嘉利國際控股有限公司

Karrie International Holdings Limited

2011/12 Interim Results Announcement

29 November 2011

Reformation

Content Page

A. 2011/12 Interim Results: Consolidated Income Statement for the six months ended 30th September

(HK$'000)	6 months to 30 Sep 2011	6 months to 30 Sep 2010 (restated)	Change(%)
Revenue	**1,113,688**	**1,385,997**	-20%
Cost of sales	(1,028,104)	(1,292,390)	-20%
Gross profit	85,584	93,607	-9%
Distribution and selling expenses	(18,657)	(16,410)	+14%
General and administrative expenses△	(61,860)	(64,712)	-4%
Increase in fair value of investment properties	5,536	-	N/A
Operating profit	**10,603**	**12,485**	-15%
Finance income	2,027	1,420	+43%
Finance costs	(3,248)	(3,188)	+2%
Share of (losses) / profits of associated companies	(1,649)	753	-319%
Profit before taxation	**7,733**	**11,470**	-33%
Income tax (expenses) / credit	(2,217)	1,568	-241%
Profit for the period	**5,516**	**13,038**	-58%
Non-controlling interest	(289)	(1,695)	-83%
Profit attributable to equity holders of the Company	**5,227**	**11,343**	-54%

Gross Profit Margin	**7.7%**	**6.8%**	**+13%**
Net Profit Margin*	**0.5%**	**0.9%**	**-44%**
Net Interest Expenses (HK$'000)	**1,221**	**1,768**	**-31%**
Interest Coverage# (Times)	**11**	**11**	**-**
Earnings per Share – Basic (HK cents)	0.60	1.97	-70%
Earnings per Share – Diluted (HK cents)	0.60	1.97	-70%
△ Included Employee Share Option Benefits (HK$'000))	817	2,350	-65%

* Net Profit Margin = (Loss) / profit for the period / Turnover X 100%   # Interest Coverage = EBITDA / Interest

A. 2011/12 Interim Results: Consolidated Balance Sheet as at 30 September 2011

(HK$'000)

	30 Sep 2011	31 Mar 2011	30 Sep 2010 (restated)
NON-CURRENT ASSETS			
Land use rights	62,133	62,697	63,262
Property, plant and equipment	466,297	486,768	471,376
Investment Property	202,800	108,932	-
Investments in associated companies	26,272	27,921	29,051
Other non-current assets	536	825	3,857
Deferred tax assets	941	941	1,692
Total non-current Assets	758,979	688,084	569,238
CURRENT ASSETS			
Inventories	328,469	317,706	401,288
Trade receivables	407,725	378,929	509,847
Amount due from an associated company	3,141	3,779	16,928
Prepayments, deposits and other receivables	88,374	82,892	48,626
Cash & bank balances	150,828	196,954	233,583
Time deposit	96,000	96,000	91,312
Total current assets	1,074,537	1,076,260	1,301,584
CURRENT LIABILITIES			
Trade payables	(380,403)	(294,995)	(449,889)
Accruals and other payables	(186,228)	(167,153)	(164,046)
Amount due to an associated company	(890)	(357)	(461)
Tax payable	(19,479)	(21,445)	(14,014)
Short-term bank borrowings	(376,456)	(364,884)	(478,314)
Total Current Liabilities	(963,456)	(848,834)	(1,106,724)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(6,724)	(5,340)	(4,742)
Provision for long service payments	(9,520)	(9,520)	(8,264)
	(16,224)	(14,860)	(13,006)
Net Assets	**853,816**	**900,650**	**751,092**
Equity holders of the Company	853,392	860,137	709,994
Non-controlling interest	424	40,513	41,098
TOTAL EQUITY	**853,816**	**900,650**	**751,092**
Remarks:			
Net bank borrowings	(129,628)	(71,930)	(153,419)
Net current assets	111,081	227,426	194,860
Net gearing ratio	15%	+8%	22%
Non-current asset to shareholders fund ratio	89%	76%	80%
Net current ratio	1.2 Times	1.4 Times	1.2 Times
Turnover to net bank borrowing ratio	17	36	18

A. 2011/12 Interim Results: Consolidated Cash Flow Statement
(For the six months ended 30 September)

(HK$'000)	2011	2010 (restated)
Operating Activities		
Profit before taxation	7,733	11,470
Depreciation of property, plant and equipment	24,933	23,075
Amortization of land use rights	564	564
Share-based compensation expense	817	2,350
Losses on disposal of property, plant and equipment	818	9
Share of losses / (profits) from associated companies	1,649	(753)
Written-off of trade and other receivables	97	-
Reversal of provision for impairment of other receivables	(343)	-
Increase in fair value of investment property	(5.536)	-
Interest expenses	3,248	3,188
Interest income	(2,027)	(1,420)
Operating profit before working capital changes	31,953	38,483
Changes in working capital*	61,170	(193,774)
Cash generated from / (used in) operations	93,123	(155,291)
Interest paid	(3,248)	(3,188)
Hong Kong profits tax paid	(2,821)	-
Net cash generated from / (used in) operating activities	87,054	(158,479)
Investing Activities		
Purchases of property, plant and equipment	(9,465)	(22,491)
Purchase of investment property	(88,332)	-
Increase in investment in subsidiaries company	(43,660)	-
Proceeds from disposal of property, plant and equipment	4,185	418
Interest received	2,027	1,420
Net cash used in investing activities	(135,245)	(20,653)

A. 2011/12 Interim Results: Consolidated Cash Flow Statement
(For the six months ended 30 September)

(HK$'000)	**2011**	**2010**
Financing Activities		
Increase in net financing	11,572	90,484
Dividend paid	(9,549)	(5,771)
Net cash generated from financing activities	2,023	84,713
Net decrease in cash and cash equivalents	(46,168)	(94,419)
Cash and cash equivalents, at 1 April	196,954	328,003
Effect of foreign exchange rate	42	(1)
Cash and cash equivalents, at 30 September	*150,828*	*233,583*

***Changes in working capital**		
Increase in inventories	(10,763)	(131,651)
Increase in trade receivable	(28,833)	(93,697)
(Increase) / decrease in prepayments, deposits and other current assets	(4,910)	3,439
Increase in trade payables	85,408	44,746
Increase / (decrease) in receipts in advance	5,799	(3,900)
Increase / (decrease) in accruals and other payables	13,298	(6,165)
Decrease / (increase) in amount due from associated companies	638	(6,702)
Amount due to associated companies	533	156
Changes in working capital	*61,170*	*(193,774)*

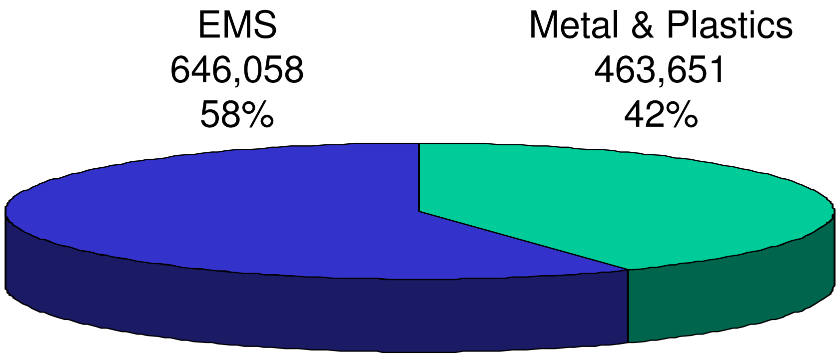
A. 2011/12 Interim Results:

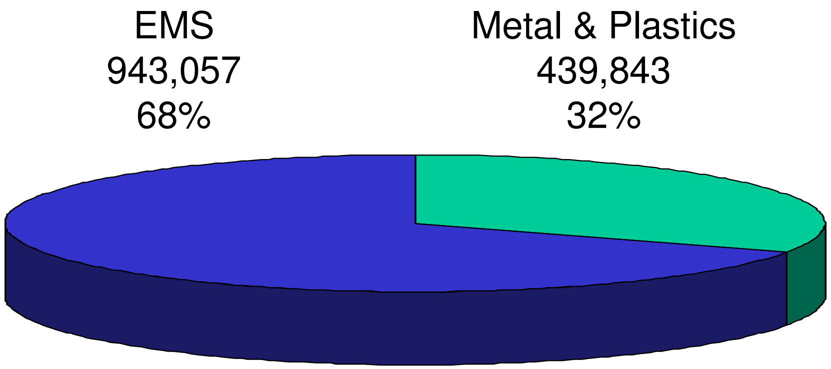
Turnover and Operating Profit Breakdown by Product

(For the six months ended 30 September)

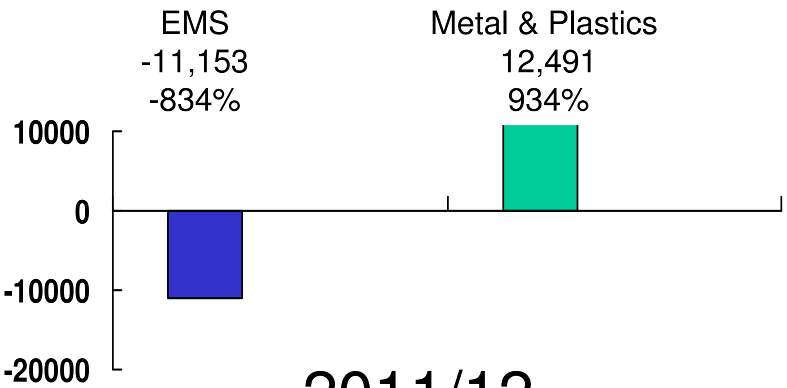
(HK$'000)

Turnover

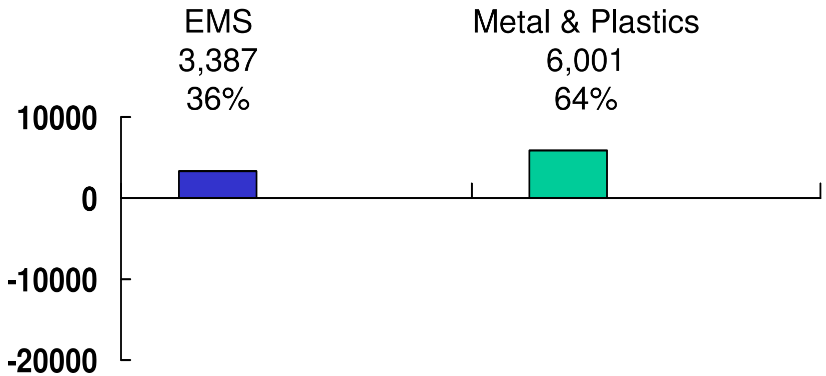




Operating Profit



2011/12



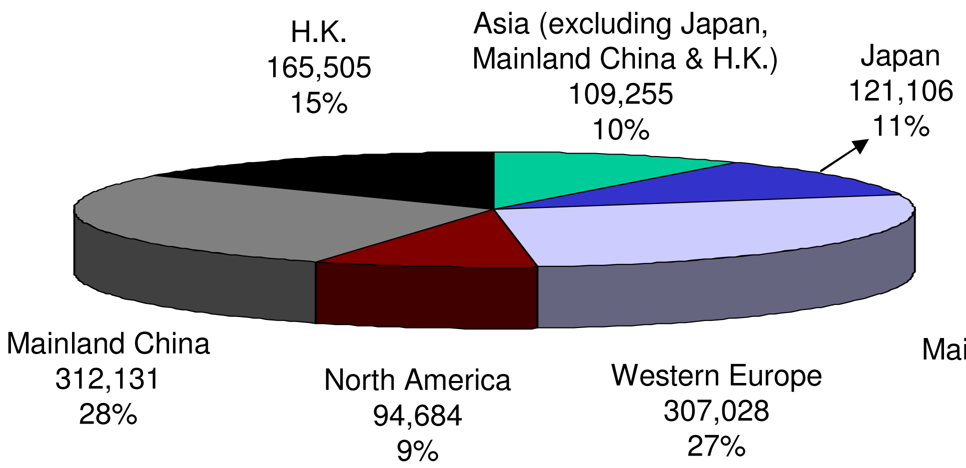
2010/11

A. 2011/12 Interim Results:

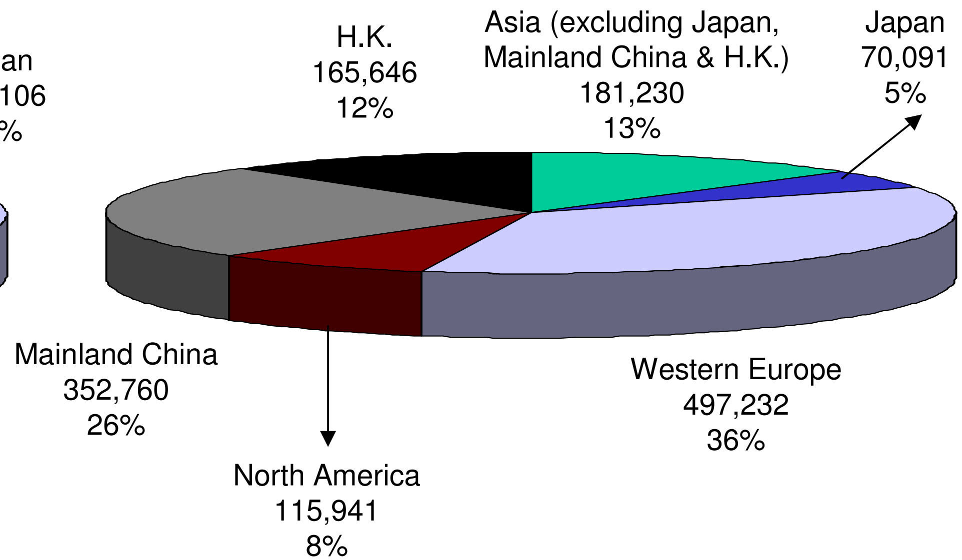
Turnover breakdown by market

(For the six months ended 30 September)
(HK$'000)

Turnover



2011/12



2010/11

B. Review

1. The unfortunate incident of earthquake and tsunami in Japan this March forced a number of plants in Japan to close production. As Japan took a key role in the world's production of supply chain, materials supply was tightened momentarily. Other countries were unable to fill the gap in materials supply and global production was therefore affected. The adverse impacts of the catastrophe in Japan were reflected in the results performance of the Group for the first half of the year. The production of the Group was inevitably affected by the delay in materials supply, resulting in delays in customers' orders and deliveries.

2. In addition, given the unsatisfactory economic recovery, sprawling European debt crisis and slow progress of the US economic performance, the risk of global economic recession increased significantly, causing exports to slow down and orders to shrink. As stated in the 2010/11 annual report (see page 24 of the 2010/11 annual report), the Group continued to face the problem of "three aspects of shortages and two aspects of high costs". Despite flexible and responsive measures taken, the results performance for the first half of the year remained adversely affected.

3. Turnover of the Group for the six months ended 30 September 2011 dropped by 20% to HK$1,109,709,000 (For the six months ended 30 September 2010: HK$1,382,900,000).

B. Review

4. Turnover of the Metal and Plastic Business for the six months ended 30 September 2011 only increased slightly by 5% to HK$463,651,000 over that in the same period last year (For the six months ended 30 September 2010: HK$439,843,000), mainly attributable to the increase in shipment of server casings for one of the customers of approximately 18%.

5. In light of the tightening materials supply, the EMS Business was adversely affected since the shipment of our printers for two of the major customers decreased significantly by approximately 40%. Turnover for the six months ended 30 September 2011 fell by 31% to HK$646,058,000 over that in the same period last year (For the six months ended 30 September 2010: HK$943,057,000).

(6 months to)	Metal/Plastic HK$'000	EMS HK$'000	Total HK$'000	Changes (%)
2007/09/30	639,266	815,722	1,454,988	N/A
2008/09/30	671,434	628,556	1,299,990	-11%
2009/09/30	443,250	632,661	1,075,911	-17 %
2010/09/30	439,843	943,057	1,382,900	+29%
2011/09/30	463,651	646,058	1,109,709	-20%

B. Review

INDUSTRIAL SECTOR:

6. **Production Consolidation**

   The Group actively promoted automation and implemented lean production to enhance production efficiencies and synergies. In the first half of the year, the Group purchased twenty 6-axis versatile industrial robots at approximately HK$5,000,000 to reduce costs and manpower. However, production consolidation remained at early stages of implementation during the first half of the year and no significant effects were seen. Looking into the second half of the year, the Group will have to step up its efforts to implement these measures to cope with the increasingly difficult business environment.

   In order to increase the gross profit margin, the Group endeavors to provide one-stop value-added services to potential customers. The Group attaches great importance to production quality and does not use pricing as a competitive strategy to increase revenue. The Group will stop the production of some low-profit products and will continue to do so in the future. This will help increase customer concentration and better utilize the resources to serve potential customers.

B. Review

7. **Yixing Plant**

After two years of production and operation, the Group considers that the fundamental facilities in the surrounding area of Yixing Plant are inadequate and suppliers are also scattered. In addition, logistics costs and operating costs are high given its location in the Yangtze River Delta Region, which is relatively far from the plants in the Pearl River Delta Region, and it is difficult to manage. Accordingly, operation was temporarily suspended in November this year and production was then concentrated in Dongguan Plant to minimize unnecessary operating expenses and further capital expenditures. Yixing Plant may be used for future expansion of production capacity depending on customers' needs or sold according to market conditions. However, no final decision has been made at present.

B. Review

8. Acquisition

On 21 September 2011, Karrie Technologies Company Limited, an indirect wholly-owned subsidiary of the Company, and Sagemcom entered into an agreement to acquire the entire 40% interest held by Sagemcom in Sagem Karrie Technologies (Hong Kong) Company Limited (“SKT”) (the “Acquisition”). The Acquisition was completed on 30 September 2011 and the relevant circular was despatched to shareholders on 13 October 2011. Upon completion of Acquisition, SKT has become an indirect wholly-owned subsidiary of the Company, and the existing joint venture shareholders’ agreement and its related agreements have been terminated accordingly. The Acquisition is evident that the Group remains adhered to its principal business activities and is growing steadily.

The reason for Acquisition is that, as the Group has now ventured into a new era of development, the Directors consider that the existing joint venture arrangement with Sagemcom will no longer be in the best interest for the Group’s future development. The Directors believe that the Acquisition will enhance the Group’s flexibility to maximize its manufacturing operational efficiency and to explore new development opportunities. The Directors further believe that the new business model will enhance the Group’s profitability through the full beneficial shareholding and control in SKT and strengthen the Group’s market position and foundation for long-term development.

B. Review

9. Joint Venture Companies

Despite that a slight loss was recorded for the first half of the financial year, TIS Karrie Technologies (H.K.) Company Limited expects to increase revenue, strictly control costs and enhance production efficiency in the future in order to achieve turnaround.

PROPERTIES DEVELOPMENT SECTOR:

10. Yixing Commercial Hotel Project

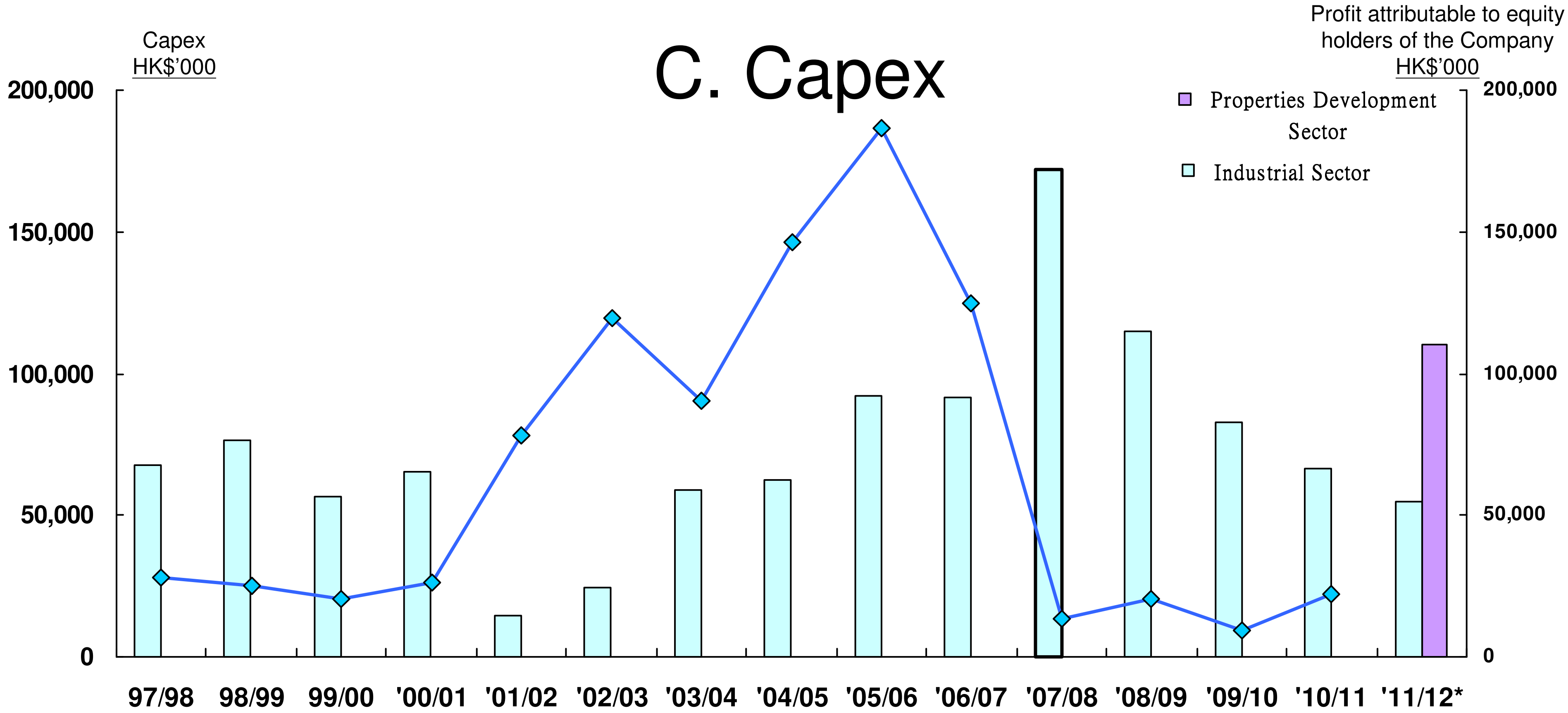
The external structure of the 21-storey building, Yixing Commercial Hotel Building, has been completed and is expected to seal the top early next month. It is expected that internal finishing will take around one year to complete and marketing will be kicked off in the middle of next year. It is anticipated that by the end of 2012, the building will commence operation officially and will generate stable revenue to the Group.

C. CAPEX

As stated on page 22 of the 2010/11 annual report, the Capex for industrial sector and properties development sector for 2011/12 is initially fixed at approximately HK$55,000,000 and approximately HK$110,000,000 respectively.

As from 1 April 2011 to 31 October 2011, the Capex for industrial sector and properties development sector amounted to approximately HK$9,500,000 and approximately HK$89,500,000 respectively.

C. Capex



	97/98	98/99	99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07	'07/08	'08/09	'09/10	'10/11	'11/12*
Capex	67,604	76,176	56,595	65,034	14,675	24,488	58,842	62,236	92,059	91,625	172,129	114,641	82,893	66,500	165,000
Profit after Taxation	27,865	25,162	20,616	26,368	78,370	119,808	90,440	146,572	186,379	124,928	13,148	20,433	9,110	22,333	?

* Budget only

- Phase 1: Asian financial crisis
- Phase 2: Restructuring, investment in fixed assets and market repositioning
- Phase 3: Rapid growth
- Phase 4: Consolidation
- Phase 5: Rapid growth
- Phase 6: Consolidation
- Phase 7: Restructuring, investment in fixed assets and market repositioning
- Phase 8: Global financial turmoil
- Phase 9: Establish vision for 5 years and diversification

Detailed layout design for
Phase II、III construction,
please refer to next page

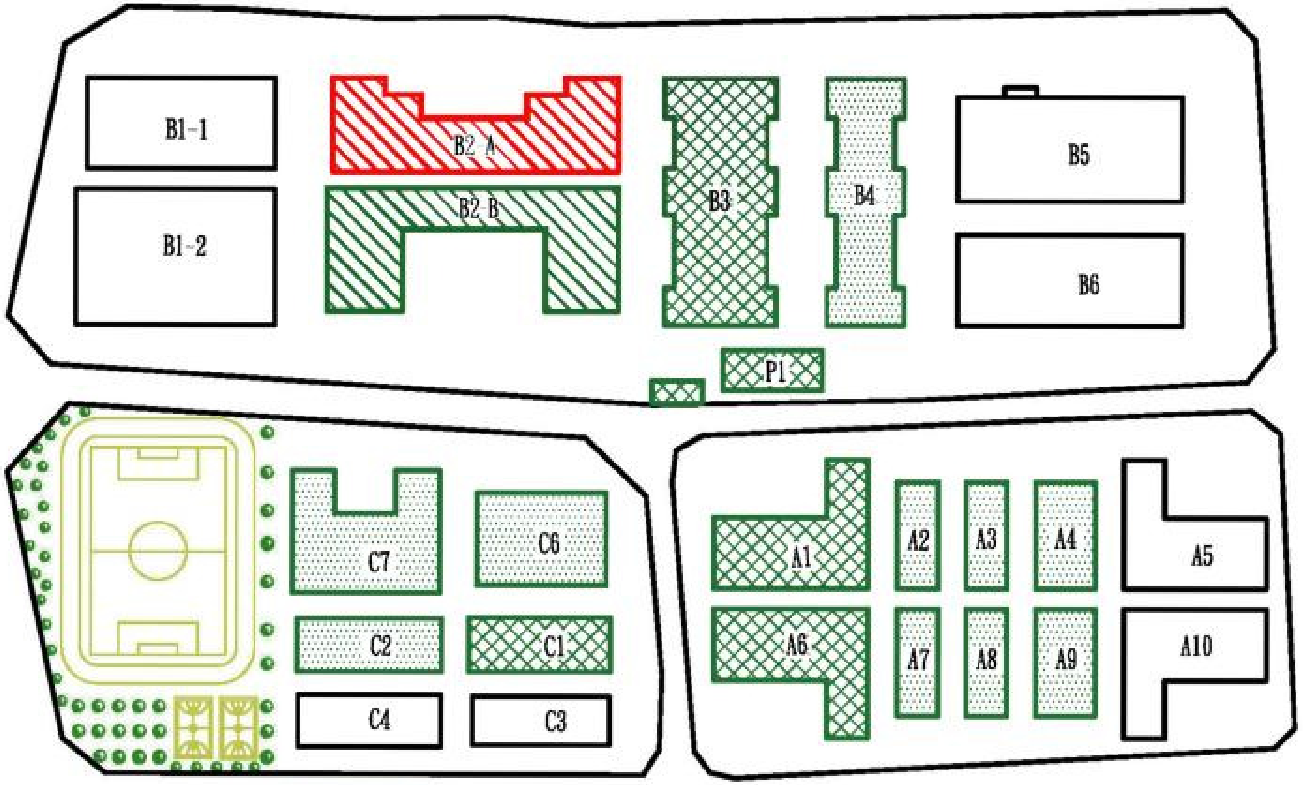
C. Capex

Yu Quan Plant, Phase II、III construction progress

B2-A – Administration Office

玉泉廠房整體規劃

Construction Plan For Yu Quan Plant



Phase I (Accomplished)第一期 (已完成)
Phase II (Accomplished) 第二期 (已完成)
Phase III (Accomplished) 第三期 (已完成)
Phase III (Under Construction) 第三期 (未完成)
Under Planning 規劃中

Associated Company "TK" 合營公司 "嘉友" -B2-B
JV Company "Sagem Karrie" 合資公司 "嘉進" -A6
Aministration Office 行政大樓 -B2-A
Dormitory 宿舍 -C1、C2
Power Station 配電房 -P1
Plastic Injection 注塑 -A4、A9、B3

EMS 電子組裝 -A1、A7
Moulding 工模 -B4、A3
Warehouse 貨倉 -C7、A2
Robot Equipment 機械設備科 -A8
Canteen & Indoor Staff Recreational Centre 食堂及室內員工活動中心 -C6

Site area of 240,000 sq. meters 佔地面積約240,000平方米

C. Capex

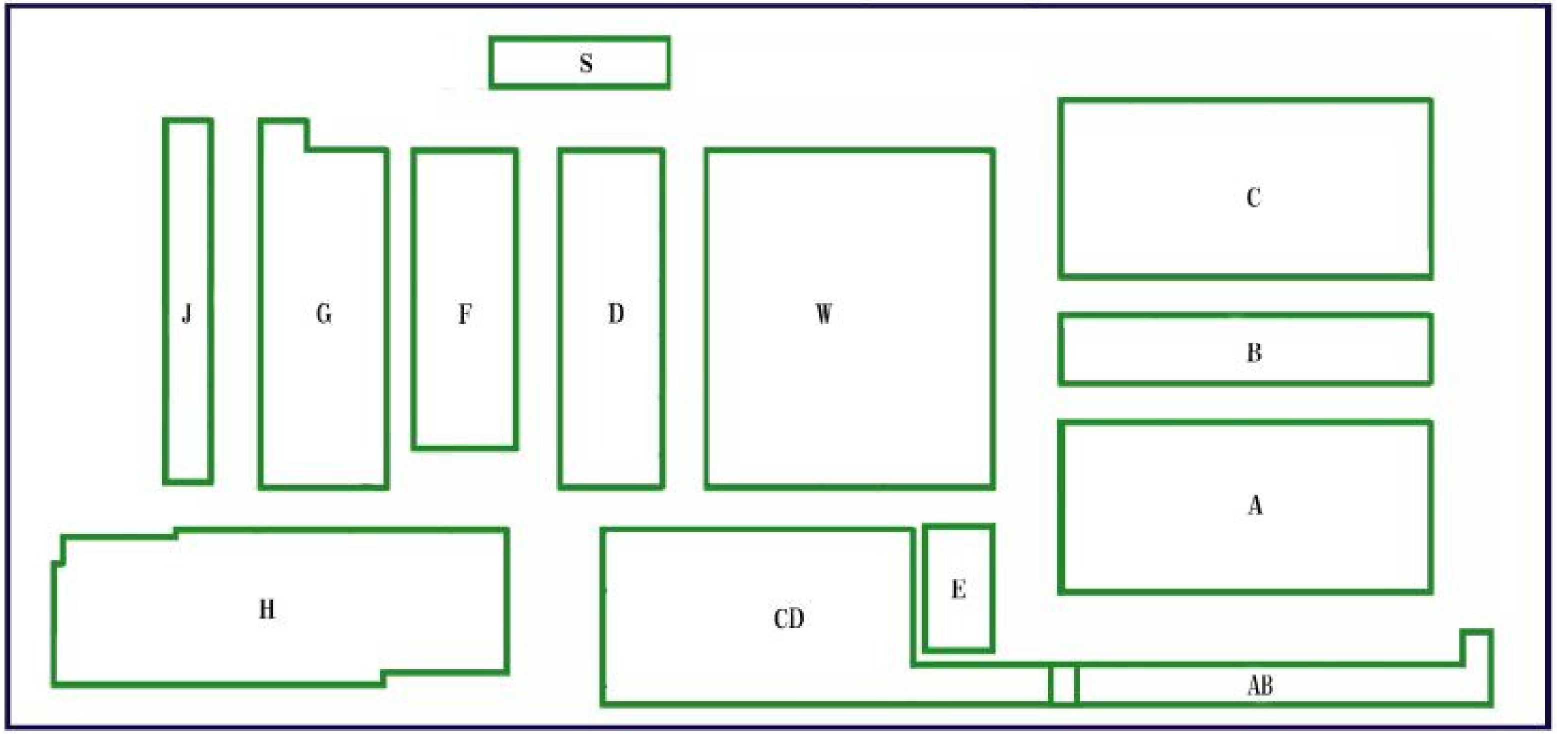
Outlook of Feng Gang Plant

Production Line of Automatic Machinery Hands

C. Capex

6-axis versatile industrial robots

鳳崗廠房平面圖
Floor Plan For Feng Gang Plant



Administration Office 行政樓 -AB
Metal Stamping & Computer Casing Assembly 五金衝壓及機箱組裝 -A
Power Station & Metal Stamping 配電房及金屬衝壓 -B
Plastic Injection & OA Assembly 注塑及文儀組裝 -C
Canteen & Dormitory 飯堂及宿舍 -CD
Numerical Control Production & OA Assembly 數控制作及文儀組裝 -D

Engineering & R&D 工程及研發部 -E
Warehouse & OA Assembly 貨倉及文儀組裝 -F
Computer Casing Assembly 機箱組裝 -J
Warehouse 貨倉 -H
Central Warehouse 中央倉 -W
Sewage Treatment 污水處理 -S

Site area of 65,000 sq. meters 佔地面積約65,000平方米

C. Capex

Yixing Development Project

D. Finance

The Group has been focusing on its own core business and follows a prudent financial policy.

As at 30 September 2011, the unaudited net bank borrowing was approximately HK$129,628,000 and the net gearing ratio was approximately 15% (the net gearing ratio was approximately 22% as at 30 September 2010). It is expected that by the end of financial year 2011/12, the net gearing ratio will remain at less than 35%. As the non-current asset to shareholders' fund ratio remains at a level of 89%, the financial position is still acceptable.

The bank borrowing was HK$376,456,000. With the cash and bank deposit of HK$246,828,000 and the banking facilities of approximately HK$1,558,600,000, the Group is confident to meet its current and future operational and capital expenditure requirements.

E. Prospect

1. In spite of the framework agreements entered into among various European countries to solve the European debt problem and the leveraging of the European financial stability facility to put off the European debt crisis, the impacts of economic downturn in Europe and the US will continue to linger. Moreover, as the problem of "three aspects of shortages and two aspects of high costs" persists, the Group must be prepared to face tough and severe conditions for the rest of the year.

2. The Group's interim results are not satisfactory and the Group is not optimistic about the economy in the second half of the year given the continuing European debt crisis, slow economic recovery in the US and recurrent social unrests in Egypt, where the supply of electronic components is further affected by the flooding in Thailand. Accordingly, it is expected that turnover for the second half of the year will experience a low double-digit decrease. The Group will use its best endeavors to enhance production efficiency and launch cost effective measures with a view to achieving turnaround in the results performance for the financial year.

3. In general, the Group will face more challenges in the future and must pursue excellence, create value and optimize production. Accordingly, the Group shall endeavor to make upgrades and transform business in an innovative way. Decisive measures taken are as follows:

E. Prospect

3. (a) Lean production:

The Group has to continue to enhance production capacity and reduce production expenses. Accordingly, the Group will from time to time optimize the production flow and standardize work procedures, and encourage all staff to comply with such. The Group will conduct comprehensive quality control to eliminate idleness and wastage; reduce inventory, defective products, substandard products and waste products; and make timely delivery to improve cost effectiveness and operating efficiency and increase its ability to respond to market.

(b) Equipment automation:

Given the rising wages, the Group must target at its intensive labor operation to reduce the pressure of increasing labor costs, labor shortage and turnover. It is expected that a total of forty 6-axis versatile industrial robots will be purchased in 2011/12 (of which twenty robots are in operation). This will increase capital investment, but it is highly efficient in the long run with stable production and assuring quality.

E. Prospect

3. (c) Management innovation:

In order to effectively provide one-stop production services, the Group also attempts to subcontract its production procedures. Accordingly, the Group will focus on handling customers' orders and production quality where the subcontractors will act as partners of the Group to be in charge of production and operation. The Group initially plans to improve mould design and production efficiency through subcontracting incentive scheme and venturing scheme.

(d) Upgrade and transformation

To cope with the strategic development in China, the domestic plants have begun their upgrade and transformation from a contract processing factory to a wholly-owned foreign enterprise. The upgrade and transformation do not affect normal operation and production but build confidence of customers on our production and help explore sales opportunities in China.

E. Prospect

3. (e) Diversified development:

The Group, on the one hand, specializes in its principal businesses and achieves steady growth. On the other hand, it also explores different business opportunities in both its principal business and non-principal business to maximize the shareholders' returns. Currently, diversification, whether principal activities or non-principal activities, has no immediate nor substantial effect on the results for this financial year. On the contrary, capital investment is required. Only new products, new customers, new technologies and new businesses can generate long-term benefits for the Group. It is expected that the Yixing Commercial Hotel Project will generate revenue to the Group by the end of 2012. The Group shall take into account the operating conditions of the Yixing Commercial Hotel Project and economic environment to assess the future development of diversified projects including hotels, tourism, properties, cultural industries and wedding theme cities. No final decision has been made at present.

E. Prospect

4. The unaudited turnover of the Group for October 2011 was approximately HK$188,000,000 (October 2010: HK$215,000,000). As the unaudited turnover for this month may not represent the final result for the year ended 31 March 2012, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.

Appendix 1

Dividend

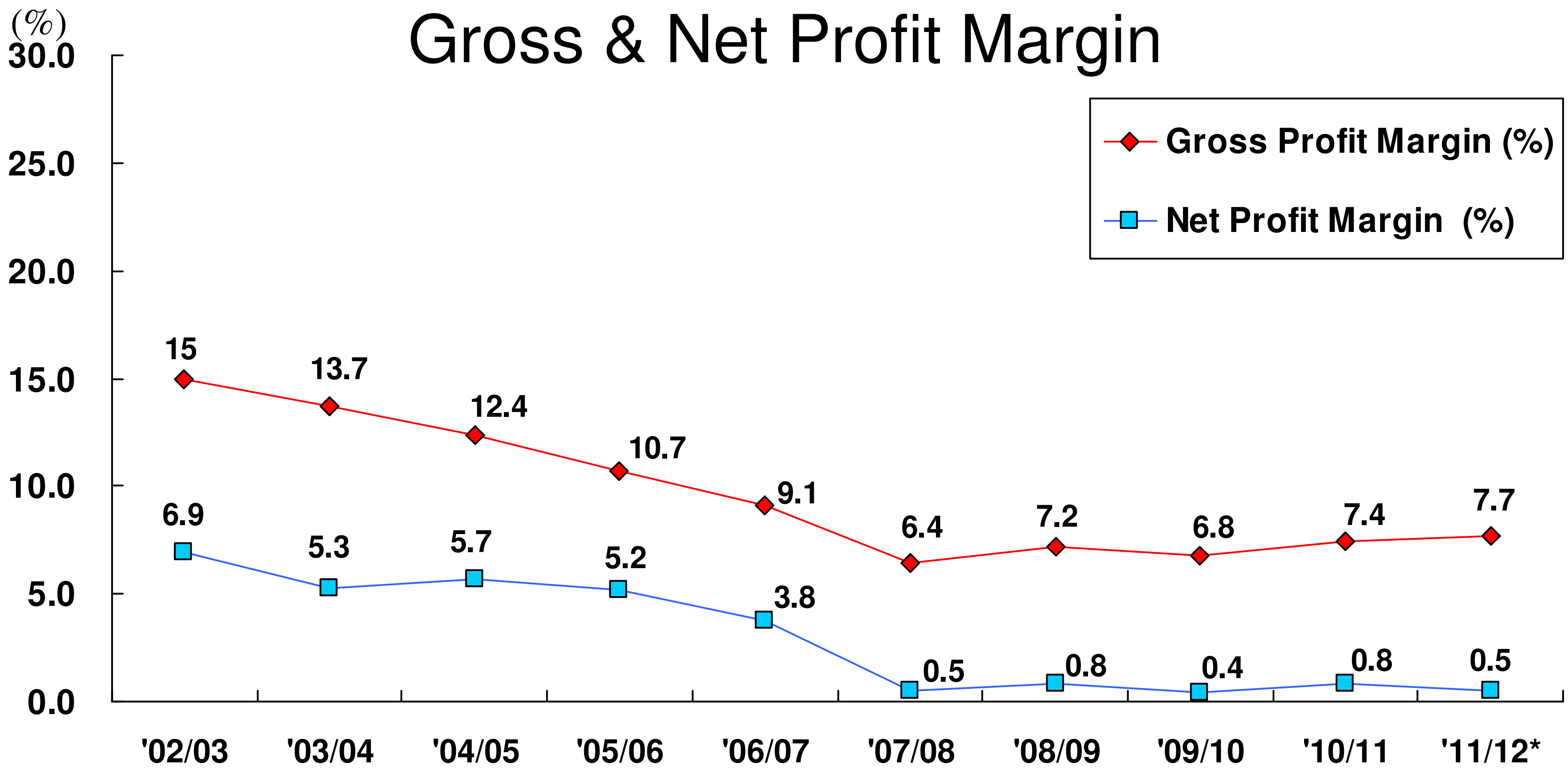
Dividend Payout for the past 15 years

All dividend paid shown above is in HK cents per share

	Interim	Final	**Subtotal**	Interim Special	Final Special	**Special Subtotal**	***Total***	*Dividend Payout Ratio* (Excluding)*	*Dividend Payout Ratio* (Including)#
1997/98	Nil	1.00	**1.00**	Nil	Nil	**Nil**	***1.00***	13%	N/A
1998/99	2.00	2.00	**4.00**	Nil	Nil	**Nil**	***4.00***	58%	N/A
1999/00	2.20	2.20	**4.40**	Nil	Nil	**Nil**	***4.40***	77%	N/A
2000/01	1.10	3.80	**4.90**	Nil	6.20	**6.20**	***11.10***	69%	156%
2001/02	5.00	5.90	**10.90**	5.00	14.10	**19.10**	***30.00***	50%	138%
2002/03	8.00	11.00	**19.00**	Nil	5.00	**5.00**	***24.00***	60%	75%
2003/04	8.00	12.00	**20.00**	Nil	Nil	**Nil**	***20.00***	87%	N/A
2004/05	8.50	12.50	**21.00**	Nil	Nil	**Nil**	***21.00***	57%	N/A
2005/06	9.00	13.00	**22.00**	Nil	3.00	**3.00**	***25.00***	48%	55%
2006/07	8.50	3.00	**11.50**	Nil	Nil	**Nil**	***11.50***	38%	N/A
2007/08	0.75	Nil	**0.75**	Nil	Nil	**Nil**	***0.75***	27%	N/A
2008/09	Nil	1.50	**1.50**	Nil	Nil	**Nil**	***1.50***	39%	N/A
2009/10	Nil	1.00	**1.00**	Nil	Nil	**Nil**	***1.00***	46%	N/A
2010/11	Nil	1.10	**1.10**	Nil	Nil	**Nil**	***1.10***	45%	N/A
2011/12 △	Nil	N/A	**Nil**	Nil	N/A	**Nil**	***Nil***	N/A	N/A

Remarks: △ 2011/12 Interim Results only   * Excluding special dividend   # Including special dividend

Appendix 2



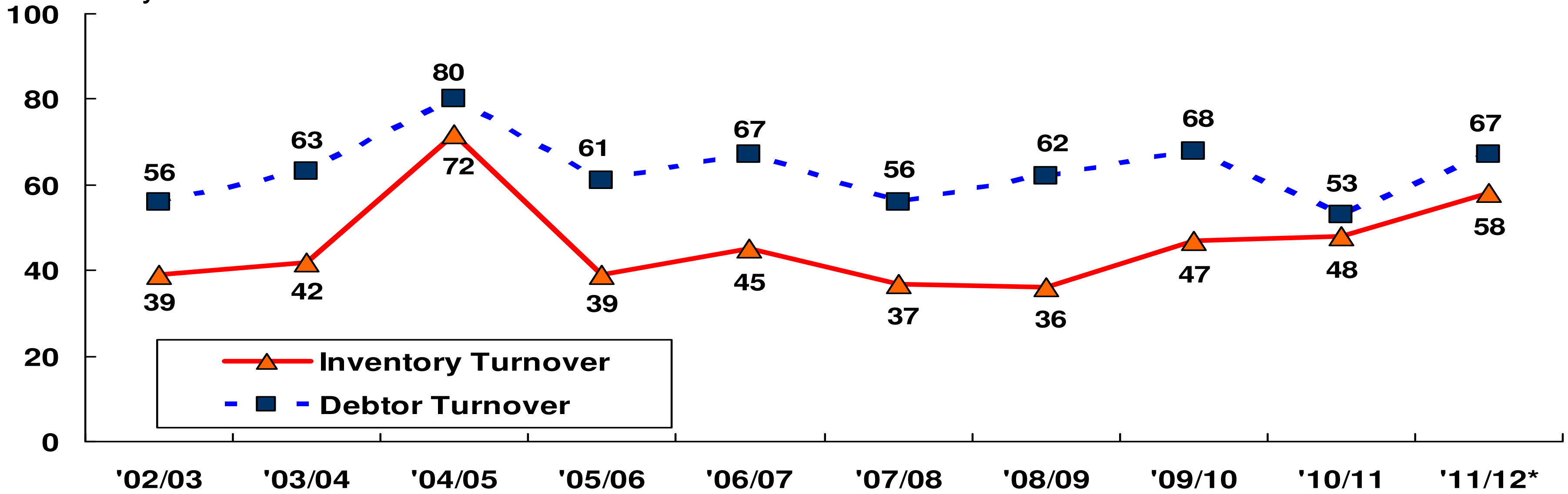
(%)	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Gross Profit Margin	15	13.7	12.4	10.7	9.1	6.4	7.2	6.8	7.4	7.7
Net Profit Margin	6.9	5.3	5.7	5.2	3.8	0.5	0.8	0.4	0.8	0.5
HK$(million)										
Turnover / Revenue	1,738	1,693	2,563	3,597 #	3,328 #	2,803 #	2,464 #	2,245 #	2,605 #	1,114 #
Profit / (loss) for the year	120	90	147	186	125	13	20	9	22	6

*2011/12 Interim Results only

#Revenue = Turnover + Other Revenue

Appendix 3

Inventory & Debtor Turnover



(no. of days)	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Inventory Turnover	39	42	72	39	45	37	36	47	48	58
Debtor Turnover	56	63	80	61	67	56	62	68	53	67

Inventory Turnover Days

(no. of days)	11/03/31	11/09/30	Change(%)
Raw Material	26	27	+4%
WIP	9	11	+22%
Finished Goods	13	20	+54%
Total	**48**	**58**	**+21%**

Inventory

(HK$'000)	11/03/31	11/09/30	Change(%)
Raw Material	172,766	150,319	-13%
WIP	60,617	65,170	+8%
Finished Goods	84,323	112,980	+34%
Total	**317,706**	**328,469**	**+3%**

*2011/12 Interim Results only

Inventory turnover (Base on period end stock value / Cost of Sales) X 365 days
Debtor turnover (Base on period end debtors / Turnover) X 365 days

Appendix 4

Customer List

KONICA MINOLTA

IBM

NEC

SAGEMCOM

TiS

lenovo 联想

Canon

MEDION AKTIENGESELLSCHAFT

hp invent

maxell

Sortimo

OKI

WINCOR NIXDORF