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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 2021

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2021</b>	<b>2020</b>	<b>Changes in %</b>
<b>Revenue (HK\$'000)</b>	<b>3,192,617</b>	2,902,208	+10%
<b>Profit for the year attributable to equity shareholders of the Company (HK\$'000)</b>	<b>365,281</b>	250,266	+46%
<b>Basic earnings per share (HK cents)</b>	<b>18.3</b>	12.6	+45%
Special dividend per share (HK cents)	<b>0.5</b>	—	N/A
Interim dividend per share (HK cents)	<b>4.0</b>	4.0	—
Final dividend per share (HK cents)	<b>7.0</b>	5.0	+40%
<b>Total dividends per share for the year (HK cents)</b>	<b><u>11.5</u></b>	<b><u>9.0</u></b>	+28%

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 2021 together with the comparative figures for 2020 as follows:

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	<i>Note</i>	31 March 2021 \$'000	31 March 2020 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		519,498	510,838
Investment properties		317,420	294,800
Intangible assets		6,350	7,893
Investments in an associate		19,266	16,538
Other financial assets		26,401	19,629
Other non-current assets	4	10,849	38,300
Deferred tax assets		1,696	5,291
		<u>901,480</u>	<u>893,289</u>
<b>Current assets</b>			
Inventories		391,072	528,865
Property development and contract costs	5	1,064,989	818,881
Trade and bills receivable	4	658,268	301,351
Prepayments, deposits and other receivables	4	83,583	63,728
Amounts due from related companies		131,082	115,135
Current tax recoverable		200	54
Restricted deposits		275,785	33,440
Cash and bank deposits	6	144,978	264,042
		<u>2,749,957</u>	<u>2,125,496</u>
<b>Total assets</b>		<u><b>3,651,437</b></u>	<u><b>3,018,785</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital		201,244	199,384
Other reserves		272,066	193,400
Retained earnings		957,309	782,916
<b>Total equity</b>		<u><b>1,430,619</b></u>	<u><b>1,175,700</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in Hong Kong dollars)

		31 March 2021 \$'000	31 March 2020 \$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	7	340,424	288,987
Accruals and other payables		803,798	492,221
Lease liabilities		2,594	3,244
Bank borrowings		301,010	126,800
Amount due to an associate		1,669	4,083
Amounts due to related companies		4,032	632
Current tax payable		134,961	88,568
		<u>1,588,488</u>	<u>1,004,535</u>
<b>Non-current liabilities</b>			
Bank borrowings		616,456	824,837
Lease liabilities		1,141	1,421
Provision for long service payments		9,149	8,162
Deferred tax liabilities		5,584	4,130
		<u>632,330</u>	<u>838,550</u>
<b>Total liabilities</b>		<u>2,220,818</u>	<u>1,843,085</u>
<b>Total equity and liabilities</b>		<u>3,651,437</u>	<u>3,018,785</u>
<b>Net current assets</b>		<u>1,161,469</u>	<u>1,120,961</u>
<b>Total assets less current liabilities</b>		<u>2,062,949</u>	<u>2,014,250</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
<b>Revenue</b>	8	<b>3,192,617</b>	2,902,208
Cost of revenue	9	<u>(2,478,560)</u>	<u>(2,372,714)</u>
<b>Gross profit</b>		<b>714,057</b>	529,494
Distribution and selling expenses	9	(32,239)	(30,668)
General and administrative expenses	9	(152,472)	(120,129)
Other income/gains	8	2,601	4,444
Net valuation gain/(loss) on investment properties		<u>1,184</u>	<u>(2,361)</u>
<b>Operating profit</b>		<b>533,131</b>	380,780
Finance income		4,613	4,462
Finance costs		<u>(7,975)</u>	<u>(24,858)</u>
<b>Finance costs, net</b>	10	<b>(3,362)</b>	(20,396)
<b>Share of profits of an associate</b>		<b>1,487</b>	1,354
<b>Profit before taxation</b>		<b>531,256</b>	361,738
Income tax	11	<u>(165,975)</u>	<u>(111,472)</u>
<b>Profit for the year</b>		<b><u>365,281</u></b>	<b><u>250,266</u></b>
<b>Earnings per share attributable to equity shareholders of the Company</b>			
<b>Basic earnings per share (HK cents)</b>	12	<b><u>18.3</u></b>	<u>12.6</u>
<b>Diluted earnings per share (HK cents)</b>	12	<b><u>18.2</u></b>	<u>12.5</u>

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

*For the year ended 31 March 2021*

*(Expressed in Hong Kong dollars)*

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Profit for the year</b>	<b>365,281</b>	250,266
<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>(671)</b>	(569)
Changes in fair value of other financial assets	<b>(488)</b>	—
<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>70,941</b>	(62,629)
Transfer to profit or loss upon disposal of other financial assets	<b>12</b>	—
Changes in fair value of other financial assets	<b>(9)</b>	(121)
<b>Other comprehensive income for the year</b>	<b>69,785</b>	(63,319)
<b>Total comprehensive income for the year</b>	<b>435,066</b>	186,947

## 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 2021 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 2021 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 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 financial report. 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 (2020: 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. 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.

### 3. SEGMENT REPORTING (Continued)

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

	2021			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	399,243	3,192,617
Inter-segment revenue	25,539	—	—	25,539
Reportable segment revenue	<u>1,920,907</u>	<u>898,006</u>	<u>399,243</u>	<u>3,218,156</u>
Gross profit	404,628	48,024	261,405	714,057
Distribution and selling expenses and general and administrative expenses	(133,212)	(16,732)	(34,767)	(184,711)
Other (losses) and income/gains	(2,588)	1,689	3,500	2,601
Net valuation gain on investment properties	1,184	—	—	1,184
Operating profit	<u>270,012</u>	<u>32,981</u>	<u>230,138</u>	<u>533,131</u>
<b>Operating profit includes:</b>				
Depreciation and amortisation of property, plant and equipment	84,850	2,341	1,054	88,245
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	—	—

### 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
<b>Segment revenue</b>				
Revenue from external customers	1,632,236	997,767	272,205	2,902,208
Inter-segment revenue	32,823	—	—	32,823
Reportable segment revenue	<u>1,665,059</u>	<u>997,767</u>	<u>272,205</u>	<u>2,935,031</u>
Gross profit	331,023	43,637	154,834	529,494
Distribution and selling expenses and general and administrative expenses	(114,570)	(17,542)	(18,685)	(150,797)
Other income/gains	2,658	102	1,684	4,444
Net valuation loss on investment properties	(2,361)	—	—	(2,361)
Operating profit	<u>216,750</u>	<u>26,197</u>	<u>137,833</u>	<u>380,780</u>
<b>Operating profit includes:</b>				
Depreciation and amortisation of property, plant and equipment	60,250	1,743	978	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)

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

	<b>2021</b>	2020
	<b>\$'000</b>	<b>\$'000</b>
Operating profit	<b>533,131</b>	380,780
Finance income	<b>4,613</b>	4,462
Finance costs	<b>(7,975)</b>	(24,858)
Share of profits of an associate	<b>1,487</b>	1,354
Profit before taxation	<b><u>531,256</u></b>	<b><u>361,738</u></b>

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.

	<b>The Group's revenue</b>		<b>Specified non-current assets</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Hong Kong (place of domicile)	<b>759,928</b>	795,907	<b>41,136</b>	42,561
Japan	<b>38,213</b>	61,237	—	—
Mainland China	<b>1,271,197</b>	1,047,503	<b>821,389</b>	787,494
Asia (excluding Japan, Hong Kong and Mainland China)	<b>138,699</b>	214,263	—	—
North America	<b>496,699</b>	415,834	<b>9</b>	14
Western Europe	<b>487,881</b>	367,464	—	—
Sub-total	<b><u>2,432,689</u></b>	<u>2,106,301</u>	<b><u>821,398</u></b>	<u>787,508</u>
	<b><u>3,192,617</u></b>	<u>2,902,208</u>	<b><u>862,534</u></b>	<u>830,069</u>

### 3. SEGMENT REPORTING (Continued)

The Group's customer base includes three (2020: three) customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2021, 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 \$2,196,185,000 (2020: \$2,234,127,000) 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 2021, the revenue derived from five largest customers accounted for approximately 79% (2020: 83%) of the Group's total revenue.

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

	2021 \$'000	2020 \$'000
Trade and bills receivable	658,557	301,670
Other receivables	17,326	30,244
	<u>675,883</u>	<u>331,914</u>
Less: Loss allowance for trade and bills receivable	(289)	(319)
	<u>675,594</u>	<u>331,595</u>
Prepayments	58,997	42,016
Deposits	18,109	29,768
	<u>752,700</u>	<u>403,379</u>
Less: Other non-current assets ( <i>Note</i> )	(10,849)	(38,300)
	<u><u>741,851</u></u>	<u><u>365,079</u></u>
<b>Representing:</b>		
Trade and bills receivable, net of allowance	658,268	301,351
Prepayments, deposits and other receivables	83,583	63,728
	<u><u>741,851</u></u>	<u><u>365,079</u></u>

*Note:* Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to approximately \$10,849,000 (2020: \$19,160,000), a government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately \$nil (2020: \$19,140,000) in relation to the acquisition of a piece of land in Yixing, Jiangsu, the People's Republic of China (the "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 four (2020: 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:

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
0 to 90 days	<b>651,073</b>	291,397
91 to 180 days	<b>5,098</b>	8,972
181 to 360 days	<b>2,386</b>	954
Over 360 days	<b>—</b>	347
	<b><u>658,557</u></b>	<b><u>301,670</u></b>

**5. PROPERTY DEVELOPMENT AND CONTRACT COSTS**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Property under development for sale	<b>1,002,708</b>	668,407
Completed property held for sale	<b>58,907</b>	150,474
	<b><u>1,061,615</u></b>	<u>818,881</u>
Contract costs	<b>3,374</b>	—
	<b><u>1,064,989</u></b>	<b><u>818,881</u></b>

**6. CASH AND BANK DEPOSITS**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Cash at bank and in hand	<b>136,546</b>	264,042
Deposits with banks with 3 months or less to maturity when placed	<b>8,432</b>	—
	<b><u>144,978</u></b>	<b><u>264,042</u></b>

The Group's pledged deposit amounting to \$nil (2020: \$55,000,000) to secure the Group's banking facilities.

## 7. TRADE PAYABLES

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

	2021 \$'000	2020 \$'000
0 to 90 days	322,729	220,453
91 to 180 days	16,097	67,198
181 to 360 days	1,434	695
Over 360 days	164	641
	<u>340,424</u>	<u>288,987</u>

## 8. REVENUE AND OTHER INCOME/GAINS

	2021 \$'000	2020 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of merchandise and provision of services		
— Metal and plastic business	1,895,368	1,632,236
— Electronic manufacturing services business	898,006	997,767
	<u>2,793,374</u>	<u>2,630,003</u>
Sale of properties	399,243	272,205
	<u>3,192,617</u>	<u>2,902,208</u>
<b>Other income/gains</b>		
Fixed rental income	3,980	3,998
Gain/(loss) on disposal of property, plant and equipment	271	(1,327)
Loss on disposal of other financial assets	(690)	—
Government grants received	9,194	—
Written off of other receivables	(20,010)	—
Others	9,856	1,773
	<u>2,601</u>	<u>4,444</u>

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 for sales of merchandise and provision of services that had an original expected duration of one year or less.

## 9. EXPENSES BY NATURE

	2021	2020
	\$'000	\$'000
Carrying amount of inventories sold	1,969,902	1,905,388
Carrying amount of properties sold	137,838	117,371
Depreciation and amortisation of property, plant and equipment	88,245	62,971
Amortisation of intangible assets	1,543	1,504
Employee benefit expenses (including directors' remuneration)	385,772	360,080
Rental expenses of short-term leases	4,938	3,848
Net exchange gain	(2,483)	(6,814)
Auditors' remuneration	4,287	3,844
Recognition of loss allowance for trade and bills receivable	—	92
Other expenses	73,229	75,227
	<u>2,663,271</u>	<u>2,523,511</u>
<b>Representing:</b>		
Cost of revenue	2,478,560	2,372,714
Distribution and selling expenses	32,239	30,668
General and administrative expenses	152,472	120,129
	<u>2,663,271</u>	<u>2,523,511</u>

## 10. FINANCE COSTS, NET

	2021 \$'000	2020 \$'000
Finance costs		
— Interest expense from financial liabilities measured at amortised cost	36,991	49,493
— Interest expenses on lease liabilities	219	215
Less: interest expenses capitalised into property under development for sale ( <i>Note</i> )	<u>(29,235)</u>	<u>(24,850)</u>
	----- 7,975	----- 24,858
Finance income		
— Interest income from financial assets measured at amortised cost	(4,190)	(4,037)
— Other interest income from financial assets measured at FVOCI (recycling)	<u>(423)</u>	<u>(425)</u>
	----- (4,613)	----- (4,462)
Finance costs, net	<u><u>3,362</u></u>	<u><u>20,396</u></u>

*Note:* The borrowing costs have been capitalised at a rate of 4.13% (2020: 5.16%) per annum.

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

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

	2021 \$'000	2020 \$'000
<b>Current taxation</b>		
Hong Kong Profits Tax		
— Current year	23,869	20,461
— (Over-provision)/under-provision in prior years	(787)	22
PRC taxes		
— Corporate Income Tax	24,182	14,381
— Land Appreciation Tax	113,808	76,277
Deferred taxation	<u>4,903</u>	<u>331</u>
	<u><u>165,975</u></u>	<u><u>111,472</u></u>

## 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% (2020: 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 sale 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.

	2021	2020
Profit attributable to equity shareholders of the Company (\$'000)	<u>365,281</u>	<u>250,266</u>
Weighted average number of ordinary shares in issue (in thousand shares)	1,999,077	1,993,066
Effect of outstanding share options (in thousand shares)	<u>12,860</u>	<u>15,558</u>
Weighted average number of ordinary shares (diluted) in issue (in thousand shares)	<u>2,011,937</u>	<u>2,008,624</u>
Basic earnings per share (HK cents)	<u>18.3</u>	<u>12.6</u>
Diluted earnings per share (HK cents)	<u>18.2</u>	<u>12.5</u>

### 13. DIVIDENDS

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

	2021 \$'000	2020 \$'000
Interim dividend declared and paid of HK4.0 cents per ordinary share (2020: HK4.0 cents per ordinary share)	80,298	79,754
Special dividend declared and paid of HK0.5 cent per ordinary share (2020: Nil)	10,037	—
Final dividend proposed after the end of the reporting period of HK7.0 cents per ordinary share (2020: HK5.0 cents per ordinary share)	<u>140,871</u>	<u>99,692</u>
	<u><u>231,206</u></u>	<u><u>179,446</u></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

	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.0 cents per ordinary share (2020: HK5.0 cents per ordinary share)	<u><u>99,882</u></u>	<u><u>99,692</u></u>

## PRINCIPAL ACTIVITIES AND RESULTS

For the year ended 31 March 2021, the Group was principally engaged in:

- Metal and Plastic Business (“**M&P**”): providing mechanical engineering solutions, manufacturing and sales of metal and plastic parts, 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, real estate project investment and development.

### (1) Business Review

#### *I. Results*

For the year ended 31 March 2021, the revenue of the Group was HK\$3,192,617,000 (for the year ended 31 March 2020: HK\$2,902,208,000), which increased by approximately 10% when compared with the corresponding period last year. Profit for the year attributable to the equity shareholders of the Company amounted to HK\$365,281,000 (for the year ended 31 March 2020: HK\$250,266,000), which increased by approximately 46% when compared with the corresponding period last year. The increase in profit was mainly attributable to the significant growth in our M&P Business, the increase in production efficiency of automated production, the delivery of units of real estate projects with revenue recognised, and the receipt of a one-off concessions and expenses waivers from the Hong Kong and Mainland governments. It is gratifying to note that the Company has achieved outstanding results despite the epidemic haze.

The industrial businesses recorded an increase in revenue. It was mainly due to the excellent performance of the M&P business as a result of the rising demand for cloud applications, online commerce and high performance computing, boosting the demand for servers. The revenue of the industrial businesses for the year ended 31 March 2021 increased by approximately 6% to HK\$2,793,374,000 when compared with the corresponding period last year (for the year ended 31 March 2020: HK\$2,630,003,000). In light of the optimisation of product mix, the operating profit of such segments was up by approximately 25% to HK\$302,993,000 when compared with the corresponding period last year (for the year ended 31 March 2020: HK\$242,947,000).

The Real Estate Business recorded a revenue of HK\$399,243,000 for the year (for the year ended 31 March 2020: HK\$272,205,000), representing an increase of approximately 47% as compared with the corresponding period of last year. Such increase was mainly attributable to the completion of the delivery of the units of Phase 3 and the forthcoming Phase 4 of Castfast Villas (嘉輝豪庭) with revenue recognised. Accordingly, the operating profit of Real Estate Business also surged 67% to HK\$230,138,000 (for the year ended 31 March 2020: HK\$137,833,000). With the increasing maturity of our Real Estate Business, it is expected there will be a greater profit contribution.

## **II. Industrial Businesses**

Revenue for year 2020/21 increased by approximately 6% when compared with last year, which was primarily due to the followings:

- (a) the increase in the revenue of M&P for the year ended 31 March 2021 of approximately 16% to HK\$1,895,368,000 when compared with the corresponding period last year (for the year ended 31 March 2020: HK\$1,632,236,000), mainly due to the continuous increasing demand for servers and the significant increase in orders from some key customers.
- (b) the revenue of EMS for the year ended 31 March 2021 dropped by 10% to HK\$898,006,000 when compared with the corresponding period last year (for the year ended 31 March 2020: HK\$997,767,000), mainly owing to overall lower demand for certain retail equipment and products resulting from the global epidemic.
- (c) the Group has been committed to upgrading and renovating automation technology and optimising the management of production data and the research and development of technology. During the year, the Group applied 3D printing technology to the processing procedures of the specific parts and components of plastic moulds to enhance mould management standards; it also invested in an intelligent inspection system to improve product quality with a high-precision automated optical inspection (AOI) technology. In addition, a fully automated assembly production line was also put into operation, while together with the auxiliary bending system and the 3D visual automatic in-feed system implemented earlier, the Group's production efficiency continued to be optimised, strengthening our industrial foundation. Certain production technologies of the Group have also been granted patent certificates.
- (d) at the same time, the Group attaches great importance to team building. Apart from comprehensively promoting cross-training of business skills and enhancing flexibility in manpower deployment, the Group also actively recruits talents and provides corresponding incentives to build up an excellent and diversified team of talents, which is the cornerstone of long-term development and heritage.

- (e) in order to continue to expand the scale of our business, the Group actively invested in strengthening our industrial capabilities despite the global impact of the epidemic. During the year, the Group utilised its own land and constructed an additional production complex named “Karrie Craftsman Building (嘉利工匠大樓)” on it. The building is located in Fenggang Town, Dongguan City, China, adjacent to our existing factory, with a gross floor area of approximately 44,500 sq.m. It will be equipped with stamping, welding, product assembly and large moulds manufacturing related equipment. The first phase of investment is expected to be completed in 2021, and the second phase will be completed and put into operation in 2022. Upon completion, the Karrie Craftsman Building will become the Group’s new headquarters in Mainland, which will also be an important step for the Group to expand into the domestic market. The Group will continue to recruit talents and introduce production technologies and establish a sales team in Mainland China to meet the long-term business strategy of “bringing in”.
- (f) in addition, the Group also made a strategic deployment to further expand its market share in server casings. During the year, the Group commenced a plan to extend its production bases overseas, starting with the ASEAN market with the addition of an automated production line in Thailand, which will help the Group disperse its trade risks and meet the needs of different customers. Besides, through the close communication and cooperation with an automotive moulds and plastic injection manufacturer in Thailand in which the Group has a stake, it is expected that the Group’s strategic layout in the automotive parts and components market will be further strengthened, thereby expanding its product portfolio.
- (g) meanwhile, the Group has also set up a design and research and development centre in Taiwan. Through a team of experienced professionals, we provide high value-added mechanical design solutions to customers, enhance product development, and provide engineering support in various aspects to foster our relationships with customer, with a view to meeting the increasing requirements of customers.
- (h) in November 2020, the Group received the “Directors of The Year Awards 2020” awarded by The Hong Kong Institute of Directors under the theme of “Vanguard in Challenging Times” for the year. By focusing on corporate governance, building a diversified and balanced board management team and earnestly implementing internal control and risk management, the Group is able to formulate strategies in an objective and pragmatic manner to safeguard the interests of shareholders, without forgetting the benefits of all stakeholders. The Group’s board of directors is honoured to receive such award at a time when the capital market is becoming increasingly demanding in terms of corporate governance.

- (i) Lastly, the Group has been fulfilling its corporate social responsibility over the years with a focus on sustainable development, covering areas such as environmental protection, caring for the community, caring for employees, training and development, product responsibility and corporate governance, details of which will be shared in the Group's Sustainability Report 2020/21.

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

- (a) The real estate business matures gradually and recorded revenue of HK\$399,243,000 for the year ended 31 March 2021, which included the successive delivery of units of the project of Phase 3 and Phase 4 of Castfast Villas, with the major projects as follows:
- Phase 3 of Castfast Villas (“**Phase 3**”), a joint residential project with our major shareholder, was completed during the financial year with the remaining units being delivered successively. For the year ended 31 March 2021, a revenue of HK\$280,181,000 was recorded for a total of 188 units were delivered (with a total area of over 19,500 square metres at an average selling price of approximately RMB27,200 per square metre) and revenue was recognised during the period.
  - The residential project of Phases 4 of Castfast Villas, a wholly-owned development project under the Three Old Renovation Plan has delivered 41 units during the period and recorded a total revenue of HK\$119,062,000 (with a total of 3,900 square meters at an average selling price of approximately RMB29,000 per square meter). As of 27 May 2021, the residential project of Phase 4 and Phase 5 of Castfast Villas, with a total saleable floor area of approximately 120,000 square meters, has pre-sold approximately 260 units with a total of approximately 26,000 square meters at an average selling price of approximately RMB30,000 per square meter and is expected to be delivered in 2021 and 2022 successively.
  - The progress of another self-developed 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 metres, which is now available for pre-sale.
- (b) The Company is considering a possible spin-off and separate listing of its Real Estate Business by way of introduction on the Main Board of the Stock Exchange (the “**Possible Spin-off**”). The Group strongly believes that the Possible Spin-off may facilitate a more focused development of the industrial businesses and real estate business within their respective business scopes, maximise the efficiency

of the Group's resources allocation, provide investors and customers with greater clarity on their respective development plans, and better realise the value of each of the Group's two businesses. The Company has submitted a proposal to the Stock Exchange for the Possible Spin-off in accordance with Practice Note 15 to the Listing Rules of the Stock Exchange. As of the date of this results announcement, the Possible Spin-off has not been finalised and is subject to the approval of the Stock Exchange.

## **Conclusion**

Looking back to the past financial year, the Group's results are certainly gratifying. However, in the face of different challenges from fierce market competition, Renminbi appreciation and rising raw material prices, the Group will stay vigilant and seize the opportunities arising from the post-epidemic demand for digitalisation, cloud services, online commerce and social media, etc. We will actively expand our business competency and adopt practical measures of "recruiting talents, innovating research and development, diversifying products, extending the base of production and markets expansion" to meet the constant challenges and provide solutions to our customers with a view to achieving a win-win situation. Therefore, the Group shall adopt a vision of sustainable operation, and implement the craftsmanship spirits of focus, professionalism, dedication, lean and innovation. Leveraging our three-pronged development strategies of balanced business and customer development, bringing in and going global, the Group will enhance its competitiveness and steadily move forward to its goal of building up a century-old business.

### **(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 HK7.0 cents per share to all the shareholders whose names appear on the register of members of the Company on 31 August 2021.

### **(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) Prospect

- (a) The Group will continue to deepen its automated production, increasing its investment in production line and expanding the scope of application for its automation technology. For example, our goal is to make breakthrough in the automated assembly and production field, which is expected to commence stage by stage in 2021. We have also begun the research and development for professional technology and innovations in production process, especially technology for vehicles and moulds of consumables, which serve as preparation in advance for new products and businesses, allowing for the establishment of smart plants featuring human-machine collaboration and moving towards the production model of Industry 4.0.
- (b) The trend of replacing traditional vehicles with electric vehicles is irresistible. As governments of different countries implement policies to encourage and promote the use of electric vehicles, it is expected that the electric vehicle market will experience rapid growth in the future. Currently, the charging network for new energy vehicle is still at its initial development stage. There is huge room of growth for the market of charging station. Earlier, the Group has participated in orders related to the casings of FV charging piles, which lays the foundation for our FV charging piles business and facilitates its long-term development. The Group is actively exploring cooperation opportunities with different electric vehicle charging solution providers with an aim to achieve synergy, hoping to further deepen the development of charging station and electric vehicle accessory business.
- (c) The Group's Thailand Plant began ordering production equipment, and it is expected to commence production by the end of 2021. The Group believes that, with the support of free investment policy and tax concessions from the Board of Investment of Thailand, the Group can better utilize its strategic advantage of "Going Out" and diversify the customers of its products. On top of that, following the entering of the Regional Comprehensive Economic Partnership (the "RCEP"), establishing plants in Thailand can reduce the risk of trade barriers while allow us to participate in the largest free trade and economic system of the world, which expand the Group's coverage within the Asia-Pacific region. The Group's Thailand Plant focuses on metal stamping technology and production. Through strategic cooperation with a Thai automotive parts and moulds manufacturer, we believe that their plastic injection and automotive parts manufacturing experience will create synergy effects with the Group, and lay down a foundation for the Group's long term deployment in the automotive parts market and China's domestic market.
- (d) In terms of industrial business, benefited from the new trend of working from home, the increasing demand for cloud service and online business, as well as the popularization of high-performance computing, AI application, computing ancillary infrastructure and 5G telecommunication and data center, it is expected that future demand for servers will stay strong. As a world leading supplier of server casings, this is expected to bring positive effect to the Group. Moreover, through cooperation, we have gradually

deepened the relationship with and trust of some new customers. It is expected more next generation products will be launched in the future, which correspondingly drives the revenue from the mould business.

- (e) In terms of the real estate business, as a participant of the urban renewal projects for cities in the Greater Bay Area, not only will the Group continue to conduct initial procedures for the change of land use of a land parcel in Yan Tien, but will also proactively identify quality land parcel to replenish our land reserves. In the future, the Group does not rule out any cooperation with other property developers to develop urban renewal projects in Guangdong, seizing the development potential of the Greater Bay Area. Furthermore, Phases 4 and 5 of Castfast Villas, a residential project wholly-owned by the Group, will continue to release new units for sale. Under the strong demand, both sales and average selling prices increase. The Group believes that the real estate business will bring significant revenue for the shareholders.

### *Uphold the spirit and restart*

“Establishing a centennial enterprise is a long and arduous task”. This summarizes the mission for sustainable development upheld by the Group. 2020 is the 40th anniversary of the Group. Mr. Ho Cheuk Fai, the founder of the Group, takes this opportunity to look back to the moulds for plum flower building blocks skillfully crafted 50 years ago to demonstrate the spirit of “willing to face challenge and make innovation” under the then difficult environment. Through reviewing the craftsmanship at the time, we hope to uphold original spirit of craftsmanship and infuse elements such as “focus, professionalism, dedication, lean and innovation” into various aspects of the enterprise. By rebuilding the brand of flower-shaped art building blocks as a motivation to the team, we drive and guide the spirit of innovation, so that they can face different challenges as flexibly as building blocks, providing cohesion for the long-term development of the Group. Let us encourage each other in our endeavors.

## **FINANCIAL RESOURCES**

### **Borrowings**

With the commencement of Real Estate Business, net interest-bearing borrowings<sup>#</sup> as at 31 March 2021 were approximately HK\$500,438,000 and the net interest-bearing borrowings ratio (being the proportion of total net interest-bearing borrowings over total equity) was 35% (as at 31 March 2020: net interest-bearing borrowings were approximately HK\$658,820,000 and net interest-bearing borrowings ratio was 56%). 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 and restricted deposits.

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

The non-current assets to total equity ratio as at 31 March 2021 maintained at the healthy level of 63% (as at 31 March 2020: 76%), 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 2021/22 is approximately HK\$172,090,000. 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\$917,466,000. The Group is confident that with the cash in hand and bank deposits of approximately HK\$144,978,000 and the unutilised banking facilities of approximately HK\$905,520,000, 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 2021, the outstanding guarantees to the banks amounted to HK\$166,451,000 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had approximately 3,350 employees on average (an average of 3,500 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 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 HK7.0 cents per share (2019/20 final dividend: HK5.0 cents per share), to shareholders whose names appear on the register of members of the Company on 31 August 2021. Together with the interim dividend of HK4.0 cents per share (2019/20 interim dividend: HK4.0 cents per share) and a special dividend of HK0.5 cent per share (2019/20 special dividend: nil), total dividend paid/payable for this year amounted to HK11.5 cents per share (2019/20: HK9.0 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 24 August 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on 24 August 2021, the register of members of the Company will be closed from Wednesday, 18 August 2021 to Tuesday, 24 August 2021 (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 Tuesday, 17 August 2021.

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 Monday, 30 August 2021 to Tuesday, 31 August 2021 (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 Friday, 27 August 2021. It is expected that the final dividend will be payable and issued to those entitled on or around Wednesday, 15 September 2021.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year.

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 2021, 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 and cultural related business. At the same time, Mr. Ho has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and executing business plans. Hence, the Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and both roles should continue to be performed by Mr. Ho. The Board believes that the 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 assigned 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 2021.

## 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 2021. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 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. Fong Hoi Shing, Mr. Yam Chung Shing and Dr. Lau Kin Wah.*

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

Hong Kong, 24 June 2021

\* *For identification purpose only*