2.5 cents per share for the six months ended 30 September 2024 (the “**Period**”) (for the six months ended 30 September 2023: HK1.5 cents) to all shareholders whose names appear on the register of members of the Company on 17 December 2024. The interim dividend will be payable to those entitled on or about 31 December 2024.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 16 December 2024 to Tuesday, 17 December 2024 (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 Friday, 13 December 2024.

BUSINESS REVIEW

1. The turnover of the Group for the Period was HK\$1,526,653,000 (for the six months ended 30 September 2023: HK\$1,439,788,000), representing an increase of approximately 6% as compared to the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to HK\$101,779,000 (for the six months ended 30 September 2023: HK\$73,455,000), which increased by approximately 39% as compared to the corresponding period last year. Such increase of profit mainly attributable to the robust growth of market demand for artificial intelligence (“**AI**”) servers, which drove the steady increase in sales of moulds for AI servers and the orders of server casings, leading to a rise in income from the metal and plastic business. With the increase in the proportion of income from the metal and plastic business, the decline in costs of raw materials and the enhancement of productivity during the Period, the overall gross profit margin and profitability of the Group further improved. The Group has published a positive profit alert for the Period on 18 October 2024 in accordance with the regulations of the Stock Exchange, demonstrating the information transparency of the Company.
2. The turnover of the metal and plastic business for the Period increased by approximately 14% to HK\$952,498,000 (for the six months ended 30 September 2023: HK\$837,115,000) as compared to the corresponding period last year, with over 85% of the revenue contributed by server products. The growth in the demand from the server market drove the significant increase in revenue from the metal and plastic business.

3. The turnover of electronic manufacturing services business for the Period slightly decreased by approximately 5% to HK\$574,141,000 (for the six months ended 30 September 2023: HK\$602,647,000), demonstrating generally stable business performance of the business segment.
4. With the beginning of the era of big data and the rapid spread of AI application, the global demand for quality server structure has been rising. Over the years, the Group has focused on the design and manufacturing of server casings and racks. As the main supplier of leading brands in the industry, the Group successfully establishes a good reputation and consolidates its market leading position by leveraging on its comprehensive one-stop mechanical engineering solutions, early stage product research and development, fast prototype design, manufacturing of precision moulds, advanced automated manufacturing technology, efficient quality control and delivery capabilities.
5. To address the growing market demand, the Group proactively secures market opportunities to promote the development of diverse server products. Whether in the general server and data centers market or the emerging AI server sector, the Group provides tailored casing designs with customisable specification and structure to meet the diverse needs of the Group's customers. Meanwhile, the Group pays close attention to market trends and continuously improves its research and development capabilities to further enhance its market competitiveness and achieve sustainable revenue growth.
6. The Group's manufacturing process is highly automated, and the Group also actively promotes lean manufacturing practices. The manufacturing facilities in Dongguan, the PRC and Thailand are equipped with advanced six-axis robots that perform metal stamping, computer numerical control (CNC), plastic injection moulding, component assembly, visual inspection, screen printing and pad printing, spray-painting, bending, welding, polishing and other procedures, achieving fully-automated operation, and thereby effectively reducing manufacturing cost and improving operation efficiency.
7. The Group actively explores overseas markets and improves the production capacity and facilities of its secondary production base, so as to cope with the volatility brought about by the US-China trade war and geopolitics. In order to complete its global supply chain, on top of its main core production base in China, the Group also established a factory in Thailand, which has increased its production capacity to meet market demands and complement the domestic factory in Dongguan, the PRC, while diversifying geographical risks to fulfill the diverse demands from customers. Since the launch of the Thailand factory in the end of 2023, it has reached its optimal production scale and the orders received have been growing steadily. The Thailand factory has also completed recognitions and factory audit from the Group's new and old customers who are considering actively placing more orders with the Thailand factory.

8. The Group is committed to strengthening its internal control, strictly monitoring its inventory, procurement and cash flow management and making prudent decisions on capital expenditures (CAPEX). In light of the high interest rate environment, the Group has been proactive in controlling its interest expenses and reducing its financial costs through optimising its bank loan portfolio, to ensure its long-term healthy cash flow and financial health and further enhance the risk resilience of the Group.
9. The Group has always attached great importance to cultivating talents. Its training programs cover a wide range of topics, including management, craftsmanship, industry safety, environmental protection, technology and other aspects. Among these, the “Comprehensive Corporate Operation and Management Sandbox Simulation Program” is the main focus, which instills employees with overall operation overview (including marketing strategies, sales decision making, product development, financial management, production management and human resources etc.) theories. Combined with application in real-life business environment, this training program aims to train them to become a competitive team with continuous improvement.
10. The Group establishes corporate social responsibility as the operating policy for sustainable development of the Group, which covers various aspects and is integrated with environmental, social and governance philosophy and taking into account the interest of the environment, employees, customers, investors, suppliers, community and other stakeholders. For more details, please refer to the 2023/24 Sustainability Report published by the Company in July 2024.
11. The Company granted award shares to eligible participants under the share award plan adopted by the Company on 30 August 2023 (the “**Share Award Plan**”) in August 2024. The grant of award shares aims to recognise and reward the contributions of the eligible participants to the growth and development of the Group and provide incentives for their continual cooperation with the Group to deliver outstanding performance in the future. Not only could the Share Award Plan recognise the contribution of the eligible participants to the Group, it could also serve the purposes of attracting and retaining high calibre talents.

PROSPECTS

Despite the challenging operating environment, the up-and-coming cloud and big data era, along with the rapid advancement of AI technology, makes the widespread adoption of AI across industries and in daily life inevitable, thereby stimulating the future sustainable growth of demand from server market. The Group is optimistic with the prospect of its server business in the second half of the year, and expects that as Renminbi exchange rate stabilises, inflation pressure diminishes and major European and the United States economies enter interest reduction cycle, its overall manufacturing and financial costs will further decrease.

Looking ahead, the Group will continue to regard its China production base as its core strategic pillar, while the Thailand production base will serve as a new source of growth for the Group. The Group is confident in its production strategy in Thailand and plans to procure more production equipment to expand its production capacity and service coverage, in order to timely capture market opportunities. In the future, the Group will further increase its investment in the Thailand production base and actively explore data centers and other new markets, with a view to promoting the diverse business development and achieve forward-looking growth.

CONCLUSION

“A good fighter in the past first ensures his own invincibility and then waits for an opportunity to defeat the enemy”. The Group understands that consolidating its own foundation is the key to success. It has continuously been monitoring its conditions to avoid any failures, such as quality assurance, craftsmanship improvement, efficiency improvement, cost control, smart production, global planning, talent cultivation, technological innovations, product diversification and prudent financial management, establishing the Group in a solid position amidst the ever-changing business environment. The Group responds flexibly to market dynamics, proactively participates in customers’ product development programmes and acts swiftly when opportunities arise to expand its market presence and achieve sustainable growth and long-term development.

LIQUIDITY RESOURCES AND FINANCING POLICIES

Treasury policy

We will continue to follow a prudent policy in managing the Group’s cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well-placed to capture future growth opportunities.

As at 30 September 2024, the net interest-bearing borrowings (representing bank borrowings and lease liabilities less cash and bank deposits) were HK\$455,746,000 (as at 31 March 2024: HK\$383,879,000) and the net gearing ratio (representing the proportion of total net interest-bearing borrowings in total equity) was 45% (as at 31 March 2024: 39%).

As at 30 September 2024, the interest bearing borrowings were HK\$640,545,000. The cash and bank deposits amounted to HK\$209,177,000 and the unutilised banking facilities HK\$768,446,000. The Company is confident that the existing financial resources of the Group are sufficient to meet the funding needs for the current and future operation of the Group.

EXCHANGE RATE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars, United States dollars and Renminbi. 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 Renminbi 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 2024, the Group had no significant contingent liabilities.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Company has no significant event after the end of the Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees had increased from approximately 3,300 as at the end of the same period of last year to approximately 3,600 as at the end of the Period. With a strong reputation in the local community, the Group had not experienced any major difficulties in recruiting employees.

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

In addition, to cope with domestic development in Mainland China and the need for talent retention, the Group establishes a “Cooperative Home Scheme” to encourage and finance potential high calibre to settle down locally through purchasing flats as a means to retain talents who may otherwise be lost in the highly competitive labour market.

Performance Based Incentives

The Group adopted a performance-based bonus system and an objective performance assessment. Employees with outstanding performance will now receive more bonuses on a merit-based performance assessment.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period.

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company established an audit committee in January 1999 which now comprises three independent non-executive Directors. The audit committee of the Board (the “**Audit Committee**”) is responsible for dealing with matters relating to the audit area, including but not limited to, 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 have been reviewed by the Audit Committee and the Audit Committee has no disagreement with the accounting treatment and policies adopted by the Company during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as explained below, the Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules during the Period:

- Code Provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's bye-laws, the chairman of the 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 of the Board and/or the managing director of the Group will consider to voluntarily retire at the annual general meeting at least once every three years in line with Code Provision B.2.2 of the CG Code. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

- Moreover, Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of its chairman and chief executive officer and Mr. Ho Cheuk Fai (“**Mr. Ho**”) currently holds both positions.

Being the founder of the Group, Mr. Ho has substantial experience in the manufacturing industry, as well as in the property development and cultural related business. At the same time, Mr. Ho has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the chief executive officer. The Board believes that vesting the roles of both the chairman and the chief executive officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the chairman and the chief executive officer and both roles should continue to be performed by Mr. Ho. The Board believes that the check and balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high calibre individuals with a sufficient number thereof independent non-executive Directors.

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

COMPLIANCE WITH THE MODEL CODE

During the Period, the Company has adopted stringent procedures in governing the Directors' securities transactions in compliance with the requirements contained in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiries by the Company with each of the Directors, all Directors had confirmed that, they had complied with all of the required standards as set out in the Model Code throughout the Period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2024 interim report of the Company will be published on the website of the Stock Exchange in accordance with the Listing Rules in due course.

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

Hong Kong, 28 November 2024

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 Independent Non-executive Directors are: Mr. Fong Hoi Shing, Dr. Lau Kin Wah and Mr. Lam Yin Shing, Donald.

* *For identification purposes only*