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 2011

HIGHLIGHTS

	2011	2010	Changes in %
	HK$'000	*HK$'000*	
Revenue	**2,605,399**	2,245,172	+16%
Profit for the year	**22,333**	9,110	+145%
Basic earnings per share	**HK3.4 cents**	HK2.2 cents	+55%
Final dividend per share	**HK1.1 cents**	HK1.0 cent	+10%
Return on Equity Ratio	**2%**	1%	+100%

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 2011 together with the comparative figures for 2010 and 2009 as follows:

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2011

	Note	**2011** **HK$'000**	2010 *HK$'000* (restated)	2009 *HK$'000* (restated)
ASSETS				
Non-current assets				
Land use rights	*3*	**62,697**	63,826	71,060
Property, plant and equipment	*3*	**486,768**	472,387	436,768
Investment properties	*3*	**108,932**	–	–
Investments in associated companies		**27,921**	28,299	601
Other non-current assets		**825**	12,803	–
Deferred tax assets		**941**	1,692	349
		688,084	579,007	508,778
Current assets				
Inventories		**317,706**	269,636	227,062
Trade receivables	*4*	**378,929**	416,150	419,064
Amount due from an associated company		**3,779**	10,226	–
Prepayments, deposits and other receivables	*4*	**82,892**	43,119	69,486
Time deposit		**96,000**	91,312	–
Cash and bank balances		**196,954**	328,003	641,440
		1,076,260	1,158,446	1,357,052
Total assets		**1,764,344**	1,737,453	1,865,830

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2011

	Note	**2011** **HK$'000**	2010 HK$'000 (restated)	2009 HK$'000 (restated)
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		**86,810**	57,710	57,710
Other reserves		**351,032**	199,812	199,748
Retained earnings				
– Proposed final dividend		**9,549**	5,771	8,657
– Others		**412,746**	438,780	432,054
		860,137	702,073	698,169
Non-controlling interests		**40,513**	39,403	43,026
Total equity		**900,650**	741,476	741,195
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		**5,340**	4,742	6,880
Provision for long service payments		**9,520**	8,264	12,929
		14,860	13,006	19,809
Current liabilities				
Trade payables	5	**294,995**	405,143	298,596
Accruals and other payables		**165,404**	166,171	175,341
Receipts in advance		**1,749**	4,884	3,636
Amount due to an associated company		**357**	305	211
Tax payable		**21,445**	18,638	21,107
Short-term bank borrowings		**364,884**	387,830	605,935
		848,834	982,971	1,104,826
Total liabilities		**863,694**	995,977	1,124,635
Total equity and liabilities		**1,764,344**	1,737,453	1,865,830
Net current assets		**227,426**	175,475	252,226
Total assets less current liabilities		**915,510**	754,482	761,004

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Revenue	6	**2,605,399**	2,245,172
Cost of sales	7	**(2,413,669)**	(2,093,154)
Gross profit		**191,730**	152,018
Distribution and selling expenses	7	**(32,883)**	(27,276)
General and administrative expenses	7	**(127,133)**	(116,858)
Operating profit		**31,714**	7,884
Finance income	8	**2,267**	3,312
Finance costs	8	**(6,871)**	(5,392)
Share of loss of associated companies		**(40)**	(2,682)
Profit before taxation		**27,070**	3,122
Income tax (expenses)/credit	9	**(4,737)**	5,988
Profit for the year		**22,333**	9,110
Attributable to:			
Equity holders of the Company		**21,223**	12,497
Non-controlling interests		**1,110**	(3,387)
		22,333	9,110
Earnings per share of profit attributable to the equity holders of the Company			
– Basic and diluted	10	**3.4 cents**	2.2 cents
Dividends	11	**9,549**	5,771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**22,333**	9,110
Other comprehensive income/(expense):		
Currency translation differences	**2,083**	(591)
Other comprehensive income/(expense) for the year	**2,083**	(591)
Total comprehensive income for the year	**24,416**	8,519
Attributable to:		
Equity holders of the Company	**23,306**	12,142
Non-controlling interests	**1,110**	(3,623)
Total comprehensive income for the year	**24,416**	8,519

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	**27,070**	3,122
Adjustments for non-cash items/interests/tax	**54,304**	45,594
Changes in working capital	**(117,899)**	58,730
Net cash (used in)/generated from operating activities	**(36,525)**	107,446
Net cash used in investing activities	**(68,228)**	(193,530)
Net cash used in financing activities	**(28,717)**	(226,762)
Net decrease in cash and cash equivalents	**(133,470)**	(312,846)
Cash and cash equivalents at beginning of the year	**328,003**	641,440
Effect of foreign exchange rate changes	**2,421**	(591)
Cash and cash equivalents at end of the year	**196,954**	328,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) The following new standards and amendments to standards are mandatory for the Group

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning on or after 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified the leasehold land in Hong Kong from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the lease term.

The effect of the adoption of this amendment is as follows:

	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in leasehold land and land use rights	**(982)**	(1,009)	(1,036)
Increase in property, plant and equipment	**982**	1,009	1,036

The adoption of this amendment also resulted in an increase in depreciation of property, plant and equipment of approximately HK$27,000 (2010: HK$27,000) and a decrease in amortisation of leasehold land and land use rights of the same amount for the year ended 31 March 2011 and 31 March 2010.

HK-Int 5, "Classification by the borrower of a term loan that contains a repayment on demand clause", requires a term loan to be classified as current or non-current liability by reference to the rights and obligations. As a result of the reassessment, the Group has reclassified certain long-term bank borrowings to short-term bank borrowings.

The effect of the adoption of this interpretation is as follows:

	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in long-term bank borrowings	**(70,900)**	(76,300)	(118,700)
Increase in short-term bank borrowings	**70,900**	76,300	118,700

HKAS 7, "Statement of Cash Flow", requires that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities.

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning on or after 1 April 2010 but not currently relevant to the Group*

HKAS 1 (Amendment)	Current/non-current classification of convertible instruments
HKAS 7 (Amendment)	Classification of expenditures on unrecognised assets
HKAS 18 (Amendment)	Determining whether an entity is acting as a principal or as an agent
HKAS 32 (Amendment)	Classification of rights issues
HKAS 36 (Amendment)	Unit of accounting for goodwill impairment test
HKAS 38 (Amendment)	Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination
HKAS 39 (Amendment)	Eligible hedge items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distribution of Non-cash Asset of Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

(c) *New standards, amendments and interpretations have been issued but are not effective and have not been early adopted by the Group*

The following new standards, amendments and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 April 2011:

HKAS 1 (Amendment)	Presentation of financial statements (effective on or after 1 January 2011)
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets (effective on or after 1 January 2012)
HKAS 24 (Revised)	Related party disclosures (effective on or after 1 January 2011)
HKAS 27 (Amendment)	Consolidated and separate financial statements (effective on or after 1 July 2010)
HKAS 34 (Amendment)	Interim financial reporting (effective on or after 1 January 2011)
HKFRS 1 (Revised)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters (effective on or after 1 January 2011)
HKFRS 3 (Revised)	Business combinations (effective on or after 1 July 2010)
HKFRS 7 (Revised)	Financial Instruments Disclosures (effective on or after 1 January 2012)
HKFRS 9	Financial Instruments (effective on or after 1 January 2013)
HK(IFRIC) – Int 13	Fair value of aware credit (effective on or after 1 January 2011)
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement (effective on or after 1 January 2011)
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective on or after 1 July 2010)

(d) *The Group adopts the classification of the following financial statement items in the consolidated income statement and the consolidated balance sheet with effect from 1 April 2010:*

- Provision for overseas tax expense for the year ended 31 March 2011 and the reversal of over-provision for overseas tax expense in prior years amounting to HK$1,568,000 and HK$18,824,000 respectively are classified as income tax expenses in the consolidated income statement. The corresponding provision for overseas tax expense for the year ended 31 March 2010 and the reversal of over-provision for overseas tax expense in prior years amounting to HK$1,568,000 and HK$5,723,000 respectively have been reclassified from the financial statement item "general and administrative expenses".

- Provision for overseas taxation as at 31 March 2011 amounting to HK$3,713,000 is classified as tax payable in the consolidated balance sheet. The corresponding provision as at 31 March 2010 and 1 April 2009 amounting to HK$20,969,000 and HK$25,124,000 respectively have been reclassified from the financial statement item "accruals and other payables".

- "Cost of inventories" disclosed in prior years' financial statements have been renamed as "raw materials and consumables used". In addition, "changes in inventories of finished goods and work in progress" amounting to HK$113,215,000 for the year ended 31 March 2010 has been reclassified from "Other expenses".

Management considers that the current classifications are more appropriate. Comparative information has been reclassified to conform to the current year's presentation.

2 Segment information

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

The Group is organized on a worldwide basis into two main operating segments. They are (i) metal and plastic business; and (ii) electronic manufacturing services business.

Others mainly comprise rental and management fee income.

Management considers the business from both a geographic and products and services perspective. From a products and services perspective, management assesses the performance of metal and plastic business, and electronic manufacturing services business. And 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.

The segment results for the year ended 31 March 2011 are as follows:

	2011			
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues				
Total segment revenue	**1,048,392**	**1,676,091**	**14,298**	**2,738,781**
Inter-segment revenue	**(133,382)**	**–**	**–**	**(133,382)**
Revenue from external customers	**915,010**	**1,676,091**	**14,298**	**2,605,399**
Gross profit	**106,696**	**70,744**	**14,290**	**191,730**
Distribution and selling expenses and general and administrative expenses	**(94,615)**	**(65,134)**	**(267)**	**(160,016)**
Operating profit	**12,081**	**5,610**	**14,023**	**31,714**
Operating profit includes:				
Depreciation	**27,776**	**21,579**	**–**	**49,355**
Amortisation	**565**	**564**	**–**	**1,129**
Provision for obsolete and slow-moving inventories	**3,056**	**1,536**	**–**	**4,592**
Reversal of provision for impairment of trade and other receivables	**(363)**	**(4,103)**	**–**	**(4,466)**

The segment results for the year ended 31 March 2010 are as follows:

	2010 (restated)			
	Metal and plastic business *HK$'000*	Electronic manufacturing services business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenues				
Total segment revenue	958,741	1,403,883	4,408	2,367,032
Inter-segment revenue	(121,860)	–	–	(121,860)
Revenue from external customers	836,881	1,403,883	4,408	2,245,172
Gross profit	103,284	44,326	4,408	152,018
Distribution and selling expenses and general and administrative expenses	(71,378)	(72,756)	–	(144,134)
Operating profit/(loss)	31,906	(28,430)	4,408	7,884
Operating profit/(loss) includes:				
Depreciation	23,949	23,098	–	47,047
Amortisation	638	583	–	1,221
Provision/(reversal of provision) for obsolete and slow-moving inventories	5,318	(1,651)	–	3,667

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

	2011 **HK$'000**	2010 *HK$'000* (restated)
Operating profit	**31,714**	7,884
Finance income	**2,267**	3,312
Finance costs	**(6,871)**	(5,392)
Share of loss of associated companies	**(40)**	(2,682)
Profit before taxation	**27,070**	3,122

The segment revenue by geographical information is analysed as follows:

	2011 **HK$'000**	2010 *HK$'000*
Japan	**173,390**	172,198
Hong Kong	**350,952**	434,752
Mainland China	**667,983**	619,036
Asia (excluding Japan, Hong Kong and Mainland China)	**303,560**	258,257
North America	**212,600**	251,695
Western Europe	**896,914**	509,234
Total revenue	**2,605,399**	2,245,172

Revenue is allocated based on the country in which the final destination of shipment is located.

The Group's sales are made primarily to few key customers. For the year ended 31 March 2011, the revenue derived from five largest customers accounted for approximately 84% (2010: 87%) of the Group's total revenue.

3 Investment properties, property, plant and equipment and land use rights

	Investment properties *HK$'000*	**Property, plant and equipment** *HK$'000*	**Land use rights** *HK$'000*
Year ended 31 March 2010			
Opening net book amount, as previously reported	–	435,732	72,096
Effect of adoption of HKAS 17 (Amendment)	–	1,036	(1,036)
Opening net book amount, as restated	–	436,768	71,060
Additions	–	82,893	–
Disposals	–	(227)	(6,013)
Depreciation	–	(47,047)	–
Amortisation	–	–	(1,221)
Closing net book amount, as restated	–	472,387	63,826
Year ended 31 March 2011			
Opening net book amount, as previously reported	**–**	**471,378**	**64,835**
Effect of adoption of HKAS 17 (Amendment)	**–**	**1,009**	**(1,009)**
Opening net book amount, as restated	**–**	**472,387**	**63,826**
Additions	**1,575**	**64,918**	**–**
Acquisition of a subsidiary	**–**	**32,696**	**75,659**
Transfer in/(out)	**107,357**	**(31,698)**	**(75,659)**
Disposals	**–**	**(2,180)**	**–**
Depreciation	**–**	**(49,355)**	**–**
Amortisation	**–**	**–**	**(1,129)**
Closing net book amount	**108,932**	**486,768**	**62,697**

4 Trade receivables, prepayments, deposits and other receivables

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**385,560**	427,247
Other receivables	**72,560**	28,997
	458,120	456,244
Less: Provision for impairment of trade and other receivables	**(7,374)**	(11,825)
	450,746	444,419
Prepayments	**5,295**	4,210
Deposits	**6,605**	23,443
	11,900	27,653
Less: Other non-current assets *(Note)*	**(825)**	(12,803)
	11,075	14,850
	461,821	459,269
Representing:		
Trade receivables, net of provision	**378,929**	416,150
Prepayments, deposits and other receivables, net of provision	**82,892**	43,119
	461,821	459,269

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment.

The Group generally grants credit periods ranging from 30 to 90 days. Aging analysis of trade and other receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**444,512**	429,838
91 to 180 days	**5,071**	9,313
181 to 360 days	**4,468**	15,359
Over 360 days	**4,069**	1,734
	458,120	456,244

5 Trade payables

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**281,854**	371,913
91 to 180 days	**2,352**	26,523
181 to 360 days	**4,806**	2,213
Over 360 days	**5,983**	4,494
	294,995	405,143

6 Revenue

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Sales of merchandise from		
– Metal and plastic business	**915,010**	836,881
– Electronic manufacturing services business	**1,676,091**	1,403,883
	2,591,101	2,240,764
Other gains		
Rental income	**4,322**	3,220
Management fee income	**2,376**	1,188
Gain on disposal of interest in an associate	**7,600**	–
	14,298	4,408
Total revenue	**2,605,399**	2,245,172

7 Expenses by nature

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Raw materials and consumables used	**1,959,585**	1,724,786
Changes in inventories of finished goods and work in progress	**140,060**	113,215
Depreciation of property, plant and equipment	**49,355**	47,047
Amortisation of land use rights	**1,129**	1,221
Employee benefit expenses (including directors' emoluments)	**324,169**	252,276
Operating lease rental of premises	**13,624**	13,082
Net exchange (gain)/loss	**(1,208)**	877
Auditor's remuneration	**1,565**	1,580
Reversal of provision for impairment of trade and other receivables	**(4,466)**	–
Provision for obsolete and slow-moving inventories	**4,592**	3,667
Net loss/(gain) on disposal of property, plant and equipment	**1,609**	(658)
Gain on disposal of leasehold land and land use rights	**–**	(845)
Other expenses	**83,671**	81,040
	2,573,685	2,237,288
Representing:		
Cost of sales	**2,413,669**	2,093,154
Distribution and selling expenses	**32,883**	27,276
General and administrative expenses	**127,133**	116,858
	2,573,685	2,237,288

8 Finance income and costs

	2011	2010
	HK$'000	*HK$'000*
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	**6,871**	5,392
Finance income – Interest income from bank deposits	**(2,267)**	(3,312)
Net finance costs	**4,604**	2,080

9 Income tax expenses/(credit)

The Company is a company incorporated in Bermuda but exempted from Bermuda taxation until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year for all group companies incorporated in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Current taxation:		
– Hong Kong profits tax		
– current year	**5,205**	2,960
– under/(over)-provision in prior years	**15,439**	(1,312)
– Overseas taxation		
– current year	**1,568**	1,568
– over-provision in prior years	**(18,824)**	(5,723)
Deferred taxation	**1,349**	(3,481)
Income tax expenses/(credit)	**4,737**	(5,988)

During the year ended 31 March 2011, certain subsidiaries of the Group received from the Inland Revenue Department of Hong Kong additional assessments and/or enquiries regarding their tax assessments for prior years in respect of certain income, which the directors have regarded as not subject to Hong Kong profits tax. The directors are of the opinion that the Group should have adequate reasons to defend against such additional assessments. Nevertheless, given the uncertainty involved, the directors decide to make a provision for such tax exposure amounting to HK$16,175,000 during the year ended 31 March 2011.

In prior years, the Group had made provision for overseas taxation based on the estimated taxable profits arising from their respective operating countries outside Hong Kong. The directors have undertaken a review of the Group's overseas tax provision as at 31 March 2011 and have determined that a provision for overseas tax of HK$18,824,000 would no longer be required and should be derecognised. Consequently, the amount of HK$18,824,000 was credited to the consolidated income statement during the year ended 31 March 2011.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to equity holders of the Company *(in HK$'000)*	**21,223**	12,497
Weighted average number of ordinary shares in issue *(in thousand shares)*	**628,122**	577,098
Basic earnings per share *(HK cents per share)*	**3.4**	2.2

There was no dilutive effect on earnings per share for both years ended 31 March 2010 and 2011 since all outstanding share options were anti-dilutive.

11 Dividends

	2011	2010
	HK$'000	*HK$'000*
Interim dividend, declared, of Nil (2010: Nil) per ordinary share	**–**	–
Final dividend, proposed, of HK1.1 cents (2010: HK1 cent) per ordinary share	**9,549**	5,771
	9,549	5,771

PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

– Metal and Plastic ("M&P") Business: manufacturing and sale of metal and plastic products including computer casings, office automation products, video tape cassettes, visual accessories, automobile products, moulds, plastic and metal parts; and

– Electronic Manufacturing Services ("EMS") Business: manufacturing and sale of magnetic tape drives, laser printers, multi-function facsimile machines, "point-of-sale" system, medical products and other computer peripherals.

(1) Business Review

Though the global economy is recovering continuously and steadily, the pace of recovery is inconsistent, with that for developed economies relatively is slower than that for developing regions. Demand for consumer electronics is rapidly increasing, while the demand for commercial OA facilities is comparatively steady. As such, recording only steady results for the year, the Group did not achieve substantial growth amidst recovery.

During the year, turnover for the year ended 31 March 2011 increased by 16% or HK$350,337,000 to HK$2,591,101,000 (for the year ended 31 March 2010: HK$2,240,764,000) and the profit attributable to equity holders of the Company increased by 70% or HK$8,726,000 to HK$21,223,000 (for the year ended 31 March 2010: HK$12,497,000).

– The turnover of the M&P Business for the year ended 31 March 2011 was HK$915,010,000 (for the year ended 31 March 2010: HK$836,881,000), which is 9% higher than that for the corresponding period last year. The turnover of the M&P Business represents 35% of the total turnover. The increase in the turnover was due to the additional shipment of server casings, new visual accessories and automobile products.

– Owing to the increase in the shipment of new models of our laser printers for one of the major clients, the turnover of the EMS Business for the year ended 31 March 2011 rose by 19% to HK$1,676,091,000 (for the year ended 31 March 2010: HK$1,403,883,000), however the growth rate in the second half has already slowed down.

As mentioned in last year's annual report, the operating environment within the PRC is still full of difficulties. Amidst such a challenging business environment, the Group had raised the minimum wages in the PRC by 15%. Although the wages of the Mainland workers are above the minimum wages requirement, the Group had to increase wages and staff benefits so as to retain workers. As a result, the labour cost increased further during the year. In addition, the appreciation of Renminbi and inflation in the PRC continue to constitute an unfavourable business environment, and the significant growth of both result in the surge in costs. Nevertheless, given the intense competition in the industry, the Group could not transfer all additional costs to the customers, resulting that the rapidly soaring production costs cannot be reflected in most of the order prices. To achieve steady results, the Group has adopted a number of measures to cut costs and to increase revenue.

The Group intends to develop its unique competitive edges, performs the mission of "DIRECT" and adds more values in the course of production. Higher efficiency is achieved in every aspect of the value chain to minimize cost, paving the way to lean manufacturing and diversified benefits. To enhance the operation of the value chain, the Group has adopted corresponding measures as follows:

1. ***Value adding***

   Karrie provides one-stop specialized design and production services, and thus raise the competitive efficiency of the Group. With more frequent contact between customers and the relevant departments of the Group, our design staff would swiftly participate and understand the needs of customers directly, thereby avoiding delay in communication and responding rapidly to any doubts of customers so as to provide the most cost-saving production flow and design.

2. ***Research and Development***

   In the opinion of the Group, integration of computer peripherals system (such as server) could be achieved via technology research and development and the establishment of joint laboratory with the University of Electronic Science and Technology of China in Sichuan, Chengdu. As such, product design capability, moulds development, research and development of new products as well as the management of supply chain could be conducted in a manner customized to customers' needs, thereby assisting customers to solve any aspects of technical problems and planning on more product modification proposals which avoid errors and enhance the Group's competitiveness, creating better added values.

3. ***Logistics***

   Strategic procurement established several years ago has become increasingly mature, making procurement more forward looking and providing logistics information and professional services to customers in response to the change in product cycle and supply chain. Procurement is no longer just an issue on the pricing level.

4. ***Streamlining***

   By merging segments with unsatisfactory production efficiency, synergies could be attained. Via continuous improvement and lean manufacturing, bottle-neck in the production line could be resolved, thereby reducing the amount of labour while lowering wastage and raising production efficiency. Also, we co-operate with the Hong Kong Productivity Council to commence optimized technology and production management plans. As a result, two large production management projects were implemented: (i) PMC optimized production plan and introduction of lean manufacturing, and (ii) training on the improvement in hardware mould techniques. To upgrade the hardware mould techniques, various solutions have been introduced, such as the analysis and improvement on the defects and problems of hardware punching press, the design and processing constraints of hardware components, the improvement on the design of hardware punching press moulds as well as the processing techniques and manufacturing methods of moulds.

5. ***Automation***

Automation is crucial to the improvement of production procedures and quality of products with the application of automatic mechanical facilities to replace manual operation in certain trivial and repeating production procedures. Given the surge in wages in the PRC and the decline in the price of machineries, the application of automatic equipment could probably reduce the amount of labour and expenditures, while fully enhances the added value in the value chain.

6. ***Talents***

Human resources, especially technical talents, are invaluable assets. Efficient operation of automatic equipment does not only rely on machineries, but also on the organization and collaboration of manpower. To reach the maximum efficiency of automation, technical staff shall work in line with automatic equipment as one to realize the effectiveness of automation. As such, the provision of adequate and suitable training is of utmost importance in order to raise the skills of workers to operate automatic equipment efficiently.

7. ***Joint Venture***

The operation of the Group's 60%-owned joint venture has been improving after integration and reorganisation in the recent years. Despite this, the profit attributed by the joint venture to the Group falls short of the target considerably and the joint venture has not yet achieved the results that the Group originally anticipated. In view of this, the Group is now considering the future of the joint venture and exploring a new business model with its joint venture partner.

8. ***Yixing Plant***

According to the original plan, Yixing Plant would mainly serve the customers in Central China region. No significant achievements have been shown since the plant has only commenced operation for a year. In addition, as the ancillary supply chain for Yixing is still immature, the development of Yixing Plant is yet to be observed.

9. ***Diversification***

Trial production of medical equipment has been completed, and it is currently moving to mass production process. Though medical equipment is still under exploration stage, ISO13485 certificate has been obtained. It is expected that medical equipment would contribute to the Group's profit in the coming year.

As industrial manufacturing is still in harsh times, the Group currently only invests strategically in the industrial sector. However, with an aim to reduce the operational risks of overdue reliance on the industrial sector, the Group explores and analyses other business opportunities from time to time, while tending to adopt a more diversified development strategy. As a result, on 22 October 2010, the Group and Castfast Properties Development Co., Ltd. ("Castfast Properties") (a private investment by Mr. Ho Cheuk Fai, our substantial shareholder) entered into a sales and purchase agreement, pursuant to which, the Group acquired the entire equity interests in Yixing Karrie Commercial Building Development Co., Ltd. ("Karrie Commercial"), a wholly-owned subsidiary of Castfast Properties, at a consideration of approximately HK$124 million. Such agreement was passed by independent shareholders on 6 December 2010, and was completed on 27 January 2011.

Karrie Commercial beneficially owns a plot of land in Yixing, Jiangsu Province, the PRC with a site area of approximately 20,012 sq. m. The land would be developed into a 21-storey commercial building with an estimated gross floor area of approximately 34,733 sq. m. It is anticipated that the first and second floors of the commercial building would be planned as a shopping mall or offices, while other floors would be used as hotel or apartments. The total investment cost is expected to be HK$234 million. The commercial building is scheduled to complete after two years. Currently, six floors have been completed as scheduled.

The Capex for the industrial sector for the year ended 31 March 2011 was approximately HK$66,500,000, which is a bit higher than the budget of HK$65,000,000.

The budget for the Capex for the industrial sector for the year 2011/12 is approximately HK$55,000,000. This is mainly due to the modification and upgrading of machineries in an attempt to enhance efficiency and productivity, as well as the investment in certain infrastructures, such as the renovation of composite office building in Yu Quan, to prepare for centralized administration and management, thereby enhancing the Group's competitiveness and attracting staff.

While the total investment cost in the property in Yixing is to be HK$234 million, of which about HK$110 million is to be incurred in financial year 2011/12 and the balance of HK$124 million is for the financial year 2012/13.

	Turnover *HK$*	**Capex (excluding investment property)** *HK$*	**Net Gearing Ratio as at 31 March**
2007/08	2,799,967,000	199,000,000	8%
2008/09	2,460,578,000	115,000,000	-5%
2009/10	2,240,764,000	82,893,000	-4%
2010/11	2,591,101,000	66,500,000	8%
2011/12	N/A	55,000,000	40%*

* *initial estimation*

(3) Dividend Policy

The Board has adopted a set of "New Dividend Policy" since the first quarter of the financial year of 2006/07, which outlines the factors that should be taken into account in determining the dividend for distribution, such as profit attributable to equity holders of the Company, cash flow and Capex. After careful considerations of the aforementioned factors, the Board hopes to maintain the Company's track record of paying dividends to shareholders for fourteen consecutive years so the Board recommends to pay a final dividend of HK1.1 cents per share to shareholders whose names appear on the Register of members of the Company on 9 September 2011.

(4) Geographical Distribution

The Group has always adopted a diversified approach in transporting its goods and does not rely on one single market. Details are set out in segment information in Note 2 to the Financial Statements.

(5) Prospects

Uncertainties arising from conflicts in Korea, turmoil in Africa, the prolonged unresolved European debt crisis as well as the recent nuclear crisis caused by the unprecedented earthquake in Japan hinder the track to economic recovery. Recently, Hong Kong enterprises in the PRC face the problem of "three aspects of shortages and two aspects of high costs" that is, shortage of labour, financing and power supply as well as high costs and high tax charges. The sustained appreciation of Renminbi also adds weight to the Group. The problem of shortage of labour does not only concentrate on the period before or after the Chinese New Year, and does not only appear on the basic labour level, but also emerges in other kinds of skilled labours and middle management level. As such, the business environment will be extremely tough in the coming year. The Group will cease to pursue a surge in production volume, but rather place focus on the capability to provide value added and profitable business.

1. Foundation Consolidation

In the coming year, the Group will prudently carry out financial management and stringent cost control on its principal business, as well as making strategic investments and diversified development. When the business environment is still not significantly improved, the Group still moves towards to the track of deepening of lean manufacturing, enhancement in automatic production, increment in the proportion of automation, standardization of production flow and unification of all business units. With lean manufacturing, the production management efficiency of the Group could be raised to another level, thereby attaining a higher production efficiency with the most effective costs with a view to provide added value to customers in all aspects of production. As such, the Group will also take an active role in exploring new services to customers, hence making the Group's service offerings more extensive. With satisfaction gained from customers towards the Group's one-stop services, the Group is in a better position to strive for a more reasonable price with its customers. In respect of logistics, the Group tries to provide point-to-point one-stop services and standardizes the operational business model for all customers with enhanced internal connection among all supply chains, so that excess stocks could be minimised.

2. Indicators determination

In addition, the Group will establish Key Performance Indicators ("KPI") with its departments. KPI could enable department heads to clearly understand the duties of their respective departments, eliminating weaker players and enhancing the sense of competition via the establishment of performance and motivation mechanism, thereby utilizing human resources in a more effective manner. Moreover, KPI, being an indicative strategy, allows all departments to move towards the objectives of the Group in accordance with indicators. The Group also intends to further implement overall budgeting to strengthen cost control, reduce energy consumption and lower wastage, and thus creating better efficiency via the increase in resources utilization rate.

3. *Automatic Production*

The Group will increase the application of automation, thus achieving the aim at “success in a job presupposes ready tools”. The Group will co-operate with a professional automation company to enhance its works on the mechanical and automation system, training technical staff as well as system research and development. In April 2011, the Group acquired twenty 6-axis versatile industrial robots at approximately HK$5 million to match its development of automation.

4. *Business Opportunities Exploration*

The chairman of the Group believe that, leveraging on his personal success gained previously in the development of Fenggang community with the business model combining hotels, tourism, leisure facilities, real estates and the wedding city theme that has activated local economy and gained support and encouragement from local government, such a business model could be introduced and applied to the Group’s development project in Yixing. Upon the completion of properties in Yixing, they could be leased out in accordance with the prevailing market conditions to obtain steady income, or disposed for profits and cash for other projects for future development. The Group could directly get involved in and share the relatively faster economic growth of the culture sector and Yixing via such model, and actively explores different kinds of business opportunities.

Amidst the toughs of the industrial sector, the Group will not stay put but respond with flexibility, moving forward with efforts in pursuit of breakthroughs and business diversification, which it believes future business risks could be reduced accordingly. As Yixing project is still in the construction stage, it is anticipated that the amount of CAPEX will continue to increase in next year.

5. *Conclusion*

Under the tough and ever-changing business environment, the Group strives to explore new business, customers, services and products on one hand, while raises the proportion of automation to increase operation efficiency, optimizing the operation of every aspects of business and production procedures, as well as improving the Group’s industrial technology to strengthen its existing business. The Group, with comprehensive and quality services as well as added value provided to customers as its competitive edges, does not only focus on prices in its competitive strategy. As a result, the Group will increase its capital investment in automatization and reinforced lean manufacturing to provide newly added values and diversified one-stop technical support and services to customers. Also, with close communication with customers and understandings on customers’ needs, a mutually beneficial win-win partnership between both parties are developed in the pursuit of a more quality business.

The Group’s unaudited turnover for the two months ended 31 May 2011 was HK$376,236,000 (2010/11: HK$457,324,000), as the unaudited turnover for these two months may not reflect the final results for the year ended 31 March 2012, investors and shareholders should exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

Cash Generating Ability

In the manufacturing sector:

With the improvement in business, working capital was being tied up in the trade receivables or used in the settlement of trade payables. The net cash of HK$36,525,000 was used in operating activities this year.

In property development:

In view of acquisition of Yixing Karrie Commercial Building Development Co., Ltd., completion is based on the issue and allotment of shares by the Company as consideration (please refer to the circular dated 12 November 2010 issued to the shareholders of the Company) ("Acquisition"). The Acquisition will therefore enhance the shareholders' equity and does not affect the Company's cash flow.

Non-current Assets to Shareholders' Fund Ratio staying below 1

The Non-current assets to Total Equity Ratio stayed at a healthy level of 76% (2009/10: 78%). This means that the Group is using long term shareholders' fund to finance non-current assets such as plants and machinery. The sole purpose of the existing bank borrowings is to finance the working capital.

Financing for Growth

As at 31 March 2011, the net bank borrowings was approximately HK$71,930,000. As more fund will be invested in the Yixing Project, we expect the net gearing ratio will stay at a level of below 40% for the financial year 2011/12. We are also following our house rule of using our profit after tax and proceeds from the Rights Issue/allotment of shares to finance our capital expenditures:

	Financing Capex by Profit				
HK$ million	06/07	07/08	08/09	09/10	10/11
Profit After Tax	125	13	20	9	22
Depreciation and Amortisation	54	60	57	48	50
Proceeds of Rights Issue or allotment	–	122	–	–	124*
	179	195	77	57	196
Less:					
CAPEX	92	199	115	83	174
Dividend/Dividends To Be Distributed	47	4	9	6	10
(Deficit)/Surplus	40	(8)	(47)	(32)	12
(Net Bank Borrowings)/Net Cash	(141)	(52)	36	31	(72)
Net Gearing Ratio/(Net Cash Ratio)	25%	8%	(5%)	(4%)	8%

* *calculation based on the issue price at HK$0.425 per share*

Resources Available

Total bank borrowings is about HK$364,884,000. The Directors are confident that the cash in hand and bank balances of HK$292,954,000 with banking facilities of HK$1,124,000,000, the Group 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 either in Hong Kong dollar, US dollar or RMB. As the exchange rates of the RMB against Hong Kong dollar and US dollar rose continuously during the relevant period, the Group was exposed to exchange rate fluctuation risks and pressure on its production cost. The Group will actively communicate with its customers in order to adjust the selling prices of its products to mitigate the impact of the appreciation of the RMB on its business.

Contingent Liabilities

As at 31 March 2011, the Group had no significant contingent liabilities.

Tea-break with Individual Investors

We are glad that the "tea-break with individual investors" has been successfully held for 15th times. Owing to the sluggish market sentiment, particularly due to the lack of interests among investors in the shares of small industrial enterprises, the attendance rate gradually decreased over years. However, the Group adheres to the principles of "openness, fairness and equality" and believes that all investors (institutional or individual) 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 Group will continue to organise tea-break with individual investors but will only hold the tea-break once annually (provisionally to be held in August each year). In the event that the investment environment improves and investors become enthusiastic in participating in the tea-break again, we will consider gradually increasing the number of tea-break per year. The next tea-break is scheduled on 19 August 2011 from 7 p.m. to 9 p.m. at Hover City Chiuchow Restaurant, 1/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon (Lai Chi Kok MTR Station Exit). As part of the Group's social responsibility efforts, participants will be asked to donate at least HK$150 to charity and the Group will match the donation up to a maximum of HK$10,000. The Group will request the relevant charity to issue a receipt to the donor for tax deduction purpose.

Interested investors are invited to visit the Group's website at www.karrie.com.hk for more details. Application form can be downloaded from the website or obtained by calling 2411-0913 during office hours. Since seats are limited, the Group will allocate the quota by lot if the total number of application is more than the seats available. Only investors whose applications are confirmed can join the function. Investors are advised to grasp this opportunity to communicate directly with the management of the Company.

EMPLOYEES AND REMUNERATION POLICIES

At the end of March 2011, the Group had approximately 6,500 employees (approximately 5,650 employees at the end of March 2010). 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, "Cooperative Home & Car Ownership Scheme" and mandatory provident fund.

Performance Based Incentives

The standard 13th month pay was abolished in 2002 and replaced by a performance based bonus system and more objective performance assessment. Employees with outstanding performance will receive bonus higher than what they would have received before the new system was implemented.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended to pay a final dividend of HK1.1 cents (2009/10: HK1 cent) per share to shareholders whose names appear on the Register of members of the Company on 9 September 2011. Together with the interim dividend, total dividend paid for this year amounted to HK1.1 cents (2009/10: HK1 cent) per share. The final dividend, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 2 September 2011, will be payable to those entitled on 22 September 2011. The register of members of the Company will be closed from Thursday, 8 September 2011 to Friday, 9 September 2011 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2011, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday 7 September 2011.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29 August 2011 to Friday, 2 September 2011 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming Annual General Meeting of the Company to be held on 2 September 2011, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 August 2011.

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 Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 March 2011, the Company had applied the principles and complied with the requirements set out in the Corporate Governance Code (the "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 officer should be separated 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 and property development and cultural related business. At the same time, Mr. Ho has the appropriate skills and business acumen which 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 allows the Group to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and Mr. Ho shall continue in his dual capacity as the Chairman and the Chief Executive Officer.

According to Code Provision A.4.1, Non-executive Director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-designated as the Non-executive Director of the Company with effect from 1 June 2007 without a specific term but Mr. Ho Cheuk Ming is subject to retirement by rotation according to the Bye-laws of the Company.

Moreover, Code Provision A.4.2 stipulated 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 AGM and would then be eligible for re-election. With the introduction of the CG Code and to comply with Code Provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at the annual general meeting of the Company at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

AUDIT COMMITTEE

The Company has established an audit committee made up of one non-executive director and three independent non-executive directors whose duties include 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 with the external auditors during the year. The audit committee has reviewed the consolidated results of the Group for the year ended 31 March 2011.

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.

An appreciation is given to Mr. Kwok Wing Kin, Francis for his services during the past years. He had resigned as from 28 April 2011.

As at the date of this announcement, the Executive Directors are: Messrs. Ho Cheuk Fai, Lee Shu Ki and Ms. Chan Ming Mui, Silvia; the Non-executive Director is: Mr. Ho Cheuk Ming; the Independent Non-executive Directors are: Messrs. So Wai Chun, Chan Sui Sum, Raymond and Fong Hoi Shing.

By Order of the Board
HO CHEUK FAI
Chairman

Hong Kong, 28 June 2011

* *For identification purpose only*