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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)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2022</b>	2021 (Restated)	<b>Changes in %</b>
<b>Revenue (HK\$'000)</b>	<b>4,013,434</b>	3,472,798	+16%
<b>Profit for the year attributable to equity shareholders of the Company (HK\$'000)</b>	<b>549,102</b>	445,328	+23%
<b>Basic earnings per share (HK cents)</b>	<b>27.2</b>	22.3	+22%
Special dividend per share (HK cents)	<b>1.0</b>	0.5	
Interim dividend per share (HK cents)	<b>4.5</b>	4.0	
Final dividend per share (HK cents)	<b>4.0</b>	7.0	
<b>Total dividends per share for the year (HK cents)</b>	<b>9.5</b>	11.5	-17%

The board (the “**Board**”) of directors (the “**Directors**”) of Karrie International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, “**we**” or the “**Group**”) announce the consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for 2021 as follows:

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		<b>31 March 2022</b>	31 March 2021 (Restated) (Note 1)
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>688,260</b>	519,602
Investment properties		<b>332,961</b>	317,420
Intangible assets		<b>4,840</b>	6,350
Investment in an associate		<b>21,265</b>	19,266
Other financial assets		<b>29,216</b>	26,401
Other non-current assets	4	<b>43,077</b>	10,849
Deferred tax assets		<b>189,991</b>	108,034
		<b>1,309,610</b>	1,007,922
<b>Current assets</b>			
Inventories		<b>778,366</b>	391,072
Property development and contract costs	5	<b>1,268,088</b>	1,110,917
Trade and bills receivable	4	<b>605,903</b>	658,268
Prepayments, deposits and other receivables	4	<b>138,946</b>	83,726
Amounts due from related companies		<b>39,952</b>	515,945
Current tax recoverable		<b>1,153</b>	200
Pledged deposits	6	<b>84,539</b>	–
Restricted deposits	7	<b>397,961</b>	275,785
Cash and bank deposits	7	<b>441,548</b>	387,053
		<b>3,756,456</b>	3,422,966
<b>Total assets</b>		<b>5,066,066</b>	4,430,888

		<b>31 March 2022</b>	31 March 2021 (Restated) (Note 1)
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital		202,131	201,244
Other reserves		98,202	363,569
Retained earnings		1,396,219	1,131,893
<b>Total equity</b>		<b>1,696,552</b>	<b>1,696,706</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	8	375,951	340,424
Accruals and other payables		1,143,981	846,010
Lease liabilities		7,942	2,594
Bank borrowings		738,434	301,010
Amount due to an associate		1,532	1,669
Amounts due to related companies		3,664	4,032
Current tax payable		607,122	606,113
		<b>2,878,626</b>	<b>2,101,852</b>
<b>Non-current liabilities</b>			
Bank borrowings		462,750	616,456
Lease liabilities		12,634	1,141
Provision for long service payments		6,241	9,149
Deferred tax liabilities		9,263	5,584
		<b>490,888</b>	<b>632,330</b>
<b>Total liabilities</b>		<b>3,369,514</b>	<b>2,734,182</b>
<b>Total equity and liabilities</b>		<b>5,066,066</b>	<b>4,430,888</b>
<b>Net current assets</b>		<b>877,830</b>	<b>1,321,114</b>
<b>Total assets less current liabilities</b>		<b>2,187,440</b>	<b>2,329,036</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

		2022	2021
			(Restated)
	Note	\$'000	(Note 1) \$'000
<b>Revenue</b>	9	<b>4,013,434</b>	3,472,798
Cost of revenue	10	<u>(2,865,071)</u>	<u>(2,526,421)</u>
<b>Gross profit</b>		<b>1,148,363</b>	946,377
Distribution and selling expenses	10	(43,559)	(46,456)
General and administrative expenses	10	(149,451)	(159,714)
Other income/gains	9	10,769	2,601
Valuation gain on investment properties		<u>1,967</u>	<u>1,184</u>
<b>Operating profit</b>		<b>968,089</b>	743,992
Finance income		17,067	11,379
Finance costs		<u>(14,738)</u>	<u>(7,975)</u>
<b>Finance income, net</b>	11	<b>2,329</b>	3,404
<b>Share of profits of an associate</b>		<u>1,164</u>	<u>1,487</u>
<b>Profit before taxation</b>		<b>971,582</b>	748,883
Income tax	12	<u>(422,480)</u>	<u>(303,555)</u>
<b>Profit for the year</b>		<b>549,102</b>	445,328
<b>Earnings per share attributable to equity shareholders of the Company</b>			
<b>Basic earnings per share (HK cents)</b>	13	<b>27.2</b>	22.3
<b>Diluted earnings per share (HK cents)</b>	13	<b>27.2</b>	22.1

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

*For the year ended 31 March 2022*

*(Expressed in Hong Kong dollars)*

	<b>2022</b>	2021 (Restated) <i>(Note 1)</i>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the year</b>	<b>549,102</b>	445,328
<b>Other comprehensive income for the year:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of provision for long service payments	<b>2,934</b>	(671)
Changes in fair value of other financial assets	<b>2,256</b>	(488)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside Hong Kong	<b>67,792</b>	79,866
Transfer to profit or loss upon disposal of other finance assets	–	12
Changes in fair value of other financial assets	<b>56</b>	(9)
<b>Other comprehensive income for the year</b>	<b>73,038</b>	78,710
<b>Total comprehensive income for the year</b>	<b>622,140</b>	524,038

## NOTES:

*(Expressed in Hong Kong dollars)*

### 1. BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2022 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The consolidated financial statements for the year ended 31 March 2022 comprise the Group and its interest in an associate. The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, other financial assets and employee benefit liabilities which have been measured at fair value.

#### **Merger accounting and restatements**

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

On the even day, KRP Development Company Limited ("**KRP**") (an indirect wholly-owned subsidiary of the Company) entered into another acquisition agreement ("**Jiaxuntong Acquisition Agreement**") to conditionally acquire the entire equity interest of 東莞市嘉訊通電腦產品有限公司 ("**Jiaxuntong**") from Kar Info Property Limited, which is wholly-owned by Mr Ho, at a consideration of RMB38,000,000 (equivalent to approximately \$45,600,000) or its Hong Kong dollar equivalent. The difference between the consideration paid and the book value of the acquirees is recognised in the merger reserve. Under the Jiaxuntong Acquisition Agreement, it is also agreed to assume the amount due from Dongguan Jiale Enterprise Development Company Limited ("**Dongguan Jiale**") owned by Jiaxuntong, in the amount of approximately RMB276,278,000 (equivalent to approximately \$331,600,000). This amount is recognised in the merger reserve on the completion date of the acquisitions.

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

The Acquisitions were completed on 8 March 2022 and the Company has become the ultimate holding company of both Kar Info International and Jiaxuntong. As the Company, Kar Info International and Jiaxuntong are ultimately controlled by Mr. Ho before and after the Acquisitions and that control is not transitory, there would be a continuation of the risks and benefits to Mr. Ho and therefore the Acquisitions should be regarded as a business combination of entities under common control, Accounting Guideline 5 ("**AG5**"), *Merger Accounting for Common Control Combinations*, issued by HKICPA has been applied.

The consolidated financial statements of the Group have been therefore prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The net assets of the companies comprising the Group have been consolidated using the existing book values from the perspective of Mr. Ho.

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

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

A uniform set of accounting policies is adopted when preparing the consolidated financial statements.

The effects of the application of merger accounting on the consolidated statement of financial position as at 31 March 2021 are as follows:

	<b>As at 31 March 2021 as previously reported \$'000</b>	<b>Adjustments for combination using merger accounting \$'000</b>	<b>As at 31 March 2021 as restated \$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	519,498	104	519,602
Investment properties	317,420	–	317,420
Intangible assets	6,350	–	6,350
Investment in an associate	19,266	–	19,266
Other financial assets	26,401	–	26,401
Other non-current assets	10,849	–	10,849
Deferred tax assets	1,696	106,338	108,034
	<u>901,480</u>	<u>106,442</u>	<u>1,007,922</u>
<b>Current assets</b>			
Inventories	391,072	–	391,072
Property development and contract costs	1,064,989	45,928	1,110,917
Trade and bills receivable	658,268	–	658,268
Prepayments, deposits and other receivables	83,583	143	83,726
Amounts due from related companies ( <i>note (i)</i> )	131,082	384,863	515,945
Current tax recoverable	200	–	200
Restricted deposits	275,785	–	275,785
Cash and bank deposits	144,978	242,075	387,053
	<u>2,749,957</u>	<u>673,009</u>	<u>3,422,966</u>
<b>Total assets</b>	<u><u>3,651,437</u></u>	<u><u>779,451</u></u>	<u><u>4,430,888</u></u>

	As at 31 March 2021 as previously reported \$'000	Adjustments for combination using merger accounting \$'000	As at 31 March 2021 as restated \$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital	201,244	–	201,244
Other reserves	272,066	91,503	363,569
Retained earnings	957,309	174,584	1,131,893
<b>Total equity</b>	<b>1,430,619</b>	<b>266,087</b>	<b>1,696,706</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	340,424	–	340,424
Accruals and other payables	803,798	42,212	846,010
Lease liabilities	2,594	–	2,594
Bank borrowings	301,010	–	301,010
Amount due to an associate	1,669	–	1,669
Amounts due to related companies	4,032	–	4,032
Current tax payable	134,961	471,152	606,113
	1,588,488	513,364	2,101,852
<b>Non-current liabilities</b>			
Bank borrowings	616,456	–	616,456
Lease liabilities	1,141	–	1,141
Provision for long service payments	9,149	–	9,149
Deferred tax liabilities	5,584	–	5,584
	632,330	–	632,330
<b>Total liabilities</b>	<b>2,220,818</b>	<b>513,364</b>	<b>2,734,182</b>
<b>Total equity and liabilities</b>	<b>3,651,437</b>	<b>779,451</b>	<b>4,430,888</b>
<b>Net current assets</b>	<b>1,161,469</b>	<b>159,645</b>	<b>1,321,114</b>
<b>Total assets less current liabilities</b>	<b>2,062,949</b>	<b>266,087</b>	<b>2,329,036</b>

*Note:*

- (i) The amount due from Dongguan Jiale of approximately RMB276,278,000 (equivalent to \$331,600,000) was settled by debt assumption as part of the consideration in pursuant to the Jiaxuntong Acquisition Agreement as set out in note 1, and the amount was debited to the merger reserve on the date of completion of the Acquisition.



The effects of the application of merger accounting on the consolidated statement of profit or loss for the year ended 31 March 2021 are as follows:

	<b>For the year ended 31 March 2021 as previously reported \$'000</b>	<b>Adjustments for combination using merger accounting \$'000</b>	<b>For the year ended 31 March 2021 as restated \$'000</b>
<b>Revenue</b>	3,192,617	280,181	3,472,798
Cost of revenue	<u>(2,478,560)</u>	<u>(47,861)</u>	<u>(2,526,421)</u>
<b>Gross profit</b>	714,057	232,320	946,377
Distribution and selling expenses	(32,239)	(14,217)	(46,456)
General and administrative expenses	(152,472)	(7,242)	(159,714)
Other income/gains	2,601	–	2,601
Valuation gain on investment properties	<u>1,184</u>	<u>–</u>	<u>1,184</u>
<b>Operating profit</b>	<u>533,131</u>	<u>210,861</u>	<u>743,992</u>
Finance income	4,613	6,766	11,379
Finance costs	<u>(7,975)</u>	<u>–</u>	<u>(7,975)</u>
<b>Finance income, net</b>	<u>(3,362)</u>	<u>6,766</u>	<u>3,404</u>
Share of profits of an associate	<u>1,487</u>	<u>–</u>	<u>1,487</u>
<b>Profit before taxation</b>	531,256	217,627	748,883
Income tax	<u>(165,975)</u>	<u>(137,580)</u>	<u>(303,555)</u>
<b>Profit for the year</b>	<u>365,281</u>	<u>80,047</u>	<u>445,328</u>
<b>Earnings per share attributable to equity shareholders of the Company</b>			
<b>Basic earnings per share (HK cents)</b>	<u>18.3</u>	<u>4.0</u>	<u>22.3</u>
<b>Diluted earnings per share (HK cents)</b>	<u>18.2</u>	<u>3.9</u>	<u>22.1</u>

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021 are as follows:

	<b>For the year ended 31 March 2021 as previously reported \$'000</b>	<b>Adjustments for combination using merger accounting \$'000</b>	<b>For the year ended 31 March 2021 as restated \$'000</b>
<b>Profit for the year</b>	365,281	80,047	445,328
<b>Other comprehensive income for the year:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of provision for long service payments	(671)	–	(671)
Changes in fair value of other financial assets	(488)	–	(488)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong	70,941	8,925	79,866
Transfer to profit or loss upon disposal of other finance assets	12	–	12
Changes in fair value of other financial assets	(9)	–	(9)
<b>Other comprehensive income for the year</b>	<u>69,785</u>	<u>8,925</u>	<u>78,710</u>
<b>Total comprehensive income for the year</b>	<u><u>435,066</u></u>	<u><u>88,972</u></u>	<u><u>524,038</u></u>

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this results announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. SEGMENT REPORTING

The Group's chief operating decision-maker ("**Management**") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised on a worldwide basis into three (2021: 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 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. In addition, there is also further evaluation on a geographic basis (Japan, Hong Kong, Mainland China, Asia (excluding Japan, Hong Kong and Mainland China), North America and Western Europe). Management assesses the performance of the operating segments based on operating profit. Segment information provided to Management for decision making is measured in a manner consistent with that in the financial statements.

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.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit is defined as the operating profit generated from the reportable segment before finance income, finance cost, share of associate profit and income tax expense with inter segment profit being excluded.

The segment results for the year ended 31 March 2022 are as follows:

	<b>2022</b>			
	<b>Metal and plastic business \$'000</b>	<b>Electronic manufacturing services business \$'000</b>	<b>Real estate business \$'000</b>	<b>Total \$'000</b>
<b>Segment revenue</b>				
Revenue from external customers	1,920,032	1,154,981	938,421	4,013,434
Inter-segment revenue	32,438	–	–	32,438
Reportable segment revenue	<u>1,952,470</u>	<u>1,154,981</u>	<u>938,421</u>	<u>4,045,872</u>
Gross profit	392,597	45,494	710,272	1,148,363
Distribution and selling expenses and general and administrative expenses	(126,097)	(12,511)	(54,402)	(193,010)
Other income/gains	8,261	545	1,963	10,769
Valuation gain on investment properties	1,967	–	–	1,967
Segment profit	<u>276,728</u>	<u>33,528</u>	<u>657,833</u>	<u>968,089</u>
<b>Segment profit includes:</b>				
Depreciation and amortisation of property, plant and equipment	93,427	2,564	1,127	97,118
Amortisation of intangible assets	1,548	–	–	1,548
Write-down/(reversal of write- down) of obsolete and slow- moving inventories	1,197	(1,593)	–	(396)
Recognition of loss allowance for trade and bills receivable	<u>2,001</u>	<u>1</u>	<u>–</u>	<u>2,002</u>

The segment results for the year ended 31 March 2021 are as follows:

	2021 (Restated)			Total \$'000
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Real estate business \$'000	
<b>Segment revenue</b>				
Revenue from external customers	1,895,368	898,006	679,424	3,472,798
Inter-segment revenue	25,539	–	–	25,539
Reportable segment revenue	<u>1,920,907</u>	<u>898,006</u>	<u>679,424</u>	<u>3,498,337</u>
Gross profit	404,628	48,024	493,725	946,377
Distribution and selling expenses and general and administrative expenses	(133,212)	(16,732)	(56,226)	(206,170)
Other (losses) and income/gains	(2,588)	1,689	3,500	2,601
Valuation gain on investment properties	1,184	–	–	1,184
Segment profit	<u>270,012</u>	<u>32,981</u>	<u>440,999</u>	<u>743,992</u>
<b>Segment profit includes:</b>				
Depreciation and amortisation of property, plant and equipment	84,850	2,341	1,262	88,453
Amortisation of intangible assets	1,543	–	–	1,543
Write-down/(reversal of write- down) of obsolete and slow- moving inventories	1,286	(1,286)	–	–
(Reversal of)/recognition of loss allowance for trade and bills receivable	(4)	4	–	–

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

	2022	2021
	\$'000	(Restated) \$'000
Segment profit	968,089	743,992
Finance income	17,067	11,379
Finance costs	(14,738)	(7,975)
Share of profits of an associate	1,164	1,487
	<u>971,582</u>	<u>748,883</u>
Profit before taxation	<u>971,582</u>	<u>748,883</u>

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's property, plant and equipment, investment properties, intangible assets and investment in an associate ("specified non-current assets"). The geographical location of revenue is based on the country in which the final destination of shipment is located or services are provided and properties are located. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and the location of the operations to which they are allocated, in the case of intangible assets and investment in an associate.

	The Group's revenue		Specified non-current assets	
	2022	2021	2022	2021
	\$'000	(Restated) \$'000	\$'000	(Restated) \$'000
Hong Kong (place of domicile)	932,259	759,928	34,199	41,136
Japan	126,929	38,213	–	–
Mainland China	1,777,196	1,551,378	970,016	821,493
Asia (excluding Japan, Hong Kong and Mainland China)	179,145	138,699	43,111	–
North America	579,823	496,699	–	9
Western Europe	418,082	487,881	–	–
	<u>3,081,175</u>	<u>2,712,870</u>	<u>1,013,127</u>	<u>821,502</u>
Sub-total	<u>3,081,175</u>	<u>2,712,870</u>	<u>1,013,127</u>	<u>821,502</u>
	<u>4,013,434</u>	<u>3,472,798</u>	<u>1,047,326</u>	<u>862,638</u>

The Group's customer base includes three (2021: three) customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2022, the total revenue from sales of merchandise in the metal and plastic business and electronic manufacturing services business, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately \$2,428,227,000 (2021: \$2,196,185,000) and arose in all geographical regions in which the businesses are active.

The Group's sales are made primarily to a few key customers. For the year ended 31 March 2022, the revenue derived from five largest customers accounted for approximately 69% (2021 (Restated): 73%) of the Group's total revenue.

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

	2022	2021 (Restated)
	\$'000	\$'000
Trade and bills receivable	608,194	658,557
Less: Loss allowance for trade and bills receivable	<u>(2,291)</u>	<u>(289)</u>
	605,903	658,268
Prepayments, deposits and other receivables	<u>182,023</u>	<u>94,575</u>
	787,926	752,843
Less: Other non-current assets ( <i>Note</i> )	<u>(43,077)</u>	<u>(10,849)</u>
	<u><u>744,849</u></u>	<u><u>741,994</u></u>

#### Representing:

Trade and bills receivable, net of allowance	605,903	658,268
Prepayments, deposits and other receivables	<u>138,946</u>	<u>83,726</u>
	<u><u>744,849</u></u>	<u><u>741,994</u></u>
Other non-current assets	<u><u>43,077</u></u>	<u><u>10,849</u></u>

*Note:* Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to approximately \$43,077,000 (2021: \$10,849,000).

The Group generally grants credit periods ranging from 30 to 90 days, except for four (2021: four) of the customers who is granted a credit period over 90 days. An ageing analysis of trade and bills receivable, based on invoice date, is as follows:

	2022	2021 (Restated)
	\$'000	\$'000
0 to 90 days	562,688	651,073
91 to 180 days	37,933	5,098
181 to 360 days	7,562	2,386
Over 360 days	<u>11</u>	<u>–</u>
	<u><u>608,194</u></u>	<u><u>658,557</u></u>

## 5. PROPERTY DEVELOPMENT AND CONTRACT COSTS

	2022	2021 (Restated)
	\$'000	\$'000
Property under development for sale	184,070	1,002,708
Completed property held for sale	<u>1,079,717</u>	<u>104,835</u>
	1,263,787	1,107,543
Contract costs	<u>4,301</u>	<u>3,374</u>
	<u><u>1,268,088</u></u>	<u><u>1,110,917</u></u>

## 6. PLEDGED DEPOSITS

The Group has deposits pledged to secure the Group's bank borrowings of \$169,079,000 (2021: Nil).

The remittance of the pledged deposits placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the Peoples Republic of China ("PRC") Government.

## 7. CASH AND BANK DEPOSITS AND RESTRICTED DEPOSITS

	2022	2021 (Restated)
	\$'000	\$'000
Cash at bank and in hand	423,548	378,621
Deposits with banks with 3 months or less to maturity when placed	<u>18,000</u>	<u>8,432</u>
Cash and bank deposits	<u>441,548</u>	<u>387,053</u>
Restricted deposits ( <i>note (i)</i> )	<u>397,961</u>	<u>275,785</u>
Total cash and cash equivalents	<u><u>839,509</u></u>	<u><u>662,838</u></u>

*Notes:*

- (i) In accordance with relevant government requirements, certain property development subsidiaries of the Group are required to set up designated bank accounts with certain amount of pre-sale proceeds for the construction of the relevant properties. The restricted deposits represent the pre-sale proceeds to secure the future payments of the Group's property development projects. Such restricted deposits will be released for the payments for construction costs of the related property development projects or upon completion of the construction.
- (ii) The remittance of bank balances of RMB471,260,000 (equivalent to \$556,087,000) and RMB624,576,000 (equivalent to \$768,228,000) as at 31 March 2021 and 2022 respectively placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.



## 8. TRADE PAYABLES

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

	2022 \$'000	2021 \$'000
0 to 90 days	353,522	322,729
91 to 180 days	20,600	16,097
181 to 360 days	1,285	1,434
Over 360 days	544	164
	<u>375,951</u>	<u>340,424</u>

## 9. REVENUE, OTHER INCOME/GAINS

	2022 \$'000	2021 (Restated) \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of merchandise		
– Metal and plastic business	1,920,032	1,895,368
– Electronic manufacturing services business	1,154,981	898,006
	<u>3,075,013</u>	<u>2,793,374</u>
Sale of properties	<u>938,421</u>	<u>679,424</u>
	<u>4,013,434</u>	<u>3,472,798</u>
<b>Other income/gains:</b>		
Fixed rental income	4,421	3,980
Gain on disposal of property, plant and equipment	1,158	271
Loss on disposal of other financial assets	–	(690)
Government grants received	2,033	9,194
Written off of other receivables	–	(20,010)
Others	3,157	9,856
	<u>10,769</u>	<u>2,601</u>

## 10. EXPENSES BY NATURE

	2022	2021
	\$'000	(Restated) \$'000
Carrying amount of inventories sold*	2,148,846	1,969,902
Carrying amount of properties sold	228,150	185,699
Depreciation and amortisation of property, plant and equipment	97,118	88,453
Amortisation of intangible assets	1,548	1,543
Employee benefit expenses (including directors' remuneration)	496,038	391,158
Rental expenses of short-term leases	6,126	4,938
Net exchange loss/(gain)	683	(2,483)
Auditor's remuneration	3,800	3,700
Recognition of loss allowance for trade and bills receivable	2,002	–
Reversal of write-down of obsolete and slow-moving inventories	(396)	–
Listing expenses ( <i>note</i> )	9,962	8,093
Other expenses	64,204	81,588
	<u>3,058,081</u>	<u>2,732,591</u>
<b>Representing:</b>		
Cost of revenue	2,865,071	2,526,421
Distribution and selling expenses	43,559	46,456
General and administrative expenses	149,451	159,714
	<u>3,058,081</u>	<u>2,732,591</u>

\* The carrying amount of inventories sold excluded depreciation and amortisation of property, plant and equipment, employee benefit expenses and rental expenses.

*Note:* The listing expenses in both years were incurred for a possible spin-off and separate listing of the real estate business of the Group on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction. Included in the listing expenses, HK\$2.7 million (2021: HK\$1.7 million) is related to auditor's remuneration to KPMG.

## 11. FINANCE INCOME, NET

	2022	2021
	\$'000	(Restated) \$'000
Finance costs		
– Interest expense from financial liabilities measured at amortised cost	36,454	36,991
– Interest expenses on lease liabilities	678	219
Less: interest expenses capitalised into property under development for sale ( <i>note</i> )	(22,394)	(29,235)
	<u>14,738</u>	<u>7,975</u>
Finance income		
– Interest income from financial assets measured at amortised cost	(16,690)	(10,956)
– Other interest income from financial assets measured at FVOCI (recycling)	(377)	(423)
	<u>(17,067)</u>	<u>(11,379)</u>
Finance income, net	<u>(2,329)</u>	<u>(3,404)</u>

*Note:* The borrowing costs have been capitalised at a rate of 4.14% (2021: 4.13%) per annum.

## 12. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The amount of taxation charged to consolidated statement of profit or loss represents:

	2022	2021 (Restated)
	<i>\$'000</i>	<i>\$'000</i>
<b>Current taxation</b>		
Hong Kong Profits Tax		
– Current year	26,078	23,869
– Over provision in prior years	(71)	(787)
PRC taxes		
– Corporate Income Tax	200,354	121,917
– Land Appreciation Tax	268,740	193,496
<b>Deferred taxation</b>	<b>(72,621)</b>	<b>(34,940)</b>
	<b>422,480</b>	<b>303,555</b>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year 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% (2021: 25%), except for one PRC subsidiary of the Group was rewarded with Certificate of High and New Technology Enterprise and entitled for a tax reduction from 25% to 15% for a period of three years, effective from 1 January 2020. Land Appreciation Tax is levied on properties in Mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

## 13. 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 year.

Diluted earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue after adjusting the potential dilutive effect of the outstanding options during the year.

	2022	2021 (Restated)
Profit attributable to equity shareholders of the Company ( <i>\$'000</i> )	<b>549,102</b>	445,328
Weighted average number of ordinary shares in issue ( <i>in thousand shares</i> )	<b>2,016,576</b>	1,999,077
Effect of outstanding share options ( <i>in thousand shares</i> )	<b>5,102</b>	12,860
Weighted average number of ordinary shares (diluted) in issue ( <i>in thousand shares</i> )	<b>2,021,678</b>	2,011,937
Basic earnings per share ( <i>HK cents</i> )	<b>27.2</b>	22.3
Diluted earnings per share ( <i>HK cents</i> )	<b>27.2</b>	22.1

## 14. DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year

	2022 \$'000	2021 \$'000
Interim dividend declared and paid of HK4.5 cents per ordinary share (2021: HK4.0 cents per ordinary share)	88,762	80,298
Special dividend declared and paid of HK1.0 cent per ordinary share (2021: HK0.5 cent per ordinary share)	22,190	10,037
Final dividend proposed after the end of the reporting period of HK4.0 cents per ordinary share (2021: HK7.0 cents per ordinary share)	<u>80,852</u>	<u>140,871</u>
	<u><b>191,804</b></u>	<u><b>231,206</b></u>

The final dividend proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.0 cents per ordinary share (2021: HK5.0 cents per ordinary share)	<u><b>141,259</b></u>	<u><b>99,882</b></u>

## 15. COMPARATIVE FIGURES

As a result of the application of AG 5, certain comparative figures have been restated. Further details are disclosed in note 1.

In addition, following the agenda decision Demand deposits with restrictions on use arising from a contract with a third party published by the IFRS Interpretations Committee in April 2022, the Group has voluntarily changed its accounting policy and has reclassified restricted deposits of \$275,785,000 as cash and cash equivalents at 31 March 2021 to better reflect the nature of those deposits.

## PRINCIPAL ACTIVITIES AND RESULTS

For the year ended 31 March 2022, the Group was principally engaged in:

- Metal and Plastic Business (“**M&P**”): providing mechanical engineering solutions, manufacturing and sales of metal and plastic parts, mainly including moulds and the relevant plastic and metal parts products for information and communication technology industry, etc.;
- Electronic Manufacturing Services Business (“**EMS**”): manufacturing and sales of magnetic tape data storage, point-of-sale system, and other computer peripherals, etc.; and
- Real Estate Business: urban renewal, residential real estate project investment and development.

### (I) Business Review

#### *I. Results*

Profit attributable to the equity shareholders of the Company amounted to HK\$549,102,000, which increased by approximately 23% compared to the restated profit attributable to the equity shareholders of the Company of HK\$445,328,000. The Company has completed an acquisition on 8 March 2022 of Dongguan City Jiaxuntong Computer Products Limited\* (東莞市嘉訊通電腦產品有限公司) (“**Jiaxuntong**”) and Kar Info International Property Limited as disclosed in note 1 of this announcement. The consolidated financial statements of the Group have been therefore prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. Financial information relating to the year ended 31 March 2021 have therefore been restated. The effect of merger accounting has the impact of including the pre-acquisition profit of the Acquirees amounted to HK\$80,047,000 and HK\$26,097,000 for the year ended 31 March 2021 and 2022 respectively. Without the acquisition, profit attributable to the shareholder of the Company is estimated to be increased by approximately 42% compared to HK\$365,281,000 in last year.

- (a) For the year ended 31 March 2022, the revenue of the Group was HK\$4,013,434,000, which increased by approximately 16% compared to the restated revenue of HK\$3,472,798,000. Profit attributable to the equity shareholders of the Company amounted to HK\$549,102,000, which increased by approximately 23% compared to the restated profit attributable to the equity shareholders of the Company of HK\$445,328,000. The increase in profit was mainly attributable to the completion of delivery, with revenue recognised, of certain units of Phases 4 and 5 of Castfast Villas (嘉輝豪庭) under the Three Old Renovation Plan of the Group in Fenggang Town, Dongguan City, Guangdong Province.

- (b) The revenue of the industrial business for the year ended 31 March 2022 increased by approximately 10% to HK\$3,075,013,000 when compared to HK\$2,793,374,000 in last year, which was mainly attributable to the significant increase of revenue from the electronic assembly business while the M&P business remained stable. The proportion of the segment revenue was therefore changed. The segment profit of industrial business rose by approximately 2% to HK\$310,256,000 when compared to HK\$302,993,000 in last year. Despite the pressure on the operating ability of the Group imposed by uncertainties including the persistent pandemic, the congestion of global supply chains and logistics and the increase in costs, the Group's flexible countermeasures effectively reduced the negative impact, and the operating profit margins of both businesses remained stable.
- (c) The Real Estate Business recorded a revenue of HK\$938,421,000 for the year, representing an increase of approximately 38% when compared to HK\$679,424,000 in last year. Such increase was mainly attributable to the successful completion of the delivery of the units of the Phases 4 and 5 of Castfast Villas with revenue recognised. The segment profit of Real Estate Business surged by approximately 49% to HK\$657,833,000 when compared with HK\$440,999,000 in last year. With the increasing maturity of our Real Estate Business, it is expected that its robust growth will bring promising profits to the Group.

## ***II. Industrial Business***

Revenue for year 2021/22 increased by approximately 10% when compared with last year, which was primarily due to the followings:

- (a) The revenue of M&P for the year ended 31 March 2022 increased by approximately 1% to HK\$1,920,032,000 when compared with the corresponding period last year (for the year ended 31 March 2021: HK\$1,895,368,000). M&P had a steady performance this year.
- (b) the revenue of EMS for the year ended 31 March 2022 increased by approximately 29% to HK\$1,154,981,000 when compared with the corresponding period last year (for the year ended 31 March 2021: HK\$898,006,000), mainly owing to the growth in market demand for storage products.

- (c) The epidemic situation this year is still severe. Especially in early 2022, the logistics and supply chains were greatly disrupted. The labour market was tight, and the wages rate of skilled workers increased. Various factors brought challenges to the Group’s operating costs. The Group has been striving to effectively manage production operations in a fast and flexible manner. For example, the Group set up closed-loop operation points for cross-border drivers to enhance epidemic prevention and control, and successfully speed up logistics operations. The Group actively communicated with the local governments to coordinate the pace of operation and management, and enhanced utilisation of resource. The Group timely adjusted its material inventory level to reduce the impact of material price fluctuations. At the same time, the Group also maintained close with customers to pass on part of the costs to customers.
- (d) In order to optimise production operations, reduce costs and increase efficiency, the Group was committed to improving the level of automation and made progress in the application of assembly automation, including improving the automated equipment for silk printing and material handling, implement online dynamic automatic vision inspection, and strengthening temperature control systems, etc. The intelligent production line manufacturing execution system was more integrated, thereby reducing manpower and improving output quality.
- (e) The “Karrie Craftsmanship Building (嘉利工匠大樓)”, to be built under the concept of environmental protection, made good progress in construction. At present, the main structure of the building has been completed, and the planning of exterior greening and interior decoration are being carried out. After the completion of the construction, the logistics support departments will move into the office, effectively freeing up more factory space and production space to meet the production requirements of customers and improve the working environment of employees.

Overseas, the factory in Thailand has been renovated and officially opened. Employees started to work there, and moulds and materials are being shipped there. Machine installation, commissioning and trial production have also begun. Applications for relevant production certifications have begun as well.

The operation of the plant in Thailand is a stepping stone for the Group’s “China Plus One” strategy, which is expected to diversify regional risks and increase production flexibility in response to customer requirements, while generating synergies. The Group is actively pursuing diversified business development with partners in Thailand and seeking opportunities in the Regional Comprehensive Economic Partnership (“RCEP”) market.

- (f) Although the business expansion plan has encountered obstacles and the factory audit work has almost stopped as affected by the epidemic, the Group is still committed to maintaining the cooperative relationships with major customers, and actively expanding new customers domestically and overseas, striving to capture more markets opportunities. Among which, the businesses with certain new customers have made good progress, and the conceptual designs of next-generation products have begun. At the same time, the Group seeks to further improve the production efficiency of new products and reduce costs, so as to enhance price competitiveness and further unlock the potential of new products.

### ***III. Real Estate Business***

- (a) The Real Estate Business matures gradually and has continued to bring considerable revenue to the Group. For the year ended 31 March 2022, a revenue of HK\$938,421,000 was recorded, which included the successful delivery of units of the project of Phase 3, Phase 4 and Phase 5 of Castfast Villas, with the major projects as follows:
- For the residential project of Phase 3 of Castfast Villas, a revenue of HK\$85,417,000 was recorded during the year. A total of 22 units were delivered (with a total area of around 2,760 square meters at an average selling price of approximately RMB27,900 per square meter) and revenue was recognised during the year.
  - The residential project of Phase 4 of Castfast Villas under another Three Old Renovation Plan, delivered 195 units during the year and recorded a total revenue of HK\$641,584,000 (with a total area of around 19,400 square meters at an average selling price of approximately RMB29,800 per square meter). As of 31 May 2022, the residential project of Phase 4 of Castfast Villas, with a total saleable floor area of approximately 25,600 square meters, pre-sold approximately 54 units with a total of approximately 5,400 square meters at an average selling price of approximately RMB30,000 per square meter, which are expected to be delivered in the coming years.
  - Besides, the residential project of Phase 5 of Castfast Villas under the Three Old Renovation Plan, delivered 51 units during the year and recorded a total revenue of HK\$211,420,000 (with a total area of 5,900 square meters at an average selling price of approximately RMB32,300 per square meter). As of 31 May 2022, this project, with a total saleable floor area of approximately 57,700 square meters, pre-sold approximately 99 units with a total of approximately 14,100 square meters at an average selling price of approximately RMB32,200 per square meter. Upon the completion of the relevant procedures and delivery, the relevant income will be recognised gradually.



- Meanwhile, the progress of residential development project, Castfast Mansion in Boluo County, Huizhou is on schedule with satisfactory progress. The project is expected to be completed in 2022 with a saleable floor area of approximately 30,000 square meters. As of 31 May 2022, 25 units were pre-sold with a floor area of approximately 2,300 square meters at an average selling price of approximately RMB6,000 per square meter.
- (b) On 21 February 2022, the Group held a special general meeting to approve the resolution of the major and connected transaction in relation to the acquisitions of Kar Info International Property Limited and Jiaxuntong at a consideration of US\$100 and RMB38,000,000, respectively (the “**Acquisitions**”). The Acquisitions were completed on 8 March 2022.

### *Conclusion*

During the year, the COVID-19 epidemic continued to rage. The global geopolitical situation intensified. The overall market and economy were sluggish. The supply chain disruptions caused by the external environment, fluctuations in raw material prices, and the congestion of global transportation and logistics all brought challenges to the Group. The Group will continue to maintain a prudent attitude and respond to various unforeseeable changes in a flexible manner.

The Group insisted on enhancing intelligent production, with the goal of saving manpower and increasing the production efficiency in a “precise, accurate, fast and stable” manner, and strived to optimise the production process. In addition, the Group actively promoted streamline improvement and innovation competitions to nurture the innovative mindset of the new generation, and provided employees with resources to apply the theories they learnt and their knowledge in practice. At the same time, the Group facilitated the development of intelligent production technology to create a win-win situation. Human resources development was also a main focus of the Group. It actively cultivated various internal workers and technicians to meet the corporate development needs, which eased the recruitment pressure of various departments and allowed more efficient exploration of personnel with great potentials, thereby enhancing the corporate strength.

The Group always pays attention to the physical and mental health of its employees. Under the continuous anti-pandemic environment, we actively cared for our employees to relieve their stress, and organised recreational activities for employees from time to time. We hoped that while implementing strict anti-pandemic measures, we could encourage our colleagues, support each other, and promote a positive, healthy and friendly working environment.

In addition, the Board is pleased to announce that, on 31 March 2022, KRP Development Holdings Limited (“**KRP Development**”), a wholly-owned subsidiary of the Company, submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of KRP Development on the Stock Exchange. The spin-off of the Real Estate Business is still subject to the permission of the proposed spin-off and listing from the Listing Committee of the Stock Exchange. If the spin-off is materialised, the industrial business and the Real Estate Business will have a clearer positioning, resources will be allocated more efficiently, the flexibility of financing will be improved, and the potential value of the two businesses will be effectively released.

### *Dreams • Persistence*

The original aspiration is the central core of the corporate culture, and the corporate culture is the driving force that provides an endless stream of energy to keep a company going. With over 40 years of experience, Karrie Group never forgets its original aspiration and focuses on the development of industrial business. It continues to invest in industrial development, builds more factories, diversifies products, and enhances intelligent production. Upholding the craftsmanship spirit, the Group strives for excellence with an innovative mindset and is committed to provide the client with “heartfelt dedication in all details”, in a bid to create value for customers and create a win-win situation. With the original aspiration of “Nothing is impossible”, the Group aims to bring benefits to stakeholders.

This original aspiration is deeply rooted in the corporate culture and has been recognised by all employees. It is practiced in the corporate vision, mission and values, ethics, operating principles, enterprise spirit and development goals. Corporate culture is not static. It must be preserved and passed on, which helps attract new generations to join and allows the Company to evolve and develop. It is driving force essential for the Company to forge ahead.

In fact, the business environment today is full of uncertainties and it is an extremely complex and interconnected system. In order for an enterprise to be sustainable, in addition to its corporate cultural base, it must have an innovative mindset for problem solving and it cannot merely follow what the others do. Realising a dream cannot be done in a single day. It requires persistence. Hence, long-lasting endurance is crucial. The original aspiration which is deeply rooted in the corporate culture would become the foundation of the dream and it would provide constant energy to pursuit the dream.

Upholding his original aspiration of the industry, the founder of the Group, Mr. Ho Cheuk Fai demonstrated his perseverance and looked for the best solutions. He pursued the industrial dream with the “undying craftsmanship spirit” and created epoch-making products such as ladybug radio and stamen building blocks. He also founded the Karrie Group which became a listed company on the Main Board of the Stock Exchange in Hong Kong. He would like to ask all employees to uphold their original aspirations, pursue their dreams, keep an innovative mindset, execute their plans effectively, forge ahead against all challenges, and achieve sustainable development to bring benefits to stakeholders.

## **(II) Dividend Policy**

In the results announcement for the first quarter of year 2006/07, the Board announced the adoption of a new dividend policy, which outlines the factors that should be taken into account in determining the amount of dividend for distribution, such as the profit attributable to equity shareholders of the Company, cash flow and investment budgets. After careful consideration of the aforementioned factors, and for the purpose of maintaining the track record of consecutive annual payment of dividends since the listing, the Board has recommended the payment of a final dividend of HK4.0 cents per share to all the shareholders whose names appear on the register of members of the Company on 2 September 2022.

## **(III) Geographical Distribution**

The Group has adopted a diversified approach in product delivery and does not rely on one single market. Details of the Group’s geographical distribution are set out in the paragraph headed “Segment Reporting” in note 3 to this annual results announcement.

## **(IV) Prospects**

- (a) In terms of Industrial Business: the Group will continue to deepen the intelligent production and promote the research in development of new technologies and new processes. In addition, the Group will strive to build up its human resources and pass on the corporate culture of Karrie.

The Group actively seeks to diversify the development of the industrial business. By adhering to the original aspiration of the industry and developing new concepts, it will further develop products and strengthen the product mix. It will also adapt to market changes and adjust its business development plans in a timely manner while exploring potential customers in order to increase profit margins.

- (b) In terms of Real Estate Business: the Group is still committed to participating in the development of the Greater Bay Area and actively looking for suitable projects. In April 2022, the Group successfully bid for the land use right in Foshan City, the PRC, with an area of approximately 34,450 square meters at a consideration of RMB155,000,000. The land is located in Gaoming District, Foshan City (near the planned location for the Pearl River Delta International Airport). As other large-scale transportation infrastructures are expected to be built in this area, the Group expects that the four-in-one transportation network consisting of “water, land, air and rail” will be built in the area which would stimulate the rapid development of the region. Benefiting from this plan, the land has certain development potential. The Group plans to develop residential properties on the land to implement the Group’s strategies and plans for the development of the Greater Bay Area.
- (c) Although the operation of the Company will still face challenges in the coming year, with the introduction of more measures for stable growth in Mainland China, it is expected that the smooth flow of the logistics and supply chains can be ensured and the manufacturing industry shall gradually return to normal. In addition, the depreciation of the RMB exchange rate has also helped to relieve operating pressure. The Company expects to make steady progress in the unpredictable external environment and maintain stable development through the strategy of “internal cost control, diversification of products, customer expansion, and good communication for the future”.

## **FINANCIAL RESOURCES**

### **Borrowings**

With the commencement of Real Estate Business, net interest-bearing borrowings<sup>#</sup> as at 31 March 2022 were approximately HK\$297,712,000 and the net interest-bearing borrowings ratio (being the proportion of total net interest-bearing borrowings over total equity) was 18% (as at 31 March 2021 (restated): net interest-bearing borrowings were approximately HK\$258,363,000 and net interest-bearing borrowings ratio was 15%).

As at 31 March 2022, certain banking facilities and borrowings were secured by pledged deposits, equity interests of certain group companies, and/or guaranteed by the Group (2021: property under development, equity interests of certain group companies, and/or guaranteed by the Group). The financial position of the Group remains healthy.

<sup>#</sup> Net interest-bearing borrowings represents bank borrowings and lease liabilities less cash and bank deposits, restricted deposits and pledged deposits.

### **Non-current Assets to Shareholders’ Fund Ratio maintaining at below 1**

The non-current assets to total equity ratio as at 31 March 2022 maintained at the healthy level of 77% (as at 31 March 2021 (restated): 59%), which represents the Group’s non-current assets, such as plant and machineries are using its stable total equity as a support.

## **Capital Expenditure (“CAPEX”)**

The initial estimate of the CAPEX Budget for the financial year 2022/23 is approximately HK\$286,000,000. The CAPEX was mainly used for construction of factory, acquiring machinery and equipment and computer system.

## **Resources Available**

Currently, the total interest-bearing bank borrowings are approximately HK\$1,201,184,000. The Group is confident that with the cash in hand and bank deposits of approximately HK\$924,048,000 and the unutilised banking facilities of approximately HK\$520,807,000, it is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

## **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 RMB on its business, 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 Liabilities**

The Group has provided guarantees to banks to secure the mortgage arrangements of certain property buyers. As at 31 March 2022, the outstanding guarantees to the banks amounted to HK\$855,859,000 which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant.

As at 31 March 2022, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had approximately 3,700 employees on average (an average of 3,350 employees in the corresponding period last year) during the year. The increment of manpower is to meet the demand of orders. With a good reputation in the local community, the Group has rarely encountered major difficulties in recruiting employees at the same time.

Employee remuneration packages are determined in accordance with prevailing market standards and the employee's performance and experience. The Group will also grant bonuses 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 Mainland and the actual need for talent-retaining, the Group establishes a "Cooperative Home" to encourage and finance potential elites settled down locally in buying a flat as a means to retain talents who may otherwise be lost in the competitive labour market.

### **Performance Based Incentives**

The Group adopted performance based bonus system and objective performance assessment. Employees with outstanding performance will now receive more bonus than before the new system was implemented.

## **DIVIDEND**

The Board has recommended to pay a final dividend of HK4.0 cents per share (2020/21 final dividend: HK7.0 cents per share), to shareholders whose names appear on the register of members of the Company on 2 September 2022. Together with the interim dividend of HK4.5 cents per share (2020/21 interim dividend: HK4.0 cents per share) and a special dividend of HK1.0 cent per share (2020/21 special dividend: HK0.5 cents per share), total dividend paid/payable for this year amounted to HK9.5 cents per share (2020/21: HK11.5 cents per share). The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company to be held on 26 August 2022.

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on 26 August 2022, the register of members of the Company will be closed from Monday, 22 August 2022 to Friday, 26 August 2022 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 19 August 2022.

Assuming that the final dividend is approved by the shareholders of the Company at the AGM, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 1 September 2022 to Friday, 2 September 2022 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 31 August 2022. It is expected that the final dividend will be payable and issued to those entitled on or around Tuesday, 20 September 2022.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Due to the fact that the share price of the Company is unable to fully reflect its intrinsic value, the Company repurchased 1,880,000 shares on the Stock Exchange during the year ended 31 March 2022 at an aggregate consideration paid of HK\$3,011,000 and these shares were subsequently cancelled by the Company. Details of these transactions are as follows:

<b>Month/year</b>	<b>Number of Shares repurchased</b>	<b>Highest price paid per Share (HK\$)</b>	<b>Lowest price paid per Share (HK\$)</b>	<b>Total paid (HK\$)</b>
July 2021	698,000	1.78	1.73	1,229,000
September 2021	<u>1,182,000</u>	1.54	1.47	<u>1,782,000</u>
	<u><u>1,880,000</u></u>			<u><u>3,011,000</u></u>

Save as disclosed above, the Company has not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## CORPORATE GOVERNANCE

The Company is committed to achieving the highest standards of corporate governance. Throughout the year ended 31 March 2022, the Company had applied the principles and complied with the requirements set out in the Corporate Governance Code (“CG Code”) in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited, except the following:

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 prerequisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and both roles should continue to be performed by Mr. Ho. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high calibre individuals with a sufficient number thereof independent non-executive Directors.

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

According to the Company’s Bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company’s Bye-laws, the Chairman of the Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. The Chairman and/or the Managing Director of the Group will consider to voluntarily retire at the annual general meeting at least once every three years in line with Code Provision 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.



## AUDIT COMMITTEE

The Company has established an audit committee currently made up of one non-executive Director and three independent non-executive Directors whose duties include resolving issues in relation to audit such as reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed the auditing, internal control and financial reporting in the current year with the external auditors. The audit committee has reviewed the consolidated annual results of the Group for the year ended 31 March 2022.

## REVIEW OF ANNUAL RESULTS

The audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2022. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2022 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary results announcement.

## APPRECIATION

I would like to thank our customers, suppliers, bankers, shareholders and others who have extended their invaluable support to the Group, and my fellow Directors, managers and all staff for their considerable contributions to the Group.

By Order of the Board  
**Karrie International Holdings Limited**  
**Ho Cheuk Fai**  
*Chairman*

Hong Kong, 27 June 2022

*As at the date of this announcement, the executive Directors are Mr. Ho Cheuk Fai, Ms. Chan Ming Mui, Silvia, Mr. Zhao Kai and Mr. Chan Raymond; the non-executive Directors are Mr. Ho Cheuk Ming and Mr. Ho Kai Man; the independent non-executive Directors are Mr. Fong Hoi Shing, Mr. Yam Chung Shing and Dr. Lau Kin Wah.*

\* *For identification purpose only*