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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 2023

FINANCIAL HIGHLIGHTS			
	2023	2022 (Restated)	Changes in %
CONTINUING OPERATIONS			
Revenue (HK\$'000)	3,081,697	3,075,013	—
Profit for the year from continuing operations (HK\$'000)	182,318	254,273	-28%
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations (HK\$'000)	203,855	294,829	-31%
Profit for the year attributable to equity shareholders of the Company (HK\$'000)	386,173	549,102	-30%
Basic earnings per share (HK cents)			
— Continuing operations	9.0	12.6	-29%
— Discontinued operations	10.1	14.6	-31%
	19.1	27.2	-30%
Special dividend per share (HK cents)	—	1.0	-100%
Interim dividend per share (HK cents)	4.0	4.5	-11%
Final dividend per share (HK cents)	1.5	4.0	-63%
Total dividends per share for the year (HK cents)	5.5	9.5	-42%

The board (the “**Board**”) of directors (the “**Directors**”) of Karrie International Holdings Limited (the “**Company**”, together with its subsidiaries are collectively referred to as “**we**” or the “**Group**”) announces the consolidated results of the Group for the year ended 31 March 2023 together with the comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		31 March 2023 \$'000	31 March 2022 \$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		670,648	688,260
Investment properties		281,865	332,961
Intangible assets		3,287	4,840
Investments in associates		82,810	21,265
Other financial assets		13,067	29,216
Other non-current assets	4	91,842	43,077
Deferred tax assets		8,951	189,991
		<u>1,152,470</u>	<u>1,309,610</u>
Current assets			
Inventories		633,168	778,366
Property development and contract costs	5	—	1,268,088
Trade and bills receivable	4	558,114	605,903
Prepayments, deposits and other receivables	4	39,894	138,946
Amounts due from related companies		2,628	39,952
Current tax recoverable		5,060	1,153
Pledged deposits	6	—	84,539
Restricted deposits	7	—	397,961
Cash and bank deposits	7	159,445	441,548
		<u>1,398,309</u>	<u>3,756,456</u>
Total assets		<u><u>2,550,779</u></u>	<u><u>5,066,066</u></u>

		31 March	31 March
		2023	2022
	<i>Note</i>	\$'000	\$'000
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital		202,146	202,131
Other reserves		244,285	98,202
Retained earnings		490,331	1,396,219
		<hr/>	<hr/>
Total equity		<u>936,762</u>	<u>1,696,552</u>
LIABILITIES			
Current liabilities			
Trade payables	9	350,212	375,951
Accruals and other payables		481,179	1,143,981
Bank borrowings		422,372	738,434
Lease liabilities		6,611	7,942
Amount due to an associate		3,895	1,532
Amounts due to related companies		3,848	3,664
Current tax payable		109,583	607,122
		<hr/>	<hr/>
		<u>1,377,700</u>	<u>2,878,626</u>

	31 March 2023 \$'000	31 March 2022 \$'000
Non-current liabilities		
Bank borrowings	230,000	462,750
Lease liabilities	3,126	12,634
Provision for long service payments	782	6,241
Deferred tax liabilities	2,409	9,263
	<u>236,317</u>	<u>490,888</u>
Total liabilities	<u>1,614,017</u>	<u>3,369,514</u>
Total equity and liabilities	<u>2,550,779</u>	<u>5,066,066</u>
Net current assets	<u>20,609</u>	<u>877,830</u>
Total assets less current liabilities	<u>1,173,079</u>	<u>2,187,440</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 \$'000	2022 (Restated) \$'000
CONTINUING OPERATIONS			
Revenue	<i>10</i>	3,081,697	3,075,013
Cost of revenue	<i>11</i>	<u>(2,744,532)</u>	<u>(2,636,922)</u>
Gross profit		337,165	438,091
Distribution and selling expenses	<i>11</i>	(31,205)	(30,814)
General and administrative expenses	<i>11</i>	(71,572)	(113,636)
Other net income/(loss)	<i>10</i>	5,974	7,688
Net valuation (losses)/gains on investment properties		<u>(29,577)</u>	<u>1,967</u>
Operating profit		210,785	303,296
Finance income		1,504	1,623
Finance costs		<u>(35,655)</u>	<u>(9,876)</u>
Finance cost, net	<i>12</i>	(34,151)	(8,253)
Share of profits of associates		<u>15,157</u>	<u>1,164</u>
Profit before taxation		191,791	296,207
Income tax	<i>13</i>	<u>(9,473)</u>	<u>(41,934)</u>
Profit for the year from continuing operations		182,318	254,273
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		<u>203,855</u>	<u>294,829</u>
Profit for the year		<u>386,173</u>	<u>549,102</u>

	<i>Note</i>	2023 \$'000	2022 (Restated) \$'000
Profit attributable to equity shareholders of the Company arises from:			
— Continuing operations		182,318	254,273
— Discontinued operations		203,855	294,829
		<u>386,173</u>	<u>549,102</u>
 Earnings per share from continuing operations and discontinued operations attributable to equity shareholders of the Company			
Basic earnings per share (HK cents)			
	<i>14</i>		
— Continuing operations		9.0	12.6
— Discontinued operations		10.1	14.6
		<u>19.1</u>	<u>27.2</u>
 Diluted earnings per share (HK cents)			
	<i>14</i>		
— Continuing operations		9.0	12.6
— Discontinued operations		10.1	14.6
		<u>19.1</u>	<u>27.2</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

(Expressed in Hong Kong dollars)

	2023	2022
	\$'000	(Restated) \$'000
Profit for the year	386,173	549,102
Other comprehensive income for the year:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of provision for long service payments	6,038	2,934
Changes in fair value of other financial assets	6,592	2,256
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside Hong Kong	(98,714)	67,792
Changes in fair value of other financial assets	26	56
Release of the recycling fair value gain due to disposal of other financial assets	(100)	—
Other comprehensive income for the year	(86,158)	73,038
Total comprehensive income for the year	300,015	622,140
Total comprehensive income attributable to equity shareholders of the Company arises from:		
— Continuing operations	141,182	290,870
— Discontinued operations	158,833	331,270
	300,015	622,140

NOTES:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2023 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 (the “**Stock Exchange**”) (“**Listing Rules**”).

The consolidated financial statements for the year ended 31 March 2023 comprise the Group and its interest in associates. The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, other financial assets and employee benefit liabilities which have been measured at fair value.

On 3 March 2023, in respect of the spin-off and separate listing of KRP Development Holdings Limited (“**KRP**”), a subsidiary of the Company, on the Main Board of the Stock Exchange by way of introduction, the Board approved and declared a conditional distribution in specie of all the KRP's shares to the Company's shareholders. The distribution in specie by the Company was recognised at the carrying amount of the net assets of KRP and its subsidiaries (collectively referred to as “**KRP Group**”) attributable to the owners of the Company as the directors of the Company considered that KRP was ultimately under the control of the same parties before and after the distribution. Following the distribution, the Group held no interest in KRP Group and KRP Group ceased to be subsidiaries of the Company. KRP Group is engaged in development and sales of residential properties in the fast-developing residential markets in Dongguan, Huizhou and Foshan in the Greater Bay Area. On 23 March 2023 (the “**Distribution Date**”), all the Company's equity interests of KRP Group were distributed to the owners of the Company. KRP Group's profit for the period from 1 April 2022 to 22 March 2023 was presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income, and the comparative figures have been restated accordingly. Details of the discontinued operations are set out in Note 8.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provision, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost Of Fulfilling A Contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 April 2022, and has concluded that none of them is onerous.

3. SEGMENT REPORTING

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

The Group is organised on a worldwide basis into two (2022: three) major operating segments. They are (i) metal and plastic business and (ii) electronic manufacturing services business. Real estate business was formerly a major operating segment until it was distributed of during the year ended 31 March 2023, and its result for 2022 and up to the time of distribution or 22 March 2023 are disclosed in Note 8.

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 discontinued operations. 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.

3. SEGMENT REPORTING (CONTINUED)

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

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

For the year ended 31 March 2023, a reportable and operating segment of the Group, namely "Real Estate Business" has been classified as discontinued operations, as the segment has been spun off as detailed in Note 8.

The segment information reported below does not include any amounts for the discontinued operations (i.e. real estate business), which is described in more detail in Note 8, and the comparative figures in the segment information for the year ended 31 March 2022 have been represented.

The segment results for the year ended 31 March 2023 are as follows:

	2023		
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Total \$'000
Segment revenue			
Revenue from external customers	1,918,774	1,162,923	3,081,697
Inter-segment revenue	34,540	—	34,540
Reportable segment revenue	<u>1,953,314</u>	<u>1,162,923</u>	<u>3,116,237</u>
Gross profit	298,176	38,989	337,165
Distribution and selling expenses and general and administrative expenses	(94,387)	(8,390)	(102,777)
Other net income	5,602	372	5,974
Valuation loss on investment properties	(29,577)	—	(29,577)
Segment profit	<u>179,814</u>	<u>30,971</u>	<u>210,785</u>
Segment profit includes:			
Depreciation and amortisation of property, plant and equipment	97,503	3,245	100,748
Amortisation of intangible assets	1,553	—	1,553
Reversal of write-down of obsolete and slow-moving inventories	(9,445)	(365)	(9,810)
Recognition of loss allowance for trade and bills receivable	145	248	393

3. SEGMENT REPORTING (CONTINUED)

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

	2022 (Restated)		
	Metal and plastic business \$'000	Electronic manufacturing services business \$'000	Total \$'000
Segment revenue			
Revenue from external customers	1,920,032	1,154,981	3,075,013
Inter-segment revenue	32,438	—	32,438
Reportable segment revenue	<u>1,952,470</u>	<u>1,154,981</u>	<u>3,107,451</u>
Gross profit	392,597	45,494	438,091
Distribution and selling expenses and general and administrative expenses	(131,939)	(12,511)	(144,450)
Other net income	7,143	545	7,688
Valuation gain on investment properties	1,967	—	1,967
Segment profit	<u>269,768</u>	<u>33,528</u>	<u>303,296</u>
Segment profit includes:			
Depreciation and amortisation of property, plant and equipment	93,623	2,564	96,187
Amortisation of intangible assets	1,548	—	1,548
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	1,197	(1,593)	(396)
Recognition of loss allowance for trade and bills receivable	<u>2,001</u>	<u>1</u>	<u>2,002</u>

3. SEGMENT REPORTING (CONTINUED)

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

	2023	2022 (Restated)
	\$'000	\$'000
Operating profit from continuing operations	210,785	303,296
Finance income	1,504	1,623
Finance costs	(35,655)	(9,876)
Share of profits of associates	15,157	1,164
Profit before taxation from continuing operations	<u>191,791</u>	<u>296,207</u>

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's property, plant and equipment, investment properties, intangible assets and investments in associates ("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 investments in associates.

	The Group's revenue		Specified non-current assets	
	2023	2022 (Restated)	2023	2022
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	1,021,279	932,259	27,081	34,199
Japan	61,064	126,929	—	—
Mainland China	717,603	838,775	908,081	970,016
Asia (excluding Japan, Hong Kong and Mainland China)	214,704	179,145	103,448	43,111
North America	666,401	579,823	—	—
Western Europe	400,646	418,082	—	—
Sub-total	<u>2,060,418</u>	<u>2,142,754</u>	<u>1,011,529</u>	<u>1,013,127</u>
	<u>3,081,697</u>	<u>3,075,013</u>	<u>1,038,610</u>	<u>1,047,326</u>

The Group's customer base includes four (2022: three) customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2023, 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 \$2,684,206,000 (2022: \$2,428,227,000) 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 2023, the revenue derived from five largest customers accounted for approximately 89% (2022 (Restated): 91%) of the Group's total revenue.

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

	2023	2022
	\$'000	\$'000
Trade and bills receivable	560,793	608,194
Less: Loss allowance for trade and bills receivable	<u>(2,679)</u>	<u>(2,291)</u>
	558,114	605,903
Prepayments, deposits and other receivables	<u>131,736</u>	<u>182,023</u>
	689,850	787,926
Less: Other non-current assets (<i>Note</i>)	<u>(91,842)</u>	<u>(43,077)</u>
	<u>598,008</u>	<u>744,849</u>

Representing:

Trade and bills receivable, net of allowance	558,114	605,903
Prepayments, deposits and other receivables	<u>39,894</u>	<u>138,946</u>
	<u>598,008</u>	<u>744,849</u>
Other non-current assets	<u>91,842</u>	<u>43,077</u>

Note: Other non-current assets represent deposits paid for the purchase of property, plant and equipment and intangible assets amounted to approximately \$91,842,000 (2022: \$43,077,000).

The Group generally grants credit periods ranging from 30 to 90 days, except for four (2022: four) of the customers who were granted credit periods over 90 days. An ageing analysis of trade and bills receivable, based on invoice date, is as follows:

	2023	2022
	\$'000	\$'000
0 to 90 days	538,647	562,688
91 to 180 days	19,430	37,933
181 to 360 days	2,520	7,562
Over 360 days	<u>196</u>	<u>11</u>
	<u>560,793</u>	<u>608,194</u>

5. PROPERTY DEVELOPMENT AND CONTRACT COSTS

	2023	2022
	\$'000	\$'000
Property under development for sale	—	184,070
Completed property held for sale	—	1,079,717
	—	1,263,787
Contract costs	—	4,301
	—	1,268,088
	<u>—</u>	<u>1,268,088</u>

6. PLEDGED DEPOSITS

The Group has deposits pledged to secure the Group's bank borrowings of \$nil (2022: \$169,079,000).

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

7. CASH AND BANK DEPOSITS AND RESTRICTED DEPOSITS

	2023	2022
	\$'000	\$'000
Cash at bank and in hand	128,131	423,548
Deposits with banks with 3 months or less to maturity when placed	31,314	18,000
Cash and bank deposits	159,445	441,548
	—	397,961
Restricted deposits (<i>note (i)</i>)	—	397,961
Cash and cash equivalents in the consolidated cash flow statement	<u>159,445</u>	<u>839,509</u>

Notes:

- (i) In accordance with relevant government requirements, certain property development subsidiaries of the Group are required to set up designated bank accounts with certain amount of pre-sale proceeds for the construction of the relevant properties. The restricted deposits in 2022 represent the pre-sale proceeds to secure the future payments of the Group's property development projects from the discontinued Real Estate segment. Such restricted deposits will be released for the payments for construction costs of the related property development projects or upon completion of the construction.

8. DISTRIBUTION IN SPECIE

On the Distribution Date, in connection with the spin-off of KRP, the Company's then wholly-owned subsidiary, on the Main Board of The Stock Exchange, all the KRP shares to which the Company was entitled immediately before the completion of the spin-off was distributed to the then existing shareholders of the Company. Following the completion of the spin-off, the Company does not retain any interest in the issued share capital of KRP and KRP is no longer a subsidiary of the Company.

The net assets of KRP Group at Distribution Date were as follows:

	<i>\$'000</i>
Property, plant and equipment	8,923
Deferred tax asset	127,970
Inventories and other contract costs	1,131,649
Prepayments, deposits and other receivables	13,939
Amount due from related companies	12,883
Cash and bank deposits	397,297
Accruals and other payables	(257,895)
Current tax payable	(513,057)
Lease liabilities	(2,256)
Provision for long service payment	(180)
Deferred tax liabilities	(21,067)
	<hr/>
Net assets distributed	898,206
	<hr/> <hr/>

Analysis of net outflow of cash and cash equivalents in respect of the distribution:

	<i>\$'000</i>
Cash and cash equivalent of KPR Group as at the Distribution Date	397,297
	<hr/>
Net cash distributed in respect of distribution in specie	397,297
	<hr/> <hr/>

The consolidated results of KRP for the period from 1 April 2022 to the Distribution Date were presented in the consolidated statements as discontinued operations. The consolidated statements of profit or loss and other comprehensive income distinguished the discontinued operations from the continuing operations, and the comparative figures have been restated to conform with the current year's presentation.

The summarised financial information of Group presented below represents the amounts after the intra-group elimination.

8. DISTRIBUTION IN SPECIE (CONTINUED)

The results of the operations of KRP Group for the period from 1 April 2022 to the Distribution Date were as follows:

	Period from 1 April 2022 to 22 March 2023 \$'000	Year ended 31 March 2022 \$'000
Revenue (note i)	778,992	938,421
Cost of revenue	<u>(204,280)</u>	<u>(228,149)</u>
Gross profit	574,712	710,272
Other income	2,620	3,081
Distribution and selling expenses (note ii)	(15,755)	(12,745)
General and administrative expenses (note ii)	<u>(63,004)</u>	<u>(35,815)</u>
Operating profit	498,573	664,793
Finance income	6,939	15,444
Finance costs	<u>(3,932)</u>	<u>(4,862)</u>
Finance income, net (note iii)	<u>3,007</u>	<u>10,582</u>
Profit before taxation	501,580	675,375
Income tax (note iv)	<u>(297,725)</u>	<u>(380,546)</u>
Profit for the period/year from discontinued operations	<u>203,855</u>	<u>294,829</u>
Attributable to:		
Equity shareholders of the Company	203,855	294,829
Non-controlling interests	<u>—</u>	<u>—</u>
Profit from discontinued operations	<u>203,855</u>	<u>294,829</u>

8. DISTRIBUTION IN SPECIE (CONTINUED)

Notes:

- i. Revenue from discontinued operations includes the following:

	Period from 1 April 2022 to 22 March 2023 \$'000	Year ended 31 March 2022 \$'000
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Recognised at a point in time under HKFRS15

Sales of properties	<u>778,992</u>	<u>938,421</u>
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- ii. Expense by nature:

	Period from 1 April 2022 to 22 March 2023 \$'000	Year ended 31 March 2022 \$'000
Carrying amount of properties sold	204,280	228,149
Depreciation of property, plant and equipment	1,059	839
Depreciation of right-of-used asset	524	92
Employee benefit expenses (including directors' remuneration)	15,792	12,243
Rental expenses of short-term leases	762	573
Net exchange loss/(gain)	8,259	(29)
Auditors' remuneration	1,303	414
Listing expenses	16,490	9,962
Marketing expense	16,323	11,842
Other expenses (<i>note</i>)	<u>18,247</u>	<u>12,624</u>
	<u>283,039</u>	<u>276,709</u>

Representing:

Cost of revenue	204,280	228,149
Distribution and selling expenses	15,755	12,745
General and administrative expenses	<u>63,004</u>	<u>35,815</u>
	<u>283,039</u>	<u>276,709</u>

Note: Other administrative expenses mainly include office expenses, entertainments and other taxes and miscellaneous expenses, which individually are not material to the Group.

8. DISTRIBUTION IN SPECIE (CONTINUED)

iii. Finance income, net:

	Period from 1 April 2022 to 22 March 2023 \$'000	Year ended 31 March 2022 \$'000
Finance cost		
— Interest expense from financial liabilities measured at amortised cost	8,176	19,744
— Interest expenses on lease liabilities	113	21
Less: interest expenses capitalised into property under development for sale	<u>(4,357)</u>	<u>(14,903)</u>
	<u>3,932</u>	<u>4,862</u>
Finance income		
— Interest income from financial assets measured at amortised cost	<u>(6,939)</u>	<u>(15,444)</u>
Finance income, net	<u>(3,007)</u>	<u>(10,582)</u>

iv. Income tax

	Period from 1 April 2022 to 22 March 2023 \$'000	Year ended 31 March 2022 \$'000
Current taxation		
PRC taxes		
— Corporate Income Tax	34,870	183,837
— Land Appreciation Tax	200,660	268,740
Deferred taxation	<u>62,195</u>	<u>(72,031)</u>
	<u>297,725</u>	<u>380,546</u>

9. TRADE PAYABLES

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

	2023	2022
	\$'000	\$'000
0 to 90 days	318,066	353,522
91 to 180 days	28,540	20,600
181 to 360 days	2,501	1,285
Over 360 days	1,105	544
	<u>350,212</u>	<u>375,951</u>

10. REVENUE, OTHER NET INCOME/(LOSS)

	2023	2022
	\$'000	(Restated) \$'000
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of merchandise		
— Metal and plastic business	1,918,774	1,920,032
— Electronic manufacturing services business	1,162,923	1,154,981
	<u>3,081,697</u>	<u>3,075,013</u>

Continuing operations

Other net income/(loss):

Fixed rental income	2,598	2,722
(Loss)/gain on disposal of property, plant and equipment	(56)	1,158
Loss on disposal of other financial assets	(576)	—
Loss on derecognition of other financial assets	(8,361)	—
Government grants received	10,666	2,033
Others	1,703	1,775
	<u>5,974</u>	<u>7,688</u>

11. EXPENSES BY NATURE

	2023	2022
		(Restated)
	\$'000	\$'000
Continuing operations		
Cost of materials	2,307,667	2,148,846
Depreciation and amortisation of property, plant and equipment	100,748	96,187
Amortisation of intangible assets	1,553	1,548
Employee benefit expenses (including directors' remuneration)	389,139	483,795
Rental expenses of short-term leases	6,506	5,553
Net exchange (gain)/loss	(14,886)	683
Auditors' remuneration	3,600	3,386
Recognition of loss allowance for trade and bills receivables	393	2,002
Reversal of write-down of obsolete and slow-moving inventories	(9,810)	(396)
Other expenses	62,399	39,768
	<u>2,847,309</u>	<u>2,781,372</u>
Representing:		
Cost of revenue	2,744,532	2,636,922
Distribution and selling expenses	31,205	30,814
General and administrative expenses	71,572	113,636
	<u>2,847,309</u>	<u>2,781,372</u>

12. FINANCE COST, NET

	2023	2022
		(Restated)
	\$'000	\$'000
Continuing operations		
Finance costs		
— Interest expense from financial liabilities measured at amortised cost	39,626	16,710
— Interest expenses on lease liabilities	701	657
Less: interest expenses capitalised into property under development for sale <i>(note)</i>	<u>(4,672)</u>	<u>(7,491)</u>
	----- 35,655	----- 9,876
Finance income		
— Interest income from financial assets measured at amortised cost	(1,183)	(1,246)
— Other interest income from financial assets measured at FVOCI (recycling)	<u>(321)</u>	<u>(377)</u>
	----- (1,504)	----- (1,623)
Finance cost, net	<u><u>34,151</u></u>	<u><u>8,253</u></u>

Note: The borrowing costs have been capitalised at a rate of 4.04% (2022: 4.14%) per annum.

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

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

	2023	2022
		(Restated)
	\$'000	\$'000
Continuing operations		
Current taxation		
Hong Kong Profits Tax		
— Current year	15,841	26,078
— Over provision in prior years	(197)	(71)
PRC taxes		
— Corporate Income Tax	2,247	16,518
Deferred taxation	(8,418)	(591)
	9,473	41,934

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 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% (2022: 25%), except for one PRC subsidiary of the Group was rewarded with Certificate of High and New Technology Enterprise and entitled for a tax reduction from 25% to 15%. The entitlement is subject to review every three years.

14. 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.

	2023	2022 (Restated)
Profit attributable to equity shareholders of the Company arises from (<i>\$'000</i>)		
— Continuing operations	182,318	254,273
— Discontinued operations	203,855	294,829
	<u>386,173</u>	<u>549,102</u>
Weighted average number of ordinary shares in issue (<i>in thousand shares</i>)	2,021,318	2,016,576
Effect of outstanding share options (<i>in thousand shares</i>)	797	5,102
	<u>2,022,115</u>	<u>2,021,678</u>
Basic earnings per share (<i>HK cents</i>)		
— Continuing operations	9.0	12.6
— Discontinued operations	10.1	14.6
	<u>19.1</u>	<u>27.2</u>
Diluted earnings per share (<i>HK cents</i>)		
— Continuing operations	9.0	12.6
— Discontinued operations	10.1	14.6
	<u>19.1</u>	<u>27.2</u>

15. DIVIDENDS

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

	2023	2022
	\$'000	\$'000
Interim dividend declared and paid of HK 4.0 cents per ordinary share (2022: HK4.5 cents per ordinary share)	80,852	88,762
Special dividend declared and paid of HK nil cent per ordinary share (2022: HK1.0 cent per ordinary share)	—	22,190
Final dividend proposed after the end of the reporting period of HK1.5 cents per ordinary share (2022: HK4.0 cents per ordinary share)	<u>30,322</u>	<u>80,852</u>
	<u>111,174</u>	<u>191,804</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

	2023	2022
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.0 cents per ordinary share (2022: HK7.0 cents per ordinary share)	<u>80,852</u>	<u>141,259</u>

PRINCIPAL ACTIVITIES AND RESULTS

For the year ended 31 March 2023, the Group was principally engaged in:

- Metal and Plastic Business (“**M&P**”): providing mechanical engineering solutions, manufacturing and sales of metal and plastic parts, mainly including moulds and the relevant plastic and metal parts products for information and communication technology industry, etc.;
- Electronic Manufacturing Services Business (“**EMS**”): manufacturing and sales of magnetic tape data storage, point-of-sale system, and other computer peripherals, etc.; and
- Real Estate Business: urban renewal, residential real estate project investment and development. During the year ended 31 March 2023, the Real Estate business segment was disposed of and successfully applied separate listing on the Main Board of the Stock Exchange. The results of this segment have been classified as discontinued operations of the Group.

(I) Business Review

I. Results

- (a) Following the spin-off and separate listing of real estate business on the Stock Exchange during the year ended 31 March 2023, the financial results under this business review does not include those of real estate business.
- (b) For the year ended 31 March 2023, the revenue of the Group from continuing operations was HK\$3,081,697,000, staying compared to the corresponding period last year (for the year ended 31 March 2022: HK\$3,075,013,000). Profit attributable to the equity shareholders of the Company amounted to HK\$182,318,000 (for the year ended 31 March 2022: HK\$254,273,000), which decreased by approximately 28% compared to the corresponding period last year. Against the backdrop of sluggish global economic and due to the adverse factors such as rising raw material prices, rising interest rates, inflation hike and dampen consumption, even with strict control over operating expenses, it was still difficult to offset the increase in costs, resulting in a decline in both the Group’s gross profit and profit.
- (c) The revenue of M&P for the year ended 31 March 2023 was HK\$1,918,774,000 (for the year ended 31 March 2022: HK\$1,920,032,000). The revenue of M&P was generally stable this year.

- (d) The revenue of EMS for the year ended 31 March 2023 increased by approximately 1% to HK\$1,162,923,000 when compared with the corresponding period last year (for the year ended 31 March 2022: HK\$1,154,981,000). The revenue of EMS was fairly stable this year.
- (e) In year 2022/23, the Group faced a very challenging external environment. Stringent epidemic prevention and control measures hindered the flow of people, cross-regional logistics and transportation and international shipping, which increased transportation and logistics costs and impacted the global industrial supply chains. On the other hand, the Russo-Ukrainian War exacerbated inflation, and energy and commodity prices fluctuated significantly during the year, making us inevitably face rising raw material and electricity costs, further compressing our profit margins. In addition, the persistent trade disputes between the United States and China affected the export performance of China. These factors put pressure to the slow economic recovery.

In particular, since the second half of the fiscal year, the consumption patterns and investments of customers have tended to be conservative. In addition, the epidemic has prolonged the operating system replacement cycle of server customers, resulting in a slowdown in sales as the year reached the end of the replacement cycle. However, in spite of such severe challenges, the Group remained proactive in the past year, striving to resolve various difficulties, maintaining our core competencies and minimizing external impacts.

- (f) The Group is committed to implementing lean production and continuously utilizing intelligent production technologies. At present, we have successfully utilized more than 900 robotic arms to collaborate in various production processes. Meanwhile, we also have nearly 70 patents registered for automation. With the gradual adoption of many innovative processes, our intelligent production is constantly improving, which has resulted in more efficient production, cost reduction and quality improvement, further enhancing the Group's competitiveness.
- (g) Our Dongguan production base, the B6 "Craftsmanship Building" built under the concept of environmental protection, gradually began operation. It will become the main multi-purpose production complex of the Company. Equipped with heavy-duty facilities, assembly workshops, central warehouses and office buildings, it will provide a sound foundation for the diversified development needs of the Group.

- (h) In October 2022, the Company completed the exercise of warrants to increase its shareholdings in T. Krungthai Industries Public Company Ltd. (“TKT”), a listed company in Thailand, to 38.99%. Through TKT’s extensive business network and resources in Thailand, the Group is able to accelerate its entry into the automotive parts market. At the same time, the Group has enhanced TKT’s production management capabilities through its own rich automation experience to strengthen the synergy of the Group’s production base in Thailand and to seek new development opportunities. In addition, to further optimize the allocation of global production capacity, the Group has established its first overseas production plant at Amata City Chonburi Industrial Estate in Thailand. The plant has completed the transportation and equipment installation as planned and is equipped with automated robots. It is expected to commence production in the second half of 2023. The Group believes that this production base will provide greater flexibility for the Group to meet customers’ production needs and help capture potential customer collaboration opportunities.
- (i) In order to coordinate with the long-term development of the Group, all departments have adopted the model of “full utilization of talents” in recruitment, selection and employment to strengthen talent development and achieve higher efficiency and effectiveness. Meanwhile, we optimize the performance management system and enhance the management of the functions of each employee, continuously improve their work performance, and assess the talents needed by the Group. In addition, the Group also strengthens training so that employees can better understand the Group’s development strategy, corporate culture and organizational model, and can learn and develop continuously, give full play to their strengths, thereby enriching the quality of the Group’s talent pool.
- (j) Faced with the challenges of increasing inventory, operating costs and financial costs, the Group endeavoured to improve its internal management system. In addition to cost control, the Group also strengthened its supply chain management, strived to reduce inventory, optimize production and cycle procurement, and maintained good cash flow for long to maintain a healthy financial level and improve risk resilience.
- (k) On 23 March 2023, the Group successfully spun off KRP Development Holdings Limited for separate listing on the Main Board of The Stock Exchange (the “Spin-off”). The successful Spin-off will help enhance the overall operational and financial capabilities of the business, further strengthen the Group’s cooperative relationship with existing customers, and enable the Group to concentrate resources on strengthening the core business of the industry and expand and diversify its industrial business direction.

Conclusion

Under the multiple pressures of ongoing international disputes, global inflation, supply chain bottlenecks, economic headwinds, cooling consumer demand and Sino-US trade frictions, the Group has taken proactive measures to address the challenges ahead with flexibility and prudence.

With our production plant in Thailand gradually entering the operational phase, our multi-purpose production complex in Mainland China, the Craftsmanship Building, entering the advanced stage of investment, and the active development of new products and customers on the way, we must adopt an operating philosophy of “pragmatic, stable, innovation” to ensure the Group’s continued prosperity.

We are committed to automating production, improving efficiency to reduce costs, while maintaining the delivery of quality services and products . We continue to strengthen our investment portfolios, consolidate existing customer relationships, and explore new partners to increase our market share, all of which are the concrete realization of our philosophy of “seeking truth from facts, advancing with the times, being pragmatic, planning prudently” in order to provide maximum benefits to shareholders.

We will continue to invest in the industrial sector at a steady and determined pace, and firmly believe that “accumulating small steps” will lead us forward. In addition, we will keep financing channels smooth and maintain financial stability. In this volatile and fluctuating business environment, we will demonstrate rock-solid stability and be able to seize market opportunities using both offensive and defensive strategies.

For us, innovation is the search for new ideas or technological novelties, improvements and innovations, which are essential elements for sustainable business development. We constantly try new ideas and applications by innovating and developing techniques, products, services and processes. We therefore enhance production efficiency, increase product differentiation, with a view to improving the competitiveness of our products and services, meeting market demand and creating new values for customers. At the same time, we can better understand and fulfill the needs of our customers.

(II) Dividend Policy

In the results announcement for the first quarter of year 2006/07, the Board announced the adoption of a new dividend policy, which outlines the factors that should be taken into account in determining the amount of dividend for distribution, such as the profit attributable to equity shareholders of the Company, cash flow and investment budgets. After careful consideration of the aforementioned factors, and for the purpose of maintaining the track record of consecutive annual payment of dividends since the listing, the Board has recommended the payment of a final dividend of HK1.5 cents per share to all the shareholders whose names appear on the register of members of the Company on 6 September 2023.

(III) Geographical Distribution

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

(IV) Prospects

Despite the multiple external factors this year that have put certain pressure on our profits, we believe that this is only a short-term adjustment response. With the interest rate hike cycle coming to an end and the easing of inflation pressure, combined with the Group's stringent internal cost control, we expect to be able to effectively reduce operating costs and expect profits to gradually recover.

In terms of the server industry, servers have long been in line with the development of Internet big data and artificial intelligence ("AI"). In addition, as 2023 is regarded as the breakout year for generative AI, we expect that the increase in related investment in AI models and generative tools will drive the demand for servers. To this end, the Group will also actively seek related server orders. As the Group's server customers enter the upgrade cycle of new operating system in the second half of 2023, this will bring stable income for the 2023/24 financial year and the following years.

Looking ahead, we will continue to improve our internal production cost efficiency, diversify our production bases and products, enhance our business in Mainland China and Southeast Asia, consolidate our existing customer relationships and actively develop new customers to increase our market share.

- (1) We will continue to strengthen the implementation of value engineering analysis to improve operational efficiency, continue to streamline production processes, including enhancing automation capabilities for assembly and new products, optimizing mould techniques, deepening thermal engineering solutions, and improving manufacturing execution systems ("MES") to improve production efficiency and product quality.
- (2) The operation of the production base in Thailand gradually completes the Group's presence in Southeast Asia. With the strategic adjustment and optimization of our business development teams in Mainland China and Taiwan, we will be able to effectively expand the Group's customer base, cover more world-renowned brands and provide more comprehensive services. In terms of product development, we are actively exploring fields such as automotive parts, electric vehicle charging equipment, AI data centres, medical peripheral products, and personal consumption and care products, with a view to further enriching our product line and increasing the profit margins of our products.

- (3) The Thailand plant has successfully completed the installation of automated machines and is fully operational with professional technical staff. With the recognition of our production layout by customers, some products have been scheduled to start production in July 2023 and are expected to be shipped in September 2023; and visits to the Thailand plant have been gradually arranged for other customers. Combined with our synergy with TKT, the Group is expected to be able to meet the needs of our existing customers in a flexible manner, while providing us with more support in developing new customers.
- (4) The construction of the comprehensive production complex in the Mainland China has been completed and the production departments will move in gradually. We expect this to lead to a higher degree of vertical integration. In addition, all warehouses will be centralized in the new building, thereby speeding up the flow of goods and reducing our reliance on leased warehouses, further reducing our rental expenses and making operations more cost-effective.
- (5) Maintaining a prudent and cautious strategy is a core principle of our Group's development. We are fully committed to maintaining a healthy financial position, accelerating return on capital investments and maintaining adequate cash flow. By the end of 2022, we have successfully improved the problem of increased inventories caused by the epidemic and logistics issues and restored it to a healthy level.
- (6) Quality control is the key to fulfil customers' needs. We will continue to enhance the capabilities of our engineering team and refine our quality control process, in order to maintain and improve the high quality of products and customer satisfaction.
- (7) We will establish a talent pool and provide specialized training for talents so that they can develop flexibly and provide quality ground for the sustainable development of the Group.
- (8) We will implement localization of spare parts to obtain parts of equal quality at a lower price, reduce inventory and transportation costs, and increase production efficiency.
- (9) Regardless of the plants in the Mainland China and Thailand or the R&D centre in Taiwan, it is necessary to enhance R&D to upgrade new technologies and techniques in order to maintain the competitiveness of the Group and achieve a win-win situation with customers.

Adhering to the philosophy of “pragmatic, stable, innovation” and the concept of “nothing is impossible”, the Group has been operating in a way of maintaining profits and paying dividends for years. By observing these principles and keeping foregoing ahead, we have been able to overcome challenges, embrace future opportunities and achieve greater success.

FINANCIAL RESOURCES

Borrowings

Following the spin-off and separate listing of Real Estate Business, net interest-bearing borrowings[#] as at 31 March 2023 were approximately HK\$502,664,000 and the net interest-bearing borrowings ratio (being the proportion of total net interest-bearing borrowings over total equity) was 54% (as at 31 March 2022: net interest-bearing borrowings were approximately HK\$297,712,000 and net interest-bearing borrowings ratio was 18%).

As at 31 March 2023, the Company and the Group's subsidiaries provide cross guarantee for certain banking facilities and borrowings (2022: property under development, equity interests of certain group companies, and/or guaranteed by the Group). The financial position of the Group remains healthy.

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

Non-current Assets to Shareholders' Fund Ratio

The non-current assets to total equity ratio as at 31 March 2023 maintained at the healthy level of 123% (as at 31 March 2022: 77%), which represents most of 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 2023/24 is approximately HK\$139,889,000. 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\$652,372,000. The Group is confident that with the cash in hand and bank deposits of approximately HK\$159,445,000 and the unutilised banking facilities of approximately HK\$662,250,000, 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 2023, the Group had no significant contingent liabilities.

TEA-BREAK WITH INVESTORS

We are glad that the “tea-break with investors (institutional or individual)” has been successfully held for many years. The Group adheres to the principles of “openness, fairness and equality” and believes that all investors should have the same right to get access to the Company's information. With these principles in mind and considering that the tea-break remains to be an effective and efficient way for the Company to communicate with its investors, the Company will continue to organise tea-break with individual investors. The next tea-break is scheduled on 12 August 2023 from 12:00–14:00 at Nina Hotel Chinese Restaurant (Ru), 7/F., Nina Hotel Tsuen Wan West, 8 Yeung Uk Road, Tsuen Wan.

Interested investors are invited to visit the Company's website at www.karrie.com for more details. Application will commence on 17 July 2023, application form can be downloaded from the Company's website or obtained by calling 2411-0913 during office hours. Only investors whose applications are confirmed can join the function. Investors are encouraged to grasp this opportunity to communicate directly with the management of the Company.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 3,600 employees on average (an average of 3,700 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 China 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 HK1.5 cents per share (2021/22 final dividend: HK4.0 cents per share), to shareholders whose names appear on the register of members of the Company on 6 September 2023. Together with the interim dividend of HK4.0 cents per share (2021/22 interim dividend: HK4.5 cents per share and a special dividend of HK1.0 cent per share), total dividend paid/payable for this year amounted to HK5.5 cents per share (2021/22: HK9.5 cents per share). The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 30 August 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the entitlement to attend and vote at the AGM to be held on 30 August 2023, the register of members of the Company will be closed from Thursday, 24 August 2023 to Wednesday, 30 August 2023 (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 Wednesday, 23 August 2023.

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 Tuesday, 5 September 2023 to Wednesday, 6 September 2023 (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 Monday, 4 September 2023. It is expected that the final dividend will be payable and issued to those entitled on or around Thursday, 21 September 2023.

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 2023, 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 B.2.2 of CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's Bye-laws, the Chairman of the Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. The Chairman and/or the Managing Director of the Group will consider to voluntarily retire at the annual general meeting at least once every three years in line with Code Provision B.2.2 of the CG Code. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

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

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

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 2023.

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 2023. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, 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, 28 June 2023

* *For identification purpose only*