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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 2020

FINANCIAL HIGHLIGHTS

	2020	2019	Changes in %
Revenue *(HK$'000)*	**2,902,208**	2,651,169	+9%
Profit for the year attributable to equity shareholders of the Company *(HK$'000)*	**250,266**	221,386	+13%
Basic earnings per share *(HK cents)*	**12.6**	11.1	+14%
Interim dividend per share *(HK cents)*	**4.00**	3.00	+33%
Final dividend per share *(HK cents)*	**5.00**	5.00	—
Total dividends per share for the year *(HK cents)*	**9.00**	8.00	+13%

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 2020 together with the comparative figures for 2019 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	**31 March 2020** **$'000**	31 March 2019 *(Note)* *$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**510,838**	467,215
Investment properties		**294,800**	318,600
Intangible assets		**7,893**	9,168
Investment in an associate		**16,538**	16,327
Other financial assets		**19,629**	19,325
Other non-current assets	*4*	**38,300**	32,000
Deferred tax assets		**5,291**	5,001
		893,289	867,636
Current assets			
Inventories		**528,865**	335,491
Property development	*5*	**818,881**	689,437
Trade and bills receivable	*4*	**301,351**	279,285
Prepayments, deposits and other receivables	*4*	**63,728**	45,904
Amounts due from related companies		**115,135**	21,503
Current tax recoverable		**54**	632
Cash and bank deposits	*6*	**297,482**	224,030
		2,125,496	1,596,282
Total assets		**3,018,785**	2,463,918
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		**199,384**	199,183
Other reserves		**193,400**	254,217
Retained earnings		**782,916**	713,460
Total equity		**1,175,700**	1,166,860

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in Hong Kong dollars)

	Note	31 March 2020 $'000	31 March 2019 (Note) $'000
LIABILITIES			
Current liabilities			
Trade payables	7	**288,987**	155,469
Accruals and other payables		**492,221**	437,151
Lease liabilities		**3,244**	—
Bank borrowings		**126,800**	66,588
Amount due to an associate		**4,083**	35
Amounts due to related companies		**632**	394
Current tax payable		**88,568**	72,606
		1,004,535	732,243
Non-current liabilities			
Bank borrowings		**824,837**	553,754
Lease liabilities		**1,421**	—
Provision for long service payments		**8,162**	7,388
Deferred tax liabilities		**4,130**	3,673
		838,550	564,815
Total liabilities		**1,843,085**	1,297,058
Total equity and liabilities		**3,018,785**	2,463,918
Net current assets		**1,120,961**	864,039
Total assets less current liabilities		**2,014,250**	1,731,675

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
		$'000	$'000
Revenue	8	**2,902,208**	2,651,169
Cost of revenue	9	**(2,372,714)**	(2,210,972)
Gross profit		**529,494**	440,197
Distribution and selling expenses	9	**(30,668)**	(24,918)
General and administrative expenses	9	**(120,129)**	(107,872)
Other net income/gains	8	**4,444**	7,532
Net valuation (loss)/gain on investment properties		**(2,361)**	898
Operating profit		**380,780**	315,837
Finance income		**4,462**	2,743
Finance costs		**(24,858)**	(19,187)
Finance costs, net	10	**(20,396)**	(16,444)
Share of profits of an associate		**1,354**	693
Profit before taxation		**361,738**	300,086
Income tax	11	**(111,472)**	(78,700)
Profit for the year		**250,266**	221,386
Earnings per share attributable to equity shareholders of the Company			
Basic earnings per share (HK cents)	12	**12.6**	11.1
Diluted earnings per share (HK cents)	12	**12.5**	11.0

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	2020	2019
		(Note)
	$'000	*$'000*
Profit for the year	**250,266**	221,386
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Remeasurement of provision for long service payments	**(569)**	415
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations	**(62,629)**	(35,677)
Fair value (losses)/gains on other financial assets	**(121)**	2
Other comprehensive income for the year	**(63,319)**	(35,260)
Total comprehensive income for the year	**186,947**	186,126

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

NOTES:

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 2020 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 2020 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 assets/liabilities which have been measured at fair value.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16, *Leases*

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

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

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

(a) New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

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

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

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(b) Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the recognition exemption and practical expedients at the date of initial application of HKFRS 16.

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

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

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

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(b) Lessee accounting and transitional impact (Continued)

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

	Carrying amount at 31 March 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 April 2019**
	$'000	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	467,215	7,703	474,918
Non-current assets	**867,636**	**7,703**	**875,339**
Total assets	**2,463,918**	**7,703**	**2,471,621**
Lease liabilities (current)	—	(3,522)	(3,522)
Current liabilities	**(732,243)**	**(3,522)**	**(735,765)**
Lease liabilities (non-current)	—	(4,181)	(4,181)
Non-current liabilities	**(564,815)**	**(4,181)**	**(568,996)**
Total liabilities	**(1,297,058)**	**(7,703)**	**(1,304,761)**
Total equity and liability	**(2,463,918)**	**(7,703)**	**(2,471,621)**
Net current assets	**864,039**	**(3,522)**	**860,517**
Total assets less current liabilities	**1,731,675**	**4,181**	**1,735,856**

(c) Impact on the financial result and segment results of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) Impact on the financial result and segment results of the Group (Continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and segment results for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (C)**	**Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B-C)**	Compared to amounts reported for 2019 under HKAS 17
	$'000	***$'000***	***$'000***	***$'000***	*$'000*
Financial result for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Operating profit	**380,780**	**3,341**	**(3,421)**	**380,700**	315,837
Finance costs, net	(20,396)	215	—	(20,181)	(16,444)
Profit before taxation	**361,738**	**3,556**	**(3,421)**	**361,873**	300,086
Profit for the year	**250,266**	**3,556**	**(3,421)**	**250,401**	221,386
Operating profit of segment result for the year ended 31 March 2020 *(note 3)* impacted by the adoption of HKFRS 16:					
Metal and plastic business	**217,689**	**3,341**	**(3,421)**	**217,609**	171,907

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(d) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019.

Consequentially, these leasehold investment properties continue to be carried at fair value.

(e) Lessor accounting

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

3. SEGMENT REPORTING

The Group's chief operating decision-maker 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 (2019: 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 perspectives. 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 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.

3. SEGMENT REPORTING (Continued)

The segment results for the year ended 31 March 2020 are as follows:

	2020			
	Metal and plastic business *$'000*	**Electronic manufacturing services business** *$'000*	**Real estate business** *$'000*	**Total** *$'000*
Segment revenue				
Revenue from external customers	**1,632,236**	**997,767**	**272,205**	**2,902,208**
Inter-segment revenue	**32,823**	**—**	**—**	**32,823**
Reportable segment revenue	**1,665,059**	**997,767**	**272,205**	**2,935,031**
Gross profit	**331,023**	**43,637**	**154,834**	**529,494**
Distribution and selling expenses and general and administrative expenses	**(115,992)**	**(17,718)**	**(17,087)**	**(150,797)**
Other net income/gains	**2,658**	**102**	**1,684**	**4,444**
Net valuation loss on investment properties	**—**	**—**	**(2,361)**	**(2,361)**
Operating profit	**217,689**	**26,021**	**137,070**	**380,780**
Operating profit includes:				
Depreciation and amortisation of property, plant and equipment	**60,174**	**1,743**	**1,054**	**62,971**
Amortisation of intangible assets	**1,504**	**—**	**—**	**1,504**
(Reversal of write-down) /write-down of obsolete and slow-moving inventories	**(2,145)**	**2,145**	**—**	**—**
Recognition of loss allowance for trade and bills receivable	**92**	**—**	**—**	**92**

3. **SEGMENT REPORTING (Continued)**

The segment results for the year ended 31 March 2019 are as follows:

	2019 *(Note)*			
	Metal and plastic business *$'000*	Electronic manufacturing services business *$'000*	Real estate business *$'000*	Total *$'000*
Segment revenue				
Revenue from external customers	1,348,230	1,077,231	225,708	2,651,169
Inter-segment revenue	42,402	—	—	42,402
Reportable segment revenue	1,390,632	1,077,231	225,708	2,693,571
Gross profit	260,343	57,719	122,135	440,197
Distribution and selling expenses and general and administrative expenses	(93,374)	(22,356)	(17,060)	(132,790)
Other net income/gains	4,938	795	1,799	7,532
Net valuation gain on investment properties	—	—	898	898
Operating profit	171,907	36,158	107,772	315,837
Operating profit includes:				
Depreciation and amortisation of property, plant and equipment	48,687	2,560	889	52,136
Amortisation of intangible assets	1,322	—	—	1,322
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	1,094	(1,094)	—	—
(Reversal of)/recognition of loss allowance for trade and bills receivable	(709)	17	—	(692)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

3. SEGMENT REPORTING (Continued)

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

	2020	2019
		(Note)
	$'000	*$'000*
Operating profit	**380,780**	315,837
Finance income	**4,462**	2,743
Finance costs	**(24,858)**	(19,187)
Share of profits of an associate	**1,354**	693
Profit before taxation	**361,738**	300,086

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

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 asset, 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**	
	2020	2019	**2020**	2019
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**795,907**	820,173	**42,561**	15,379
Japan	**61,237**	170,677	**—**	—
Mainland China	**1,047,503**	874,191	**787,494**	795,926
Asia (excluding Japan, Hong Kong and Mainland China)	**214,263**	118,294	**—**	—
North America	**415,834**	347,692	**14**	5
Western Europe	**367,464**	320,142	**—**	—
Sub-total	**2,106,301**	1,830,996	**787,508**	795,931
	2,902,208	2,651,169	**830,069**	811,310

3. **SEGMENT REPORTING (Continued)**

The Group's customer base includes three (2019: three) customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2020, 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 $2,234,127,000 (2019: $2,078,558,000) 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 2020, the revenue derived from five largest customers accounted for approximately 83% (2019: 84%) of the Group's total revenue.

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

	2020	2019
	$'000	*$'000*
Trade and bills receivable	**301,670**	282,614
Other receivables	**30,244**	37,663
	331,914	320,277
Less: Loss allowance for trade and bills receivable	**(319)**	(3,329)
	331,595	316,948
Prepayments	**42,016**	23,720
Deposits	**29,768**	16,521
	403,379	357,189
Less: Other non-current assets *(Note)*	**(38,300)**	(32,000)
	365,079	325,189
Representing:		
Trade and bills receivable, net of allowance	**301,351**	279,285
Prepayments, deposits and other receivables	**63,728**	45,904
	365,079	325,189

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment amounted to approximately $19,160,000 (2019: $11,468,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately $19,140,000 (2019: $20,532,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the People's Republic of China ("PRC").

4. TRADE AND BILLS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The Group generally grants credit periods ranging from 30 to 90 days, except for three (2019: three) 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:

	2020	2019
	$'000	*$'000*
0 to 90 days	**291,397**	218,664
91 to 180 days	**8,972**	58,773
181 to 360 days	**954**	2,009
Over 360 days	**347**	3,168
	301,670	282,614

5. PROPERTY DEVELOPMENT

	2020	2019
	$'000	*$'000*
Property under development for sale	**668,407**	436,269
Completed property held for sale	**150,474**	253,168
	818,881	689,437

6. CASH AND BANK DEPOSITS

	2020	2019
	$'000	*$'000*
Cash at bank and in hand	**297,482**	172,451
Time deposits	**—**	51,579
	297,482	224,030

7. TRADE PAYABLES

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

	2020 *$'000*	2019 *$'000*
0 to 90 days	**220,453**	154,666
91 to 180 days	**67,198**	692
181 to 360 days	**695**	90
Over 360 days	**641**	21
	288,987	155,469

8. REVENUE AND OTHER NET INCOME/GAINS

	2020 *$'000*	2019 *$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of merchandise and provision of services		
— Metal and plastic business	**1,632,236**	1,348,230
— Electronic manufacturing services business	**997,767**	1,077,231
	2,630,003	2,425,461
Sale of properties	**272,205**	225,708
	2,902,208	2,651,169
Other net income/gains		
Fixed rental income	**3,998**	4,477
(Loss)/gain on disposal of property, plant and equipment	**(1,327)**	293
Others	**1,773**	2,762
	4,444	7,532

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to revenue such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

9. EXPENSES BY NATURE

	2020	2019
		(Note)
	$'000	*$'000*
Carrying amount of inventories sold	**1,905,388**	1,807,116
Carrying amount of properties sold	**117,371**	103,573
Depreciation and amortisation of property, plant and equipment	**62,971**	52,136
Amortisation of intangible assets	**1,504**	1,322
Employee benefit expenses (including directors' remuneration)	**360,080**	325,177
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**—**	6,671
Rental expenses of short-term leases	**3,848**	—
Net exchange gain	**(6,814)**	(13,003)
Auditors' remuneration	**3,844**	3,616
Recognition of/(reversal of) loss allowance for trade and bills receivable	**92**	(692)
Other expenses	**75,227**	57,846
	2,523,511	2,343,762

Representing:

Cost of revenue	**2,372,714**	2,210,972
Distribution and selling expenses	**30,668**	24,918
General and administrative expenses	**120,129**	107,872
	2,523,511	2,343,762

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the financial lease assets which were previously included in property, plant and equipment is also identified as a right-of-use assets. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

10. FINANCE COSTS, NET

	2020	2019
		(Note(ii))
	$'000	*$'000*
Finance costs		
— Interest expense from financial liabilities measured at amortised cost	**49,493**	37,094
— Interest expenses on lease liabilities	**215**	—
Less: interest expenses capitalised into property under development for sale *(Note (i))*	**(24,850)**	(17,907)
	24,858	19,187
Finance income		
— Interest income from financial assets measured at amortised cost	**(4,037)**	(2,336)
— Other interest income from financial assets measured at FVOCI (recycling)	**(425)**	(407)
	(4,462)	(2,743)
Finance costs, net	**20,396**	16,444

Notes:

(i) The general borrowing costs have been capitalised at a rate of 4.03% (2019: 3.35%) per annum.

(ii) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

11. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020	2019
	$'000	*$'000*
Current taxation		
Hong Kong Profits Tax		
— current year	**20,461**	15,622
— under/(over)-provision in prior years	**22**	(5,200)
PRC taxes		
— Corporate Income Tax	**14,381**	12,431
— Land Appreciation Tax	**76,277**	53,647
Deferred taxation	**331**	2,200
	111,472	78,700

11. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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%. 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 sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

12. 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.

	2020	2019
Profit attributable to equity shareholders of the Company ($'000)	**250,266**	221,386
Weighted average number of ordinary shares in issue *(in thousand shares)*	**1,993,066**	1,992,426
Effect of outstanding share options *(in thousand shares)*	**15,558**	16,505
Weighted average number of ordinary shares (diluted) in issue *(in thousand shares)*	**2,008,624**	2,008,931
Basic earnings per share *(HK cents)*	**12.6**	11.1
Diluted earnings per share *(HK cents)*	**12.5**	11.0

13. DIVIDENDS

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

	2020	2019
	$'000	*$'000*
Interim dividend declared and paid of HK4.0 cents per ordinary share (2019: HK3.0 cents per ordinary share)	**79,754**	59,755
Final dividend proposed after the end of the reporting period of HK5.0 cents per ordinary share (2019: HK5.0 cents per ordinary share)	**99,692**	99,592
	179,446	159,347

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

	2020	2019
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.00 cents per ordinary share (2019: HK4.75 cents per ordinary share)	**99,692**	94,691
Special dividend in respect of the previous financial year, approved and paid during the year, of HKnil cents per ordinary share (2019: HK2.55 cents per ordinary share)	**—**	50,861
	99,692	145,552

14. COMPARATIVE FIGURES

The group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

PRINCIPAL ACTIVITIES AND RESULTS

For the year ended 31 March 2020, the Group was principally engaged in:

— Metal and Plastic Business ("M&P"): manufacturing and sales of metal and plastic products, including server casings, moulds, plastic and metal parts and household products;

— Electronic Manufacturing Services Business ("EMS"): manufacturing and sales of magnetic tape data storage, point-of-sale ("POS") system, and other computer peripherals; and

— Real Estate Business: urban renewal, real estate project investment and development.

(1) Business Review

I. Results

For the year ended 31 March 2020, the revenue of the Group was HK$2,902,208,000 (for the year ended 31 March 2019: HK$2,651,169,000), which increased by approximately 9% when compared with the corresponding period last year. Profit for the year attributable to the equity shareholders of the Company amounted to HK$250,266,000 (for the year ended 31 March 2019: HK$221,386,000), which increased by approximately 13% when compared with the corresponding period last year. The increase in profit was mainly attributable to increase in revenue, increase in efficiency of automated production and strategic reduction in the production of lower margin businesses.

The industrial business recorded an increase in revenue. It was mainly due to increase in orders from one of the well-known customers and increase in orders and server demand from new customers in late 2019. The revenue of the industrial businesses for the year ended 31 March 2020 increased by approximately 8% to HK$2,630,003,000 when compared with the corresponding period last year (for the year ended 31 March 2019: HK$2,425,461,000). The operating profit of these segments was up by approximately 17% to HK$243,710,000 when compared with the corresponding period last year (for the year ended 31 March 2019: HK$208,065,000).

The Real Estate Business recorded a revenue of HK$272,205,000 for the year (for the year ended 31 March 2019: HK$225,708,000). Such increase was mainly attributable to the gradual delivery of the units of Phase 3 of Castfast Villas (嘉輝豪庭), which is a joint residential project during the year. Accordingly, the operating profit of Real Estate Business also surged 27% to HK$137,070,000 (for the year ended 31 March 2019: HK$107,772,000). With the increasing maturity of our Real Estate Business, a greater profit contribution is expected.

II. Industrial Businesses

Revenue for year 2019/20 increased by approximately 8% when compared with last year, which was principally the net result of the following:

(a) the increase in the revenue of M&P for the year ended 31 March 2020 of approximately 21% to HK$1,632,236,000 when compared with the corresponding period last year (for the year ended 31 March 2019: HK$1,348,230,000), mainly due to the increase in orders from new customers as a result of the slight ease of the US-China trade dispute, concept of working from home, use of big data and increase in variation of social platforms, which increased the demand for servers.

(b) the revenue of EMS for the year ended 31 March 2020 dropped by 7% to HK$997,767,000, maintained similar level when compared with the corresponding period last year (for the year ended 31 March 2019: HK$1,077,231,000), mainly owing to the Group's strategic decision to reduce the manufacture of lower-margin office automation products and the decrease in the sales of storage products.

(c) the impact of the novel coronavirus epidemic (the "Epidemic") on the global macro-economy cannot be neglected. Enterprises were caught off guard when the Epidemic came known when Chinese New Year holiday just began. With the experience in handling SARS in 2003, members of the Board gave up their Chinese New Year holiday immediately and took charge of the response closely. Our emergency response mechanism for the Epidemic was quickly activated. Leveraging on the advantages of global shipment resource, the Group fully utilized the global epidemic prevention resources, worked out the epidemic emergency work plan within the tight timeframe, set up the epidemic prevention working group, and issued a series of management measures including the Management Requirements on Epidemic Prevention Discipline (《關於防疫紀律的管理要求》) before the official resumption of work. The Group fully implements measures such as personnel information collection, review on work resumption, responsibility division, material procurement and internal management. Due to the strict and orderly implementation of the measures, the Group became one of the enterprises in Fenggang Town to have passed the early work resumption review after being examined by a number of experts from the government and was approved to early resume work on 2 February 2020. As a leading server manufacturer in the world, the Group insists to properly manage both prevention and control of the epidemic and resumption of work and production.

    In terms of health management of employees, the Group's attention to details shows our care for staff. In addition to strictly strengthening the classification management and control of employees who intend to resume work, the Group also took the lead in using a local four-star hotel, which serves as a dedicated isolation place for the Group's non-local employees who return to Dongguan and new employees before they return to their positions. This greatly enhanced the confidence of employees to resume work, and played an important role to help the Group to resume production in a timely manner.

In terms of production resumption, the Group fully demonstrated its team spirit. In the early stage of resumption of work, some production staff members were unable to return to work and there was a lack of front-line operation staff. The chairman of the Group called on the management of all subsidiaries and employed personnel in the suspended service industry to actively support the production in workshops. The senior management of the Group, including the directors, took the initiative to engage in the front-line production work to ensure maximum recovery of the production capacity of the enterprise and met the delivery schedule of our customers.

With joint efforts across the Group, our supply chain is well managed. Through close communication and flexible scheduling with suppliers, the supply of materials can meet production needs, and thus successfully met customers' delivery schedule. Therefore, the Epidemic has no eccentric impact on the timely shipment of the Group.

Furthermore, the outbreak of the Epidemic unprecedentedly hit the customs clearance between the PRC and Hong Kong, which requires a total of 28 days to travel between the PRC and Hong Kong (14 days for each region), and severely disrupted the working mode of the Group's senior management in Hong Kong to return to and work in the PRC. It was inevitable that the management and operation of the Company would be adversely affected. Fortunately, we were able to promptly communicate with our employees and provide various support to our Hong Kong employees in the PRC in a timely manner. These senior management, who supported the production and operation of the Company and were isolated from their families for months to meet the requirements of epidemic prevention.

We believe that the novel coronavirus is unlikely to be eliminated and vaccines are unlikely to be available in a short period of time. It is likely to be lingered for one to two years. We must adapt to the new normal under the Epidemic and gradually resume our activities and normal life in all aspects, which cannot be achieved overnight. It is necessary to maintain a balance between epidemic prevention measures and economic development. Hopefully, effective and simplified measures shall be adopted as soon as possible so that the enterprises in Hong Kong, Macau and Mainland China will get back on track as soon as possible, so as to fight the Epidemic and secure local employment. Otherwise, the advantage of Hong Kong people working in Mainland China will be lost.

(d) during the year, thanks to the staff's commitment to their roles, our good working relationships with customers, highly effective communication, proper adjustment of production plans, and opportunities to develop internationally renowned customers were seized, we successfully secured an order from the world's largest server brand, thereby the overall sales maintained an upward momentum during the year. At the same time, in response to the Sino-US trade war and economic uncertainties, the Group also actively developed externally to broaden the market width, explore parts and components products of potential enterprises and other industries, and continuously increase cooperation in different areas and diversify risks. The Group has signed relevant cooperation agreements with an automotive parts and components manufacturing company in Thailand to explore opportunities and set up a mechanical design solution team in Taiwan to handle and respond to customers' needs more quickly. In addition, the Group has implemented measures to reduce the number of products with no business growth in the past few years in order to focus its resources on developing potential new customers and new product projects.

(e) the Group continued to deepen its automation capabilities, with key automation projects such as automatic in staking of top cover latch, automatic assembly of hard disk holders (HDD) carrier and automatic label sticking device, which product have been successfully commenced mass production and launched into the market. The full automatic assembly line for new business server rail has been put into use. The assembly lines have significantly improved in production efficiency and product quality as compared to the past, thereby effectively boosting production efficiency and reducing the pressure of rising labour costs.

(f) the Group will continue to strengthen the team building of human resources and focus on strengthening the skills of the Group's junior and middle-level technicians. We will introduce professional engineering project training to improve the project management and problem solving ability of the current middle and senior engineering staff. In order to continuously promote the automation, we will strengthen the training of talents in this aspect, improve the technical level of employees and reduce the pressure from human resources. In addition, the Group will continue to adhere to the "Going Global" policy, actively organize our employees to visit and study outside, observe and benchmark the level of peers in the industry, so as to become more professional.

III. Real Estate Business

(a) The Real Estate Business has gradually matured with a recorded revenue of HK$272,205,000 for the year ended 31 March 2020, the growth was attributable to the delivery of, and recognition of revenue from, over 200 units with a total area of 19,700 square metres at an average selling price of approximately RMB26,300 per square metre of Phase 3 (“Phase 3”) of Castfast Villas (嘉輝豪庭), which is a joint residential development project during the period. The progress of the major projects is as follows:

- Up to 8 June 2020, approximately 190 units with a total area of over 20,000 square metres had been pre-sold at an average selling price of approximately RMB 27,000 per square metre. Upon the completion of the relevant procedures and delivery, the relevant income will be recognized gradually.

- Pre-sale of the residential project of Phases 4 and 5 of Castfast Villas, a wholly-owned development project under the Three Old Renovation Plan, with a saleable floor area of approximately 120,000 square metres has commenced and up to 8 June 2020, the project has pre-sold approximately over 60 units with a total area of approximately 6,000 square metres at an average selling price of over approximately RMB28,000 per square metre, which is expected to be recognised next year. In addition, the Group continued to launch units on other floors for sale while pre-sale has been commenced.

- The progress of another self-developed residential development of Castfast Mansion in Boluo County, Huizhou is on schedule and has been satisfactory. The project has a floor area of approximately 30,000 square metres and its pre-sale is expected to commence in the third quarter of 2020.

(b) Facing the risk of economic downturn in the PRC and the impact of the new Epidemic, the Group will adopt a flexible sales approach, supplemented by comprehensive facilities in the surrounding areas, to capture new opportunities in the real estate business with its brand, products and services, so as to bring remarkable returns to the Group.

Conclusion

Economic uncertainties continued in the beginning of this year. With the signing of the first phase of the trade agreement between China and the United States, the trade friction appeared to be slightly alleviated. In view of the uncertainties brought by the sudden outbreak of the Epidemic and the relationship between China and the United States, the market risks increased sharply. With the solid foundation of the core business, Karrie fully understood the importance to adapt to the situation in a timely and flexible manner. Employees returned to their positions in a safe and orderly manner, and the vacancies was filled promptly, production capacity was gradually restored and orders were delivered smoothly. Facing the complicated and ever-changing challenges in the future, the Group also strengthened the management of warehousing products, handled obsolete materials, timely reviewed the stability of customers and suppliers and the impact of the epidemic on them, so as to prepare for the effects. In addition, the Group will continue to improve its business ecosystem, profits preservation and secure distribution, always prepare for action, and strive for diversified development by working together to overcome difficulties, reform and transform.

(2) 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 HK5.0 cents per share to all the shareholders whose names appear on the register of members of the Company on 4 September 2020.

(3) 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.

(4) Prospects

(a) In the face of the challenging business environment, the Group will continue to strengthen its industrial business. On one hand, the Group will continue to enhance its product integration capabilities, improve supply chain management, optimize warehouse logistics management, and provide customers with professional one-stop procurement services. On the other hand, the Group actively strengthens talent training, introduces itemized engineering project management training, and cooperates with vocational and technical schools to enhance the supply of technical talents. In addition, the Group actively expands its business scope and vigorously identify potential customers in mainland China, which further broadened the market of the Group. In addition, the Group continues to invest in the industrial business and increase the production capacity, therefore, the construction of Factory No. 6 in Yuquan Industrial Zone is scheduled to commence in September this year, which will be completed and commence operation in mid-2021. Factory No. 6 will be used for the development and production of parts and components, and more factory space will be reserved for future production of new products so as to reduce the Group's expenditure in leasing nearby factories and warehouses.

(b) In addition, the Group continues to promote the application of automation technology in production line, accelerates the investment in optimizing production process, increases the research and development of new technologies, and optimizes process and packaging methods to improve production efficiency and quality. In addition, the Group continues to develop new professional (specialized) technologies and expands its scope of business, for example, the Group has carried out research projects on "hot stamping technology" and tooling improvement and application for "non weld line mold" technology.

(c) At the same time, the Group strives to the implementation of environmental protection initiatives, realises the mission of clean production, strictly complies with the relevant standards of ISO14001 and RBA under the international environmental management system, and was honourably awarded the Gold Award of the "Hong Kong Awards for Environmental Excellence 2019 (香港環境卓越大獎2019)" and the title of "Hong Kong-Guangdong Cleaner Production Partners" Logo (粵港清潔生產夥伴標誌), which fully recognised the Group's achievements in emission reduction and energy conservation. We will continue to serve on the Group's mission of "Environmental and Corporate Sustainability". In addition, the Group insists on putting industrial safety as priority, and has zero tolerance for industrial accidents, and continuously strengthens the safety awareness of employees to prevent the damage caused by industrial accidents.

(d) In terms of property projects, the Group has established a professional team with extensive experience in urban redevelopment in recent years and is committed to participating in residential projects in urban redevelopment. The Group will also continue to seek suitable development projects. At the same time, the Group will focus on residential projects in the Greater Bay Area, especially urban redevelopment projects. Leveraging on the development opportunities in the Greater Bay Area, the Group is committed to building communities and revitalizing the local economy to exert its brand effect. The Group is optimistic that the property business will bring fruitful results to its shareholders and expects it to become another growth driver in addition to the Group's industrial business.

(e) Last but not least, the Group attaches great importance to innovative thinking and has a deep understanding of the concept of "progress or regress" and the ever-changing nature of products. Therefore, in view of the ever-changing demands of customer, all employees of the Group must have a breakthrough mindset and cannot stay in their comfort zone without any advancement. They must innovate and transform in areas such as product optimization, quality improvement, environmental protection and technology development to cope with higher requirements.

Persistent Craftsmanship

Since the founding of Karrie in the 1980s, the Group's founder, Chairman Ho Cheuk Fai, has always adhered to the principles of meticulous craftsmanship, attention to details, excellence and perfection. Prior to the founding of Karrie, many popular and innovative products were designed, including ladybug radio and block products (積木製品), which continued to expand the Group's business, navigated through numerous setbacks and crises, and created a strong and never-ending craftsmanship spirit. It also carries the craftsmanship's aspiration and upholds the essence of professionalism (commitment to excellence), dedication (commitment to diligence), lean (pursuit of excellence), focus (persistence) and innovation (creativity and breakthrough), deeply embeds into the corporate spirit, and constantly upgrades, innovates and refines.

In addition to skilled craftsmanship, it is necessary to innovate and think in different fields, breakthrough, and keep abreast of changes in the era, so as to stimulate the response of the corporates for generations. For example, Chairman Ho has developed block products 49 years ago, which is boundaryless and creative product. Through limitless creativity, a simple block set can create numerous different images. It is expected that all employees will be able to innovate, respond flexibly and combine different solutions to enhance the Group's competitiveness in the ever-changing business environment, so as to prepare for challenges and mold our future. "Persistent Craftsmanship for 40 years, an immorality spirit for Century", a motto highlighted the founder's hope of passing on the spirit of sustainability for generations, which is also the spirit and root of the centennial enterprise.

In order to pass on the spirit of craftsmen in various fields and to promote automated production, the Group has established a public welfare base for "artificial intelligence" education, promoted manufacturing education, trained new generation and young people to know the industrial business, and demonstrated the milestone of industrial development and brilliant contribution of investors in the Greater Bay Area (among Dongguan), so as to pass on the craftsmanship spirit of the industry. In order to gather and reward talents, the Group will host the Craftsman Spirit Award to promote talents in all fields with craftsmanship spirit in the society, and advocate the spirit of craftsmanship.

To establish a centennial enterprise, the Group has been committed to fulfilling its corporate social responsibility, encouraging environmental protection and promoting the core value of Karrie's sustainable development in the past 40 years. The 40th anniversary is the ruby anniversary and the colour of the logo is ruby-red which symbolizes our craftmanship never ends. Our craftmanship spirit will help us to cope with various challenges in a prudent manner and progress with the enterprise to build a centennial foundation. The Group is deeply grateful for that.

FINANCIAL RESOURCES

Borrowings

With the commencement of Real Estate Business, net interest-bearing borrowings[#] as at 31 March 2020 were approximately HK$658,820,000 and the net interest-bearing borrowings ratio (being the proportion of total net interest-bearing borrowings over total equity) was 56% (as at 31 March 2019: net interest-bearing borrowings were approximately HK$396,312,000 and net interest-bearing borrowings ratio was 34%). The financial position of the Group remains healthy.

[#] Net interest-bearing borrowings represents bank borrowings and lease liabilities less cash and bank deposits.

Non-current Assets to Shareholders' Fund Ratio maintaining at below 1

The non-current assets to total equity ratio as at 31 March 2020 maintained at the healthy level of 76% (as at 31 March 2019: 74%), 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 2020/21 is approximately HK$225,000,000. 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$951,637,000. The Group is confident that with the cash in hand and bank deposits of approximately HK$297,482,000 and the unutilised banking facilities of approximately HK$581,763,000, 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

As at 31 March 2020, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 3,500 employees on average (an average of 3,360 employees in the corresponding period last year) during the year. With a good reputation in the local community, the Group has rarely encountered major difficulties in recruiting employees.

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 the PRC 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 HK5.0 cents per share (2018/19 final dividend: HK5.0 cents per share), to shareholders whose names appear on the register of members of the Company on 4 September 2020. Together with the interim dividend of HK4.0 cents per share (2018/19 interim dividend: HK3.0 cents per share), total dividend paid/payable for this year amounted to HK9.0 cents per share (2018/19: HK8.0 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 28 August 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on 28 August 2020, the register of members of the Company will be closed from Monday, 24 August 2020 to Friday, 28 August 2020 (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, 21 August 2020.

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, 3 September 2020 to Friday, 4 September 2020 (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, 2 September 2020. It is expected that the final dividend will be payable and issued to those entitled on or around Monday, 21 September 2020.

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 714,000 shares on the Stock Exchange during the year ended 31 March 2020 at an aggregate consideration paid of HK$795,600 and these shares were subsequently cancelled by the Company. Details of these transactions are as follows:

Month/year	Number of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Total paid *(HK$)*
June 2019	622,000	1.14	1.11	697,780
August 2019	92,000	1.07	1.06	97,820
	714,000			795,600

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 2020, 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 A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of its Chairman and Chief Executive Officer and Mr. Ho Cheuk Fai ("Mr. Ho") currently holds both positions.

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

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

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

According to the 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 A.4.2 of the CG Code. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

According to Code Provision A.5 of the CG Code, the Company should establish a nomination committee, which is chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of the independent non-executive Directors. The Company has not established a nomination committee due to the fact that the function of the nomination committee was delegated to the Board, which is responsible for reviewing its own structure, size and composition in accordance with the board diversity policy adopted by the Company (the "Policy") annually; considering the re-appointment of Directors; evaluating the Policy as well as assessing the independence of independent non-executive Directors. The Board has taken sufficient measures to avoid the conflict of interests in carrying out such functions. For instance, the relevant Director would abstain from voting for any resolution relating to his or her own reappointment. As such, the Board is of the view that the members of the Board possess the necessary experience and knowledge to discharge the functions of a nomination committee. The Board shall review the composition and operation of the Board from time to time and shall consider establishing a nomination committee if such need arises.

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 2020.

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 2020. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 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.

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

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

Hong Kong, 24 June 2020

* *For identification purpose only*