Karrie International Holdings Limited
嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

HIGHLIGHTS

— Revenue increased by 7% to HK$1,194,458,000

— Profit attributable to equity holders of the Company was HK$13,433,000

— Basic earnings per share was HK0.67 cents

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Karrie International Holdings Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 as follows:

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2012

	Note	**30 September 2012 (Unaudited) *HK$'000***	31 March 2012 (Restated) *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**25,101**	45,277
Property, plant and equipment		**316,972**	356,016
Investment properties		**213,822**	208,608
Investments in associated companies		**22,623**	23,408
Available-for-sale financial assets		**6,610**	—
Other non-current assets	5	**18,505**	13,086
Deferred tax assets		**976**	976
		604,609	647,371
Current assets			
Inventories		**324,795**	338,797
Trade and bills receivables	5	**451,012**	452,513
Amount due from an associated company		**2,692**	2,132
Prepayments, deposits and other receivables	5	**63,369**	66,134
Time deposit		**112,500**	49,200
Cash and bank balances		**194,274**	410,669
Assets of disposal group classified as held for sale	6	**75,757**	—
		1,224,399	1,319,445
Total assets		**1,829,008**	1,966,816
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**199,620**	99,810
Other reserves		**257,074**	353,979
Retained earnings			
— Proposed final dividend		**—**	8,681
— Others		**448,221**	436,088
		904,915	898,558
Non-controlling interests		**424**	424
Total equity		**905,339**	898,982

	Note	30 September 2012 (Unaudited) HK$'000	31 March 2012 (Restated) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**7,434**	7,434
Provision for long service payments		**13,279**	13,279
		20,713	20,713
Current liabilities			
Trade payables	7	**334,051**	369,393
Accruals and other payables		**207,976**	217,902
Receipts in advance		**1,122**	6,408
Amount due to an associated company		**896**	544
Tax payable		**31,037**	29,791
Short-term bank borrowings	8	**326,871**	423,083
Liabilities of disposal group classified as held for sale	6	**1,003**	—
		902,956	1,047,121
Total liabilities		**923,669**	1,067,834
Total equity and liabilities		**1,829,008**	1,966,816
Net current assets		**321,443**	272,324
Total assets less current liabilities		**926,052**	919,695

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Note	For the six months ended 30 September 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000 (Restated)
Revenue	9	**1,194,458**	1,112,429
Cost of sales		**(1,092,927)**	(1,029,826)
Gross profit		**101,531**	82,603
Distribution and selling expenses		**(21,350)**	(18,914)
General and administrative expenses		**(65,732)**	(63,831)
Other gains	9	**4,396**	3,979
Increase in fair value of investment properties		**—**	5,536
Operating profit	10	**18,845**	9,373
Finance income		**2,729**	2,027
Finance costs		**(3,932)**	(3,248)
Finance costs, net	11	**(1,203)**	(1,221)
Share of losses of associated companies		**(785)**	(1,649)
Profit before income tax		**16,857**	6,503
Income tax expense	12	**(3,424)**	(2,619)
Profit for the period		**13,433**	3,884
Profit attributable to:			
Equity holders of the Company		**13,433**	3,595
Non-controlling interests		**—**	289
		13,433	3,884
Earnings per share attributable to equity holders of the Company *(HK cents)*			
— Basic and diluted	13	**0.67**	0.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**13,433**	3,884
Other comprehensive income:		
Currency translation differences	**6,329**	42
Fair value losses on available-for-sale financial assets, net of tax	**(3,678)**	—
Total comprehensive income for the period	**16,084**	3,926
Total comprehensive income attributable to:		
Equity holders of the Company	**16,084**	3,647
Non-controlling interests	**—**	279
Total comprehensive income for the period	**16,084**	3,926

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit before income tax	**16,857**	6,503
Depreciation of property, plant and equipment	**23,534**	24,990
Amortisation of land use rights	**377**	564
Share-based compensation expense	**254**	817
Share of losses of associated companies	**785**	1,649
Losses on disposal of property, plant and equipment	**509**	818
Interest income	**(2,729)**	(2,027)
Interest expenses	**3,932**	3,248
Written-off of trade and other receivables	**—**	97
Reversal of provision for impairment of other receivables	**—**	(343)
Increase in fair value of investment properties	**—**	(5,536)
Operating profit before working capital changes	**43,519**	30,780
Changes in working capital	**(36,969)**	63,294
Cash generated from operations	**6,550**	94,074
Interest paid	**(3,932)**	(3,248)
Hong Kong profits tax paid	**(1,921)**	(2,821)
Overseas taxation paid	**(360)**	(402)
Net cash generated from operating activities	**337**	87,603
Net cash used in investing activities	**(112,244)**	(135,281)
Net cash (used in)/generated from financing activities	**(106,193)**	2,023
Net decrease in cash and cash equivalents	**(218,100)**	(45,655)
Cash and cash equivalents at 1 April	**410,669**	197,567
Effect of foreign exchange rate changes	**1,714**	42
	194,283	151,954
Cash and cash equivalents of disposal group classified as held for sale	**(9)**	—
Cash and cash equivalents at 30 September	**194,274**	151,954

Analysis of cash and cash equivalents:

	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Cash and bank balances	**194,274**	151,954

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information has not been audited, but has been reviewed by the Group's audit committee.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

On 16 March 2012, Kar Yick Development Company Limited ("KYD"), a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with The Wedding City Company Limited ("TWC"), a company which Mr. Ho Cheuk Fai, the controlling shareholder of the Group, holds 90% of the equity interest, to acquire 100% equity interest in The One Travel Co., Limited and Angel Love Studio (HK) Company Limited ("Acquried Entities") and shareholder loan owed by Angel Love Studio (HK) Company Limited at a consideration of approximately HK$45,000,000 which was satisfied by the issue of 130,000,000 ordinary shares of HK$0.10 of each of the Company.

Upon completion of the acquisition on 22 June 2012, the Acquired Entities became wholly owned subsidiaries of the Group. The acquisition of the Acquired Entities is regarded as a business combination under common control since KYD and the Acquired Entities were ultimately controlled by Mr. Ho Cheuk Fai, a controlling shareholder of the Group, both before and after the completion of the acquisition. Accordingly, the Group's consolidated financial statements for the six months ended 30 September 2012 had been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the HKICPA on the basis as if KYD had been the holding company of the Acquired Entities throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. As such, the condensed consolidated balance sheet and its respective notes as at 31 March 2012, the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement and their respective notes for the six months ended 30 September 2011 have been restated to conform with the current period presentation.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2012, as described in those annual financial statements.

- Taxation

  Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- Non-current assets (or disposal groups) held-for-sale

  Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

- Comparative figures

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

  Other gains had been included in "other gains." Comparative figure of approximately HK$3,979,000 which had been included in "revenue" in prior period's financial statements have been reclassified to "other gains".

(i) Amendments to existing standards effective for the financial year beginning 1 April 2012 but have no significant impacts or are not currently relevant to the Group

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" is effective for annual periods beginning on or after 1 January 2012.

(ii) The following new and revised standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted. The Group is assessing the impact of these new and revised standards and amendments to standards. The Group will apply these amendments and standards when respective annual periods are effective.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	"Presentation of financial statements"	1 July 2012
HKAS 19 (Amendment)	"Employee benefits"	1 January 2013
HKAS 27 (Revised 2011)	"Separate financial statements"	1 January 2013
HKAS 28 (Revised 2011)	"Associates and joint ventures"	1 January 2013
HKAS 32 (Amendment)	"Financial instruments: Presentation — Offsetting financial assets and financial liabilities"	1 January 2014
HKFRS 7 (Amendment)	"Financial instruments: Disclosures — Offseting financial assets and financial liabilities"	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	"Mandatory effective date and transition disclosures"	1 January 2015
HKFRS 9	"Financial Instruments"	1 January 2015
HKFRS 10	"Consolidated financial statements"	1 January 2013
HKFRS 11	"Joint arrangements"	1 January 2013
HKFRS 12	"Disclosure of interests in other entities"	1 January 2013
HKFRS 13	"Fair value measurements"	1 January 2013
HK(IFRIC) — Int 20	"Stripping costs in the production phase of a surface mine"	1 January 2013
HKFRSs (Amendment)	"The Fourth improvements to HKFRSs (2012)"	1 January 2013

3 ESTIMATES

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as these that were applied to the consolidated financial statements for the year ended 31 March 2012.

4 SEGMENT INFORMATION

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

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

Revenue consists of sales from metal and plastic business, electronic manufacturing services business and consumer and services business, which are approximately HK$523,024,000, HK$670,047,000 and HK$1,387,000 respectively for the six months ended 30 September 2012 and HK$463,651,000, HK$646,058,000 and HK$2,720,000 for the six months ended 30 September 2011.

Revenues recognised during the period are as follows:

	For the six months ended 30 September 2012 (Unaudited)				
	Metal and plastic business	**Electronic manufacturing services business**	**Consumer and services business**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenues					
Total segment revenue	**581,693**	**670,047**	**1,387**	**—**	**1,253,127**
Inter-segment revenue	**(58,669)**	**—**	**—**	**—**	**(58,669)**
Revenue from external customers	**523,024**	**670,047**	**1,387**	**—**	**1,194,458**
Gross profit	**65,438**	**36,041**	**52**	**—**	**101,531**
Distribution and selling expenses and general and administrative expenses	**(54,736)**	**(19,574)**	**(12,772)**	**—**	**(87,082)**
Other gains	**—**	**—**	**5**	**4,391**	**4,396**
Operating profit/(loss)	**10,702**	**16,467**	**(12,715)**	**4,391**	**18,845**

	For the six months ended 30 September 2011 (Unaudited)				
	Metal and plastic business	Electronic manufacturing services business	Consumer and services business	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Segment revenues					
Total segment revenue	517,968	646,058	2,720	—	1,166,746
Inter-segment revenue	(54,317)	—	—	—	(54,317)
Revenue from external customers	463,651	646,058	2,720	—	1,112,429
Gross profit	56,019	25,586	998	—	82,603
Distribution and selling expenses and general and administrative expenses	(43,389)	(36,476)	(2,880)	—	(82,745)
Other gains	—	—	—	3,979	3,979
Increase in fair value of investment properties	—	—	5,536	—	5,536
Operating profit/(loss)	12,630	(10,890)	3,654	3,979	9,373

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

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Operating profit	**18,845**	9,373
Finance income	**2,729**	2,027
Finance costs	**(3,932)**	(3,248)
Share of losses of associated companies	**(785)**	(1,649)
Profit before income tax	**16,857**	6,503

Geographical information

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Japan	**149,360**	121,106
Hong Kong	**209,768**	168,225
Mainland China	**349,827**	312,131
Asia (excluding Japan, Hong Kong and Mainland China)	**94,814**	109,255
North America	**146,989**	94,684
Western Europe	**243,700**	307,028
Total revenue	**1,194,458**	1,112,429

Revenue is allocated based on the country in which the final destination of shipment is located or services are provided.

The Group's sales were made primarily to a few key customers. For the six months ended 30 September 2012, the revenue derived from five largest customers accounted for approximately 80% (2011: 83%) of the Group's total revenue.

5 TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2012 (Unaudited)	31 March 2012 (Restated)
	HK$'000	*HK$'000*
Trade and bills receivables	**455,402**	456,903
Other receivables	**52,632**	66,772
	508,034	523,675
Less: Provision for impairment of trade, bills and other receivables	**(4,790)**	(4,790)
	503,244	518,885
Prepayments	**5,528**	6,618
Deposits	**24,114**	6,230
	532,886	531,733
Less: Other non-current assets *(Note)*	**(18,505)**	(13,086)
	514,381	518,647
Representing:		
Trade and bills receivables, net of provision	**451,012**	452,513
Prepayments, deposits and other receivables, net of provision	**63,369**	66,134
	514,381	518,647

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment and deposit paid for acquisition of shares in Full House Lifestyle Concept Sdn. Bhd., Full House Management Sdn. Bhd., Trendtastik Sdn. Bhd., Fullhouse Pastry Sdn. Bhd., Layar Sinarmas Sdn. Bhd., Peak Century Sdn. Bhd. and Fullhouse Singapore Pte. Ltd. ("Fullhouse Group").

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

	30 September 2012 (Unaudited)	31 March 2012 (Restated)
	HK$'000	*HK$'000*
0 to 90 days	**500,418**	512,696
91 to 180 days	**6,509**	7,787
181 to 360 days	**239**	2,631
Over 360 days	**868**	561
	508,034	523,675

As at 30 September 2012, trade, bills and other receivables of approximately HK$4,790,000 (31 March 2012: HK$4,790,000) were impaired for which full provision of impairment has been made. The impairment was firstly assessed individually for significant or long outstanding balances, and the remaining balances were grouped for collective assessment according to their aging and historical default rates as these customers were of similar credit risk.

The creation and release of provision for impaired trade, bills and other receivables have been included in general administrative expenses in the condensed consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The directors are of the opinion that adequate provision for uncollectible trade and other receivables has been made in financial statements.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, prepayments, deposits and other receivables above. The Group did not hold any collateral as security.

6 DISPOSAL GROUP

The Group entered into a sale and purchase agreement with a third party, to dispose of its 100% equity interest in Grandway Investment Limited ("Grandway") and its subsidiary ("Disposal Group") and shareholder's loan at a cash consideration of approximately HK$83,936,000. Grandway is engaged in investment holding and its subsidiary is principally engaged in development and production of electrical components. The completion date of the transaction is expected to be in December 2012.

The major classes of assets and liabilities of the Disposal Group are as follows:

	30 September 2012 (Unaudited) *HK$'000*
Assets classified as held for sale:	
Land use rights	19,799
Property, plant and equipment	55,890
Trade receivables	59
Cash and bank balances	9
Total assets of the Disposal Group	75,757
Liabilities directly associated with assets classified as held for sale:	
Trade payable	11
Accruals and other payables	992
Total liabilities of the Disposal Group	1,003
Total net assets of the Disposal Group	74,754

7 TRADE PAYABLES

Aging analysis of trade payables is as follows:

	30 September 2012 (Unaudited) ***HK$'000***	31 March 2012 (Audited) *HK$'000*
0 to 90 days	**318,176**	352,113
91 to 180 days	**3,299**	9,829
181 to 360 days	**8,073**	2,541
Over 360 days	**4,503**	4,910
	334,051	369,393

8 BORROWINGS

	30 September 2012 (Unaudited) *HK$'000*	31 March 2012 (Audited) *HK$'000*
Trust receipt loans	**115,461**	150,183
Portion of bank borrowings repayable within one year	**200,440**	212,000
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clause	**10,970**	60,900
Total borrowings	**326,871**	423,083

All borrowings are with a contractual maturity of within one year as a result of the repayment on demand clauses.

The average effective interest rates of the Group's bank borrowings at the balance sheet date are as follows:

	30 September 2012 (Unaudited)	31 March 2012 (Audited)
Bank borrowings, at floating rate	**2.02%**	2.08%
Trust receipt loans	**1.96%**	2.28%

9 REVENUE AND OTHER GAINS

	For the six months ended 30 September	
	2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000* (Restated)
Revenue		
Sales of merchandise from		
— Metal and plastic business	**523,024**	463,651
— Electronic manufacturing services business	**670,047**	646,058
— Consumer and services business	**1,387**	2,720
	1,194,458	1,112,429
Other gains		
Rental income	**3,052**	2,791
Management fee income	**1,344**	1,188
	4,396	3,979
Total revenue and other gains	**1,198,854**	1,116,408

10 EXPENSES BY NATURE

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation of property, plant and equipment	**23,534**	24,990
Amortisation of land use rights	**377**	564
Employee benefit expenses (including directors' emoluments)	**179,686**	168,734

11 FINANCE COSTS, NET

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
— Interest income from bank deposits	**2,729**	2,027
Finance costs:		
— Interest expenses on bank borrowings wholly repayable within five years	**(3,932)**	(3,248)
Finance costs, net	**(1,203)**	(1,221)

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. The amount of tax charged to the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current taxation:		
— Hong Kong profits tax		
— current period	**3,064**	833
— Overseas taxation		
— current period	**360**	402
Deferred taxation	**—**	1,384
Income tax expense	**3,424**	2,619

13 EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to equity holders of the Company *(in HK$'000)*	**13,433**	3,595
Weighted average number of ordinary shares in issue *(in thousands)*	**1,996,196**	1,996,196
Basic earnings per share *(HK cents)*	**0.67**	0.18

The weighted average number of ordinary shares used for the purpose of calculating the basic earnings per share for the period ended 30 September 2011 has been retrospectively adjusted for the effect of the bonus issue of ordinary shares which took place on 20 September 2012.

There was no dilutive effect on earnings per share for both periods ended 30 September 2011 and 2012 since all outstanding share options were anti-dilutive.

14 DIVIDENDS

The dividend for the year ended 31 March 2012 amounting to HK$9,981,000, representing HK$1.0 cent per share, was paid in September 2012 (2011: HK$9,549,000, representing HK$1.1 cents per share).

The board of directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (30 September 2011: Nil).

15 COMMITMENTS

Capital commitments

The Group had the following authorised and contracted capital commitments:

	30 September 2012	31 March 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Investment in Fullhouse Group	**14,000**	—
Purchase of property, plant and equipment	**20,242**	4,900
	34,242	4,900

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (the "Relevant Period") (For the six months ended 30 September 2011: nil) in order to reserve funds for future development of the Group.

Review of Operations

1. Euro debt crisis has made an obvious impact on China-Europe trade. Consequently, China's exports of products to Europe hover at low level. Though the U. S. market shows positive sign of edging up, it is unable to make up the gap inflicted on the Group in the European front. Furthermore, the U. S. economy has to confront the potential ordeal of the "fiscal cliff" as well. If the U. S. government fails to deal with it properly, it will impose an extremely significant burden on the economic recovery of the United States. In addition, the dispute over Diaoyu Islands between China and Japan has led to the decreased exports to Japan accordingly, and Chinese economy remains barely satisfactory. However, the lingering problems of insufficient orders and soaring costs (including the increasing labour wages, the appreciation of Renminbi and the prices of raw materials on the rise) of the Group have resulted in a low profit margin.

2. For the six months ended 30 September 2012, the turnover of the Group increased 7% to HK$1,194,458,000 (for the first half year of 2011/2012: HK$1,112,429,000). Profit attributable to the equity holders of the Company was HK$13,433,000 (profit for the first half year of 2011/2012: HK$3,884,000).

Manufacturing Domain:

3. The turnover of the Metal and Plastics ("M & P") Business for the six months ended 30 September 2012 increased 13% to HK$523,024,000 compared to the same period last year (for the six months ended 30 September 2011: HK$463,651,000). It is mainly due to the increase in sales of visual accessories, plastic and metal components and moulds compared to the same period last year.

4. The turnover of the Electronic Manufacturing Services ("EMS") Business for the six months ended 30 September 2012 increased 4% to HK$670,047,000 compared to the same period last year (for the six months ended 30 September 2011: HK$646,058,000). It is mainly due to the increase in sales of accessories for multi-functional digital copiers and POS system.

5. Despite the many challenges faced by manufacturing industries and the difficult business environment, the Group still continues to stick to its principal business, adopt various proactive measures by means of streamlining organizational structure, imposing stringent cost control, implementing lean production, seeking price compensation from clients for the cost increase, selecting more profitable products and such like, so as to deal with the pressure of the cost on the rise. Moreover, the Group's effort of enhancing automated production to tackle the problems of rising labour costs and labour turnover has seen the positive outcome. Therefore, under the circumstances of Renminbi appreciation, soaring minimum wages in China and general increase in wages, the Company's ability to keep the cost at a well-balanced level has to attribute to the effectiveness of various streamlining measures.

   From 1 April 2011 to 30 September 2012, the Group has invested 66 sets of 6-axis versatile industrial robots at approximately HK$18,500,000 to keep on increasing the proportion of production employing robots for upgrading production efficiency, reducing wastage of raw materials and saving labour costs. Starting from 2006, automated production has been implemented to enhance competitiveness. With the accumulation of experiences over years, coupled with solid financial position, the Group has achieved where no general company can be well compared to. In the second half of the year, the Group is expected to make further investment of HK$25,000,000 to acquire additional 80 sets of automated industrial robots to reinforce competitiveness in this business. Furthermore, the Group endeavors to strengthen the internal connection among all supply chains to reduce excess inventory.

6. In order to resolve the idle land use problem of production plants effectively, the Group has realized the excess industrial land, with the cash proceeds thus obtained available for general operating expenses and future development, so as to strengthen the Group's financial position. Sufficient land has been reserved by the Group for industrial purpose for holding fast to its principal production business.

7. In the industrial domain, the Group is going to focus on projects with better profit margin, in particular, the production of metal & plastic parts and components, and moulds. Moreover, certain businesses with low profitability or high material risk will be reduced. Accordingly, resources can be pooled up and the inventory risk can be scaled down.

8. Despite its efforts to minimize costs, TIS Karrie Technologies (H.K.) Company Limited ("TIS Karrie") (the Company is beneficially interested in 49% equity of TIS Karrie.) is still unable to turnaround in terms of its profitability. Its performance is disappointing. The Group is proactively seeking solutions to tackle the problem.

9. The business in the industrial domain is considerably stable. Therefore, the existing industrial business is able to provide stable cash flow for its diversification of businesses (including the multi-functional convention and exhibition centre, the wedding supermarket, the theme restaurant business and Yixing Hotel Platform).

Consumer and Services Domain:

10. The Group successfully completed the acquisition of the entire issued shares of Angel Love Studio (HK) Company Limited and The One Travel Co., Ltd. on 22 June 2012. Consequently, the Group has managed to set up the one-stop business of Wedding Supermarket under the brand name of "myAFFECTION"(囍悅) in order to develop the highly promising wedding business. As expected by the Group, the wedding business will definitely generate profitable returns for the Group in future. The turnover for the period ended 30 September 2012 was HK$1,387,000 (for the six months ended 30 September 2011: HK$2,720,000).

11. During the period, all the businesses (including the multi-functional convention and exhibition centre, the wedding supermarket, the theme restaurant business and Yixing Hotel Platform) are still at the stages of investment with no significant revenue; therefore, these businesses still suffer losses.

12 Furthermore, in line with the above long-term diversified development, the Group has also invested in the shares of another listed company in Hong Kong, with the intent that this listed company will become the long-term strategic cooperation partner and facilitate the growth of the sales channel for the wedding/golden products.

Geographical Distribution

The Group does not rely on a single market but ships to diverse markets. During the Relevant Period, Asia (except Japan, Hong Kong and the People's Republic of China ("PRC")) recorded a revenue of HK$94,814,000. Revenue from Japan amounted to HK$149,360,000, that from Hong Kong amounted to HK$209,768,000 and that from the PRC amounted to HK$349,827,000. Revenue from Western Europe amounted to HK$243,700,000 and revenue from North America amounted to HK$146,989,000.

Capital expenditure ("Capex")

It is expected that in the year of 2012/2013:

(i) The investment in fixed assets in the industrial domain will be approximately HK$50,000,000. It will be mainly used in the investment in renewal and upgrade of machinery and reinforced automation.

(ii) Wedding Project: Approximately HK$12,500,000.

(iii) Yixing Properties: The investment in the financial year of 2012/2013 will be approximately HK$140,000,000

For the first half of the year ended 30 September 2012, the investment in fixed assets amounted to HK$44,033,000. In particular, the payments for investment in the industrial domain, the revitalization of Fenggang Plastics Plant into the multi-function convention and exhibition centre, the wedding project and Yixing Properties are HK$18,673,000, HK$9,644,000, HK$13,894,000 and HK$1,822,000 respectively.

Prospects

Five Major Platforms:

(1) Industrial;

(2) Revitalization of plant: Multi-function convention and exhibition centre;

(3) Theme restaurant;

(4) Wedding Supermarket

(5) Land lot of Yixing Hotel.

are the main directions for the future diversification of industries of the Group.

1. (i) The Group has no intention to discontinue the existing manufacturing business. While the manufacturing industry faces continuing challenges, it is still viable and even has more room for development if the Group keeps on improving and reforms timely. Therefore, with more than 30 years' experience, the Group still keeps on deepening the measures to control cost and reinforcing the automation with all-out effects, so as to overcome the various adverse factors such as Renminbi appreciation, inflation and soaring wages and to increase profit margin.

(ii) The Group will pool up the resources on the businesses of moulds, metal & plastic parts and components, medical equipment products, accessories for multi-functional digital copiers, POS system and such like with higher profit margin, reduce certain businesses of low profit margin or higher material risks, in order to increase the overall profitability in the industrial domain.

2. In earnest response to the development policy of the municipal government of "Policy Reform, Business Structural Evolution, Land and City Transformation", the Group has gradually shifted to the creative cultural services business and achieved diversification for industrial use of land. Fenggang idle plant has been transformed into the multi-functional convention and exhibition centre where we have successfully co-organized Keqiao Cultural Festival cum First Anniversary Wedding Exposition in November 2012. It revitalizes the Fenggang idle plant and enables the sustainable development of the diversified creative culture business.

3. (i) After the trading hours on 14 August 2012, Full Benefit Global Holdings Limited (the "Buyer") which is a wholly-owned subsidiary of the Company and Full House Lifestyle Store and Cafe Sdn. Bhd. (the "Seller") entered into a conditional sale and purchase agreement (the "Agreement") with Mr. Swee Yik Phang as the guarantor. According to the Agreement, the Seller has agreed conditionally to sell and the Buyer has agreed conditionally to buy 70% equity of the seven companies held by the Seller (that is, 70% equity of Full House Lifestyle Concept Sdn. Bhd., 70% equity of Full House Management Sdn. Bhd., 70% equity of Trendtastik Sdn. Bhd., 35% equity of Fullhouse Pastry Sdn. Bhd., 42% equity of Layar Sinarmas Sdn. Bhd., 17.5% equity of Peak Century Sdn. Bhd., and 14% equity of Fullhouse Singapore Pte. Ltd., collectively referred to as the "Subject Companies") at a total consideration of HK$24,000,000 (the "Acquisition"). Pursuant to the Agreement, the guarantor has guaranteed that the Seller shall perform the responsibilities under the Agreement and the Seller shall grant the brand name of "Fullhouse" to the Buyer for continuing to operate the existing and new restaurants under exclusive franchise in the Southeast Asia (for the purpose of the Agreement, including Malaysia, Singapore, Indonesia, Hong Kong, Macau and Japan but excluding the People's Republic of China and Taiwan) for ten years from the completion date.

(ii) The Subject Companies shall mainly operate restaurants and cafes in Malaysia and Singapore for the period of up to ten years according to the franchise agreement under the trademark of "Fullhouse". The Company has proceeded with due diligence for the Acquisition, and its outcome will be reported to the Board of Directors and Shareholders.

(iii) Fullhouse is the chained restaurant from Malaysia, with existing restaurants scattering in Malaysia and Singapore. Fullhouse is not any ordinary restaurant but a theme restaurant with features. The attraction of Fullhouse does not only come from the styles of various types of food, but also from the restaurant itself in its elegant design equipped with all sorts of exquisite furniture. In the romantic white house, the customers will have the gentle, intimate and leisurely feel of dining at home. Furthermore, there are photography spots of different themes inside the restaurant. The customers can discover the classic manual telephone sets, the popular figurines, the wedding settings, the elegant photo frames, the interesting bird cages, and even a lovely Mini Cooper parking in the vicinity of the dining table. The customers will feel like returning to their own home without any restriction and are free to take photos or buy favourite clothes, ornaments and figurines. Moreover, the customers can put on different sorts of banquets and parties in various theme rooms, such as the warm and romantic wedding party, the gathering banquet for friends to recall their friendship in good old days, the gathering which makes the teachers and students feel like returning to the time of schooling and the wonderful and colourful birthday party. This is a restaurant which does not look like a restaurant but one for the customers to "play at home". The Group has started planning for setting up restaurants outside Malaysia and Singapore, with the hope to run a flagship restaurant in Hong Kong next year integrating Eastern and Western features as well as wedding photography into one unity. As it is a restaurant of unique concept, the Group trusts that Fullhouse will definitely bring about stable revenue for the Group, which will turn out to be another "Blue Sea" of the Group.

4 In September 2012, "myAFFECTION", a large-scale wedding department store cum paradise in Tsuen Wan, was open for business after decoration. As expected by the Group, its innovative operation concept will provide the customers with one-stop services and numerous choices for wedding commodities, such as the selection and purchase of the wedding gown and jewellery, the photography of the bride in wedding gowns with her groom, the planning for overseas photography and the sightseeing ticket package. It will facilitate the diversified development of the Company's business. The branch in Tsimshatsui will be open for business in December 2012 as well. Though the current wedding project is still at the stage of investment, which does not contribute much to the revenue of the Group, it is expected to contribute certain profit to the Group in the future.

5. Yixing Business, currently at the stage of fitting out work, is expected to open for business in 2014. By that time, Yixing Business Hotel will be the platform for developing the diversified businesses of wedding, restaurants, expositions, hotels and real estates, with reference to the successful development model of Fenggang. The Group also expects to generate a more significant synergies and a more coordinated development among businesses by leveraging a more enriched business portfolio.

6. Though the global economic recession has put pressure on the industrial prospects, the Group still sticks to its principal business and, by means of the mode of "walking on two legs", continues to improve the industrial techniques to enhance the competitiveness of the Group in its principal business and reinforce its existing business on the one hand, and place much more efforts in developing the businesses of wedding, restaurant, cultural and recreational services on the other hand, to take hold of the huge opportunity for the long-term sustainable growth of the Group. In addition, the comparatively stable revenue from the industrial business and the proceeds obtained from disposal of excess plant land provide sufficient cash reserves for the diversified businesses.

7. In October this year, the unaudited turnover increase 10% to approximately HK$206,000,000 (October 2011: HK$188,000,000).

However, this unaudited turnover figure is not sufficiently representative to reflect the performance and results for the year ending 31 March 2013. Investors and shareholders shall be cautious in trading the shares of the Company.

Liquidity resources and financing policies

The unaudited net bank debt amounted to HK$20,097,000, with the net bank debt ratio at approximately 2% (the unaudited net bank debt ratio was approximately 15% as at 30 September 2011). Accordingly, we expect the net bank borrowing ratio for the financial year of 2012/2013 will remain at the level below 40% whereas the ratio of non-current assets and shareholders' capital has dropped to 67%. The management has already paid close attention though the financial condition is acceptable.

The bank borrowings were HK$326,871,000, the cash and bank deposit amounted to a total of HK$306,774,000 and the available banking facilities of HK$1,500,100,000 were sufficient to meet the funding needs for the current and future operation and the investment in fixed assets of the Group.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar, US dollar or RMB. As the exchange rates of the RMB against Hong Kong dollar and the US dollar rose continuously during the Relevant Period, the Group was exposed to exchange rate fluctuation risks and the pressure on its production cost. The Group will actively communicate with its customers regarding adjusting its products' selling prices to mitigate the impact of the appreciation of the RMB on its business.

CONTINGENT LIABILITY

As at 30 September 2012, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

During the Relevant Period, the number of employees has dropped from about 6,400 same period last year to around 5,600 as at 30 September 2012. With a strong reputation in the local community, the Group had not experienced any serious labour shortage problem.

Like many other manufacturers in the Guangdong Province, the Group had also experienced labour shortage and high turnover rate situation in recent months. We still adopt "human" approach to manage our staff so as to establish a harmonious working atmosphere. We work together for a "New Sky".

Employee remuneration is determined in accordance with prevailing industry practice and employees' performance and experiences. Discretionary bonus will be awarded to employees with outstanding performance having regard to the Group's overall audited results. Employees of the Group are also entitled to other staff benefits including medical insurance, a housing subsidy scheme and mandatory provident fund.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Relevant Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Relevant Period.

AUDIT COMMITTEE

In accordance with the requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group established an Audit Committee in January 1999 which now comprises one Non-executive Director and three Independent Non-executive Directors of the Company. They are responsible for dealing with matters relating to audit area, which include reviewing and supervising the financial reporting process and internal control, in order to protect the interests of the shareholders of the Company. The unaudited interim results for the Relevant Period of the Company now reported on have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As disclosed in the Corporate Governance Report contained in the Company's annual report of 2011/2012 (the "Annual Report"), the Company has applied the principles under the Code on Corporate Governance Practices as in force for the period ended 31 March 2012 (the "Former Code") and has been in compliance with the relevant provisions of the Former Code for that financial period, save as disclosed in the Annual Report.

The Stock Exchange has made various amendments to the Former Code set out in Appendix 14 of the Listing Rules, and the revised code, namely, the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code"), became effective on 1 April 2012. In the opinion of the Directors, the Company has also been in compliance with the relevant provisions of the Revised Code throughout the Relevant Period with the exceptions as explained below:

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

  Being the founder of the Group, Mr. Ho has substantial experience in the manufacturing industry. At the same time, Mr. Ho has the appropriate skills and business acumen that are the pre-requisites for assuming the role of the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and 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 both roles should continue to be performed by Mr. Ho.

- 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. Mr. Ho Kai Man was re-designated as the Non-executive Director on 1 November 2012 without a specific term. Although Mr. Ho Cheuk Ming and Mr. Ho Kai Man are not appointed for a specific term, they are subject to retirement by rotation according to the Bye-laws of the Company.

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

  According to the Company's bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's bye-laws, the Chairman of the Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election. 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 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.

- According to Code Provision A.5, the Company should establish a nomination committee, which is chaired by the chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors. The Company has not established a nominee committee due to the fact that the Board as a whole is responsible for reviewing its own structure, size and composition annually and the re-appointment of Directors as well as assessing the independence of Independent Non-executive Directors.

- According to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings in order to develop a balanced understanding of the views of shareholders.

  Due to other business engagements, one Independent Non-executive Director and one Non-executive Director did not attend the special general meeting of the Company held on 22 June 2012 (the "SGM"). Furthermore, one independent non-executive director was in Shanghai at the time of the SGM and did not attend the SGM. An independent non-executive director was in Shanghai and did not attend the annual general meeting of the Company held on 24 August 2012 ("AGM"). However, all other Directors (including Independent Non-executive Director) were present at the SGM and AGM to enable the Board to develop a balanced understanding of the view of the shareholders of the Company.

The Company will continue to review its practices from time to time to achieve high standard of corporate governance.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that, they have complied with the required standards as set out in the Model Code throughout the Relevant Period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

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

Hong Kong, 29 November 2012

* *For identification purpose only*