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 2012

HIGHLIGHTS

	2012 *HK$'000*	2011 *HK$'000* (Restated)	Changes in %
Revenue	**2,285,390**	2,591,101	-12%
Profit for the year	**40,670**	22,333	+82%
Basic earnings per share	**HK4.7 cents**	HK3.4 cents	+38%
Final dividend per share	**HK1 cent**	HK1.1 cents	-9%
Return on Equity Ratio	**5%**	2%	+150%

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 2012 together with the comparative figures for 2011 as follows:

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights	*3*	**45,277**	62,697
Property, plant and equipment	*3*	**355,258**	486,768
Investment properties	*3*	**208,608**	108,932
Investments in associated companies		**23,408**	27,921
Other non-current assets	*4*	**13,086**	825
Deferred tax assets		**976**	941
		646,613	688,084
Current assets			
Inventories		**338,797**	317,706
Trade and bills receivables	*4*	**452,513**	378,929
Amount due from an associated company		**2,132**	3,779
Prepayments, deposits and other receivables	*4*	**65,038**	82,892
Time deposit		**49,200**	96,000
Cash and bank balances		**409,605**	196,954
		1,317,285	1,076,260
Total assets		**1,963,898**	1,764,344

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**86,810**	86,810
Other reserves		**356,229**	351,032
Retained earnings			
– Proposed final dividend		**8,681**	9,549
– Others		**444,582**	412,746
		896,302	860,137
Non-controlling interests		**424**	40,513
Total equity		**896,726**	900,650
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**7,431**	5,340
Provision for long service payments		**13,279**	9,520
		20,710	14,860
Current liabilities			
Trade payables	5	**369,393**	294,995
Accruals and other payables		**217,484**	165,404
Receipts in advance		**6,164**	1,749
Amount due to an associated company		**544**	357
Tax payable		**29,794**	21,445
Short-term bank borrowings		**423,083**	364,884
		1,046,462	848,834
Total liabilities		**1,067,172**	863,694
Total equity and liabilities		**1,963,898**	1,764,344
Net current assets		**270,823**	227,426
Total assets less current liabilities		**917,436**	915,510

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	6	**2,285,390**	2,591,101
Cost of sales	7	**(2,098,948)**	(2,416,746)
Gross profit		**186,442**	174,355
Distribution and selling expenses	7	**(36,290)**	(32,883)
General and administrative expenses	7	**(135,543)**	(124,056)
Other gains	6	**44,323**	14,298
Increase in fair value of investment properties		**6,152**	–
Operating profit		**65,084**	31,714
Finance income		**3,825**	2,267
Finance costs		**(7,664)**	(6,871)
Finance costs, net	8	**(3,839)**	(4,604)
Share of loss of associated companies		**(4,081)**	(40)
Profit before taxation		**57,164**	27,070
Income tax expenses	9	**(16,494)**	(4,737)
Profit for the year		**40,670**	22,333
Attributable to:			
Equity holders of the Company		**40,381**	21,223
Non-controlling interests		**289**	1,110
		40,670	22,333
Earnings per share of profit attributable to the equity holders of the Company			
– Basic and diluted	10	**4.7 cents**	3.4 cents
Dividends	11	**8,681**	9,549

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**40,670**	22,333
Other comprehensive income:		
Currency translation differences	**7,289**	2,083
Other comprehensive income for the year	**7,289**	2,083
Total comprehensive income for the year	**47,959**	24,416
Attributable to:		
Equity holders of the Company	**47,680**	23,306
Non-controlling interests	**279**	1,110
Total comprehensive income for the year	**47,959**	24,416

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 HK$'000	2011 HK$'000
Profit before taxation	**57,164**	27,070
Adjustments for non-cash items/interests/tax	**2,347**	54,304
Changes in working capital	**(17,981)**	(117,899)
Net cash generated from/(used in) operating activities	**41,530**	(36,525)
Net cash generated from/(used in) investing activities	**119,682**	(68,228)
Net cash generated from/(used in) financing activities	**48,650**	(28,717)
Net increase/(decrease) in cash and cash equivalents	**209,862**	(133,470)
Cash and cash equivalents at beginning of the year	**196,954**	328,003
Effect of foreign exchange rate changes	**2,789**	2,421
Cash and cash equivalents at end of the year	**409,605**	196,954

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, except for investment properties, which have been measured at fair value.

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) New and amended standards, and interpretations mandatory for the first time for the Group's financial year beginning on or after 1 April 2011 but not currently relevant to the Group

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – Int 13 (Amendment)	Fair value of aware credit
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendments)	Third annual improvements project published in May 2010 by HKICPA

(b) 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 2012

HKAS 1 (Amendment)	Presentation of financial statements (effective on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets (effective on or after 1 January 2012)
HKAS 19 (2011)	Employee benefits (effective on or after 1 January 2013)
HKAS 27 (2011)	Separate financial statements (effective on or after 1 January 2013)
HKAS 28 (2011)	Investments in associates and joint ventures (effective on or after 1 January 2013)
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities (effective on or after 1 January 2014)
HKFRS 7 (Amendment)	Financial instruments: disclosures – transfers of financial assets (effective on or after 1 July 2011)
HKFRS 7 (Amendment)	Financial instruments: disclosure – offsetting financial assets and financial liabilities (effective on or after 1 January 2013)
HKFRS 9	Financial instruments (effective on or after 1 January 2015)
HKFRS 10	Consolidated financial statements (effective on or after 1 January 2013)
HKFRS 11	Joint arrangements (effective on or after 1 January 2013)
HKFRS 12	Disclosure of interest in other entities (effective on or after 1 January 2013)
HKFRS 13	Fair value measurement (effective on or after 1 January 2013)
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine (effective on or after 1 January 2013)

(c) *Comparative figures*

The Group adopts the classification of the following financial statement items in the consolidated income statement with effect from 1 April 2011:

- Wages and salaries of certain factories' staff had been included in "cost of sales". Comparative figure of approximately HK$3,077,000 which had been included in "general and administrative expenses" in prior year's financial statements have been reclassified to "cost of sales".

- Other gains had been included in "other gains". Comparative figure of approximately HK$14,298,000 which had been included in "revenue" in prior year's financial statements have been reclassified to "other gains".

Management considers that the current classifications are more appropriate.

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 organised 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 2012 are as follows:

	2012			
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues				
Total segment revenue	**1,108,802**	**1,296,871**	**–**	**2,405,673**
Inter-segment revenue	**(120,283)**	**–**	**–**	**(120,283)**
Revenue from external customers	**988,519**	**1,296,871**	**–**	**2,285,390**
Gross profit	**122,422**	**64,027**	**(7)**	**186,442**
Distribution and selling expenses and general and administrative expenses	**(111,678)**	**(58,408)**	**(1,747)**	**(171,833)**
Other gains	**–**	**–**	**44,323**	**44,323**
Increase in fair value of investment properties	**–**	**–**	**6,152**	**6,152**
Operating profit	**10,744**	**5,619**	**48,721**	**65,084**
Operating profit includes:				
Depreciation	**23,061**	**22,161**	**133**	**45,355**
Amortisation	**378**	**377**	**–**	**755**
(Reversal of provision)/provision for obsolete and slow-moving inventories	**(2,282)**	**632**	**–**	**(1,650)**
Reversal of provision for impairment of other receivables	**(186)**	**(98)**	**–**	**(284)**

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

	2011			
	Metal and plastic business *HK$'000* (Restated)	Electronic manufacturing services business *HK$'000* (Restated)	Others *HK$'000* (Restated)	Total *HK$'000* (Restated)
Segment revenues				
Total segment revenue	1,048,392	1,676,091	–	2,724,483
Inter-segment revenue	(133,382)	–	–	(133,382)
Revenue from external customers	915,010	1,676,091	–	2,591,101
Gross profit	103,619	70,744	(8)	174,355
Distribution and selling expenses and general and administrative expenses	(91,538)	(65,134)	(267)	(156,939)
Other gains	–	–	14,298	14,298
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)

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

	2012 ***HK$'000***	2011 *HK$'000*
Operating profit	**65,084**	31,714
Finance income	**3,825**	2,267
Finance costs	**(7,664)**	(6,871)
Share of loss of associated companies	**(4,081)**	(40)
Profit before taxation	**57,164**	27,070

The segment revenue by geographical information is analysed as follows:

	2012 ***HK$'000***	2011 *HK$'000* (Restated)
Japan	**269,260**	173,390
Hong Kong	**326,536**	350,952
Mainland China	**638,199**	653,685
Asia (excluding Japan, Hong Kong and Mainland China)	**203,023**	303,560
North America	**221,268**	212,600
Western Europe	**627,104**	896,914
Total revenue	**2,285,390**	2,591,101

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

The Group's sales are made primarily to a few key customers. For the year ended 31 March 2012, the revenue derived from five largest customers accounted for approximately 82% (2011: 84%) 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 2011			
Opening net book amount	–	472,387	63,826
Additions	1,575	64,918	–
Acquisition of a subsidiary	–	32,696	75,659
Transfer to investment properties	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
Year ended 31 March 2012			
Opening net book amount	**108,932**	**486,768**	**62,697**
Additions	**88,436**	**23,751**	**–**
Disposals	**–**	**(109,905)**	**(16,665)**
Depreciation	**–**	**(45,355)**	**–**
Amortisation	**–**	**–**	**(755)**
Currency translation differences	**5,088**	**(1)**	**–**
Increase in fair value of investment properties	**6,152**	**–**	**–**
Closing net book amount	**208,608**	**355,258**	**45,277**

4 Trade and bills receivables, prepayments, deposits and other receivables

	2012	2011
	HK$'000	*HK$'000*
Trade and bills receivables	**456,903**	385,560
Other receivables	**66,344**	72,560
	523,247	458,120
Less: Provision for impairment of trade, bills and other receivables	**(4,790)**	(7,374)
	518,457	450,746
Prepayments	**6,585**	5,295
Deposits	**5,595**	6,605
	530,637	462,646
Less: Other non-current assets *(Note)*	**(13,086)**	(825)
	517,551	461,821
Representing:		
Trade and bills receivables, net of provision	**452,513**	378,929
Prepayments, deposits and other receivables, net of provision	**65,038**	82,892
	517,551	461,821

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment amounted to approximately HK$2,385,000 and non-current portion of government grant receivable from Jiangsu Yixing Economic Development Zone Investment and Development Company Limited amounted to approximately HK$10,701,000 in relation to the acquisition of land in Yixing, Jiangsu, the PRC in 2010.

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

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**512,268**	444,512
91 to 180 days	**7,787**	5,071
181 to 360 days	**2,631**	4,468
Over 360 days	**561**	4,069
	523,247	458,120

5 Trade payables

	2012	2011
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**352,113**	281,854
91 to 180 days	**9,829**	2,352
181 to 360 days	**2,541**	4,806
Over 360 days	**4,910**	5,983
	369,393	294,995

6 Revenue and other gains

	2012	2011
	HK$'000	*HK$'000*
Revenue of merchandise from		
– Metal and plastic business	**988,519**	915,010
– Electronic manufacturing services business	**1,296,871**	1,676,091
	2,285,390	2,591,101
Other gains		
Rental income	**5,806**	4,322
Management fee income	**2,988**	2,376
Gain on disposal of interest in an associate	**–**	7,600
Gain on disposal of property, plant and equipment, and land use rights, net of direct taxes	**35,529**	–
	44,323	14,298

7 Expenses by nature

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Raw materials and consumables used	**1,619,941**	1,959,585
Changes in inventories of finished goods and work in progress	**146,431**	140,060
Depreciation of property, plant and equipment *(Note 3)*	**45,355**	49,355
Amortisation of land use rights *(Note 3)*	**755**	1,129
Employee benefit expenses (including directors' emoluments)	**350,056**	324,169
Operating lease rental of premises	**14,071**	13,624
Net exchange loss/(gain)	**3,998**	(1,208)
Auditor's remuneration	**2,076**	1,838
Reversal of provision for impairment of trade and other receivables	**(284)**	(4,466)
Trade, bills and other receivable written off	**755**	–
(Reversal of provision)/provision for obsolete and slow-moving inventories	**(1,650)**	4,592
Net loss on disposal of property, plant and equipment	**–**	1,609
Other expenses	**89,277**	83,398
	2,270,781	2,573,685
Representing:		
Cost of sales	**2,098,948**	2,416,746
Distribution and selling expenses	**36,290**	32,883
General and administrative expenses	**135,543**	124,056
	2,270,781	2,573,685

8 Finance costs, net

	2012 HK$'000	2011 HK$'000
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	**7,664**	6,871
Finance income – Interest income from bank deposits	**(3,825)**	(2,267)
Finance costs, net	**3,839**	4,604

9 Income tax expenses

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% (2011: 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:

	2012 HK$'000	2011 HK$'000
Current taxation:		
– Hong Kong profits tax		
– current year	**6,669**	5,205
– (over-)/under-provision in prior years	**(275)**	15,439
–Overseas taxation		
– current year	**8,622**	1,568
– over-provision in prior years	**(578)**	(18,824)
Deferred taxation	**2,056**	1,349
Income tax expenses	**16,494**	4,737

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.

	2012	2011
Profit attributable to equity holders of the Company *(in HK$'000)*	**40,381**	21,223
Weighted average number of ordinary shares in issue *(in thousand shares)*	**868,098**	628,122
Basic earnings per share *(HK cents per share)*	**4.7**	3.4

There was no dilutive effect on earnings per share for both years ended 31 March 2011 and 2012 since all outstanding share options were anti-dilutive.

11 Dividends

	2012 HK$'000	2011 HK$'000
Interim dividend, declared, of Nil (2011: Nil) per ordinary share	**–**	–
Final dividend, proposed, of HK1 cent (2011: HK1.1 cents) per ordinary share	**8,681**	9,549
	8,681	9,549

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

Compared to last year, this year's operating environment has not shown much improvement. We have seen a sluggish economy in the U.S. which is recovering in lukewarm pace. The European debt crisis still lingers on and no ultimate solutions are in sight. To make the situation worse, the crisis is growing in scope and may turn into a full-blown financial crisis spreading across the whole Europe. The weakened European and U.S. markets have caused exports and purchase orders to drop. This, together with the fact that economic growth of China is set to moderate, has contributed to lower revenue for the Group. On the other hand, idle capacities of factories are expected to increase and the Group should consider how to make good use of idle factory sites.

In the current financial year, operating costs kept increasing, so did the prices of fuel and iron materials. Wages went up from a year ago due to a hike in minimum wages. Added to this is the appreciation of Renminbi, which only made the situation worse. The competitive cost advantage of China as the World's Factory was fading, which can be reflected by the fact that Apple Inc. is considering moving more assembling processes back to the United States, having been encouraged by the latter's favorable policies and tax concessions. From this, we can understand the difficulties faced by manufacturing industry in the PRC.

During the year, turnover for the year ended 31 March 2012 declined HK$305,711,000 or by 12% to HK$2,285,390,000 (for the year ended 31 March 2011: HK$2,591,101,000) and the profit attributable to equity holders of the Company increased HK$19,158,000 or by 90% to HK$40,381,000 (for the year ended 31 March 2011: HK$21,223,000).

- The turnover of the M&P Business for the year ended 31 March 2012 was HK$988,519,000 (for the year ended 31 March 2011: HK$915,010,000), which is 8% higher than that for the corresponding period last year. The turnover of the M&P Business represented 43% of the total turnover. The increase in the turnover was due to the additional shipment of server casings and new visual accessories.

- Owing to the decrease in the shipment of our laser printers for one of the major clients, the turnover of the EMS Business for the year ended 31 March 2012 decreased by 23% to HK$1,296,871,000 (for the year ended 31 March 2011: HK$1,676,091,000), and the contracting rate in the second half continued.

Although the business environment is in difficulty, the Group adopted the following proactive measures: -

1. ***Automation***

   The Group has enhanced automated production to resolve the problems such as rising labour costs and high labour turnover. Since April 2011, the Group has acquired 33 sets of 6-axis versatile industrial robots at approximately HK$7,500,000 to increase the proportion of production employing robots in a bid to seek savings in labour costs.

2. ***Foundation Consolidation***

   In the coming year, the Group will prudently carry out financial management and stringent cost control for its principal business on one end, while making strategic investment and ramping up diversified development on the other. In response to the difficult operating environment, the Group has promoted production automation, rationalised structure, maintained strict cost control and implemented lean production. These measures have yielded good results: profits from core business amounted to HK$7,200,000 exclusive of extraordinary profits and gains from property revaluation. The Group will stick to its two-pronged strategy of "upgrade and transform" and business diversification in order to keep profits stable. The Group is proactively offering new services and widened its range of services to customers. By providing satisfactory one-stop services to customers, we are in a better position to conclude a reasonable price with our customers to offset rising costs. As for logistics, we strive to offer point-to-point one-stop service and standardise the operational business model for all customers with enhanced internal connection among all supply chains, so that excess stocks could be minimised.

3. ***Introduction of Key Performance Indicators***

   In addition, the Group carries out performance management by establishing Key Performance Indicators ("KPI") for each of its departments. All departments including finance, purchasing, environment protection, quality assurance, marketing, administration and research and development have prepared their respective job descriptions. 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 utilising 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 utilisation rate.

4. ***Disposal of the Land of Yu Quan Plant***

   As there has been no sign of economic recovery, the land which was originally planned for production uses of the plant has become idle. In order to realise the excess industrial use land to bring in funds as general working capital and for future development as well as improving the Group's financial conditions, the Group entered into a disposal agreement on 8 February 2012, pursuant to which, the Group disposed land lots no. 7 and 8 with a site area totaling 103,678 square meters in Yu Quan Industrial Zone ("Disposed Lots of Yu Quan") at a consideration of RMB147,001,414. Disposed Lots of Yu Quan represented only a portion of lands owned by the Group in Yu Quan Industrial Zone and the Group has retained sufficient lands for industrial purposes. The disposal contributed a profit (net of direct taxes and income tax) of approximately HK$29,757,000 to the Group. We believe that we will consider further chances to strategically dispose idle plants in the future, so as to strengthen the Group's financial position.

5. ***Acquisition of Wedding Business***

In view of the challenging operating environment, it is expected that the manufacturing sector will not record a significant growth and may even cope with a downturn. On 16 March 2012, Kar Yick Development Company Limited ("Kar Yick"), an indirect wholly-owned subsidiary of the Company, entered into a sales & purchase agreement with Wedding City Co. Limited, a company owned by Mr. Ho Cheuk Fai, a substantial shareholder of the Company, pursuant to which, Kar Yick agreed to acquire the entire issued share capital of Angel Love Studio (HK) Company Limited ("Angel Love") and The One Travel Co. Ltd. ("One Travel") at a consideration of 130,000,000 shares of Karrie International at an issue price of HK$0.346 each (the "Acquisition"). The Acquisition was approved at the special general meeting of the Company held on 22 June 2012.

Through the Acquisition, the Group will be able to penetrate the wedding service market at an earliest possible time, so as to save time and money in re-establishing our wedding service segment. Wedding service is a fast-growing and prosperous market, which provides one-stop service and various kinds of wedding products to customers with a brand-new concept of "Wedding Supermarket". The Board is aware of the bright future and great potential of the wedding sector as well as the trend that wedding service has become a necessity, and that young people are willing to spend more on quality wedding service. Therefore, the Board believes that the combination of convenient one-stop services and an excellent management team for the wedding business will generate stable income for the Group. Furthermore, the consideration of the Acquisition is settled by the issue of consideration shares and this arrangement has no adverse effect on the Group's cash flow. The Acquisition will accelerate the diversification of our business and will be a milestone in the Group's course of diversification. It will generate stable income for the Group in the long run and provide greater returns to our shareholders. Nevertheless, the Group has no intention to reduce or terminate the existing manufacturing business, but will increase the investment in automated production of parts and components. It is expected that another 80 sets robots will be introduced during the year with an estimated investment of HK$20,000,000, so as to enhance our competitive strength and the potential to growth.

6. ***Joint Venture Company***

The performance of TIS Karrie Technologies (H.K.) Company Ltd. which still registered a loss, remained disappointing. Therefore, the company is working hard to improve efficiency and reduce costs.

7. ***Yixing Plant***

The management has determined to terminate the operation of Yixing Plant due to its poor efficiency. This will help consolidate our production, improve operating efficiency and further reduce capital expenditure.

8. Yixing Business Hotel

The outer structure of the 21-floor Yixing Business Hotel Building was completed and topped at the end of 2011. We are now in the process of applying for approval for internal fit out design. It is expected that the first floor to fifth floor will be used for commercial operation, including Chinese restaurants, hotels, western restaurants, banquet hall, multi-functional meeting rooms, meeting rooms, business centre and recreational facilities. The rest of the floors will be used as hotel rooms, around 320, including wedding suite, presidential suite, administrative suite and luxury suite. The hotel will go on a trial operation at the end of 2013 and formally open for business in 2014.

	Turnover *HK$*	**Capex** *HK$*	**Net bank borrowings^/ (balances) 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	2,591,100,000	66,500,000	8%
2011/12	2,285,390,000	112,187,000#	-4%
2012/13	N/A	202,500,000*	-20%*

* *Initial estimation*

\# *Of which, HK$23,751,000 for industries and HK$88,436,000 for non-industries*

^ *Bank borrowings (less cash and bank balances and time deposit) over total equity*

(2) Dividend Policy

The Board has adopted a set of "New Dividend Policy" since the first quarter of the financial year of 2006/2007, 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, and therefore the Board recommends to pay a final dividend of HK1 cent per share and bonus issue on the basis of one bonus share for every existing share to shareholders whose names appear on the Register of members of the Company on 31 August 2012.

(3) 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.

(4) Prospects

In developing the wedding business, the Group will increase the types and expand the range of wedding services, including the offer of a large variety of formal suits, evening dress and wedding gowns, experienced photographers, impressive wedding souvenirs, traditional and modern studios, professional cosmeticians, delicate sweets and cakes, inspiring invitation cards and talented dressing consultants. Furthermore, One Travel will organise overseas photography and sightseeing tours and make arrangement for travellers from the mainland to have their wedding photos taken in Hong Kong where they also enjoy their tour, which will generate synergy for our wedding business and refine the concept of Wedding Supermarket, giving our customers "Affectionate, Unique, Memorable" while building an everything-ready wedding fun land.

The Group will also promote its brand names of Dreamy Bridal (a subsidiary of Angel Love) and One Travel through various channels including magazines, websites, public transportation, light boxes, outdoor billboards, TV shows and wedding expos. In addition, the Group also intends to reinforce the strategic partnership with the other local wedding service providers so as to offer a one-stop shopping choice to the customers. Lastly, the management will consider the feasibility of exploring other wedding-related business.

The Board believes that wedding business will still account for a small portion of the Group's overall turnover in the short term. However, with the expansion and development of the sector, it will eventually make remarkable revenue contribution to the Group. What's more, in consideration of the 30% to 70% gross profit margin of the sector, the Group expects the wedding business will generate a great driving force for the growth of the Group. Although the global economic downturn posed great stress on the industry, the Group will continue to practice "walking on two legs". On one hand, we will improve our industrial technology to enhance our competitive strength in the metal and plastic sector while reinforcing our existing business; on the other hand, we will put great effort in developing the wedding business so as to take hold of the business opportunities and keep the Group's revenue growing.

For the second half of the year, our turnover may appear weak to some extent, reflecting the continuous fluctuation of the European and American economies and political turbulence in the Middle East. The management will exercise a tight cost control and streamline its structure, promote lean production and automation, so as to improve efficiency and reduce operating costs. At the same time, while consolidating the existing business, the Group will continue to explore different business opportunities so as to diversify our business and maximise returns to our shareholders. In addition, we will try to realise the value of under-utilised land so as to make the most of the Group's resources and diversify our business.

The unaudited turnover of the Group for the two months ended 31 May 2012 was HK$362,795,000 (2011/2012: HK$376,236,000), as the unaudited turnover for the two months may not be able to reflect the final results for the year ended 31 March 2013, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

Cash Generating Ability

With the proceed from the disposal of the land of Yuquan Plant, the financial position was much strengthened. Net cash as at 31 March 2012 was about HK$35,722,000 or net cash balance ratio of 4%. (As at 31 March 2011 was net cash borrowing of HK$71,930,000 or net gearing of 8%).

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

The Non-current assets to Total Equity Ratio stayed at a healthy level of 72% (2010/11: 76%). 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 2012, the net bank balances was approximately HK$35,722,000. As more fund will be invested in the Yixing Project and wedding business, we expect the net gearing ratio will stay at a level of below 20% for the financial year 2012/13. We are also following our house rule of using our profit after tax and proceeds from the Rights Issue/allotment of shares or assets disposal to finance our capital expenditures and new business:

	Financing Capex by Profit					
HK$ million	06/07	07/08	08/09	09/10	10/11	11/12
Profit After Tax	125	13	20	9	22	6[#]
Depreciation	54	60	57	48	50	46
Proceeds of Rights Issue	–	122	–	–	–	–
Consideration satisfied by issue of shares	–	–	–	–	124[*@]	–
Proceeds from Assets Disposal	–	–	–	7	–	176
	179	195	77	64	196	228
Less: CAPEX	92	199	115	83	174	112
Dividend/Dividends To Be Distributed	47	4	9	6	10	9
Surplus/(Deficit)	40	(8)	(47)	(25)	12	107
(Net Bank Borrowings)/ Net Cash	(141)	(52)	36	31	(72)	36
(Net Gearing Ratio)^/ Net Cash Ratio	(25%)	(8%)	5%	4%	(8%)	4%

* *Calculation based on the issue price at HKD0.425 per share for 291,000,000 shares*

@ *Shares were issued to settle the consideration for the acquisition of* 宜興嘉利商務大廈開發有限公司

\# *Excluded gain on disposal of property and increase in fair value of investment properties*

^ *Bank borrowings (less cash and bank balances and time deposit) over total equity*

Resources Available

Total bank borrowings is about HK$423,083,000. The Directors are confident that the cash in hand and bank balances of HK$458,805,000 with banking facilities of HK$1,555,100,000, 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 2012, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At the end of March 2012, the Group had approximately 6,145 employees (approximately 6,500 employees at the end of March 2011). 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

The Board has recommended to pay a final dividend of HK1 cent (2010/11: HK1.1 cents) per share to shareholders whose names appear on the Register of members of the Company on 31 August 2012. Together with the interim dividend, total dividend paid for this year amounted to HK1 cent (2010/11: HK1.1 cents) per share. The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company to be held on 24 August 2012.

PROPOSED BONUS ISSUE OF SHARES AND PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY

In addition to the final dividend, the Board recommends that subject to the approval of the shareholders of the Company at the AGM, the Company shall issue bonus shares credited as fully paid-up to its shareholders whose names appear on the register of members of the Company at the close of business of 31 August 2012 (the "Bonus Issue Record Date") on the basis of one bonus share for every existing share held by the shareholders at the close of business on the Bonus Issue Record Date (the "Bonus Issue").

To facilitate the Bonus Issue and to provide the Company with greater flexibility to accommodate future expansion and growth, the Board proposes to increase the authorised share capital of the Company from HK$200,000,000 to HK$400,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.10 each (the "Authorised Share Capital Increase"). The Authorised Share Capital Increase is subject to the passing of an ordinary resolution of the shareholders of the Company at the AGM.

PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME

The share option scheme adopted by the Company on 21 May 2002 has expired on 20 May 2012. In order to serve as an incentive to the employees and other stakeholders of the Group for their contribution to the growth of the business of the Group, the Board proposes the Company to adopt a new share option scheme (the "New Share Option Scheme"). The New Share Option Scheme is subject to the passing of an ordinary resolution of the shareholders of the Company at the AGM.

Details of the Bonus Issue, the Authorised Share Capital Increase and the New Share Option Scheme will be set out in the circular accompanying the notice convening the AGM to be despatched to the shareholders.

CLOSURES OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM to be held on 24 August 2012, the register of members of the Company will be closed from Monday, 20 August 2012 to Friday, 24 August 2012 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, 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, 17 August 2012.

Assuming that the final dividend and the Bonus Issue are approved by the shareholders of the Company at the AGM, for the purposes of ascertaining the entitlement to the final dividend and the Bonus Issue, the register of members of the Company will be closed from Thursday, 30 August 2012 to Friday, 31 August 2012 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend and the Bonus Issue, 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, 29 August 2012. It is expected that the final dividend and bonus shares will be payable and issued to those entitled on or around Thursday, 20 September 2012.

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 2012, 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. 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 Non-executive Director on 1 June 2007 and he was re-designated as Non-executive Director and Deputy Chairman on 1 May 2011 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 2012.

APPRECIATION

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

By Order of the Board
Karrie International Holdings Limited
HO CHEUK FAI
Chairman

Hong Kong, 29 June 2012

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.

* *For identification purpose only*