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Karrie International Holdings Limited

嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

DISPOSAL OF PROPERTY

On 8 February 2012 after trading hours, the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Property at a total consideration of RMB147,001,414 (approximately HK\$180,812,000).

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios (as defined in the Listing Rules) exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As none of the Shareholders has a material interest in the transactions contemplated under the Agreement, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the terms of, and the transactions contemplated under, the Agreement. Pursuant to Rule 14.44 of the Listing Rules, on 8 February 2012, the Company obtained a written approval from the Closely Allied Group in lieu of holding a general meeting of the Company to obtain such approval.

A circular containing, among other things, further details of the Disposal, is expected to be despatched to the Shareholders within 15 Business Days after publication of this announcement, that is, on or before 29 February 2012.

INTRODUCTION

On 8 February 2012 after trading hours, the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, an Independent Third Party, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Property at a total consideration of RMB147,001,414 (approximately HK\$180,812,000).

THE AGREEMENT

Date

8 February 2012

Parties

Seller: Dongguan Jiabao Electronics Industry Co., Limited* (東莞嘉寶電子實業有限公司) (an indirect wholly-owned subsidiary of the Company)

Purchaser: The People's Government of Fenggang Town, Dongguan City, the PRC* (中國東莞市鳳崗鎮人民政府)

The Property to be sold

The land situated at No.7 and No.8 Yuquan Industrial Region, Dongshen II Road, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市東深二路玉泉工業區7號及8號) with a site area of approximately 103,678 square metres and all buildings erected thereon.

Consideration

The total consideration for the Disposal is RMB147,001,414 (approximately HK\$180,812,000), which was arrived at after arm's length negotiations between the Seller and the Purchaser, and shall be payable in cash in two instalments:

- (a) the first instalment of RMB5,000,000 (approximately HK\$6,150,000) shall be paid within one week from the date of signing of the Agreement; and
- (b) the remaining balance of RMB142,001,414 (approximately HK\$174,662,000) shall be paid by 31 March 2012.

Conditions Precedent

The Agreement takes effect upon the signing thereof.

Other material terms

1. The Purchaser agrees to lease the B2B Factory erected on the Property to the Seller for a period of 18 months at a monthly rental of approximately RMB230,000 (approximately HK\$282,900) subject to the terms of the Tenancy Agreement to be signed between the Purchaser and the Seller. If the Seller delivers vacant possession of the B2B Factory to the Purchaser before 1 October 2012, no rental for the B2B Factory will be payable to the Purchaser for the entire term of the lease.

2. Vacant possession of the remaining parts of the Property (other than such parts which are leased to the Seller pursuant to the Tenancy Agreement) shall be delivered to the Purchaser by 1 June 2012.
3. The Seller shall bear all the taxes and liabilities incurred in connection with the Disposal, save and except that the deed tax shall be paid by the Purchaser.

Completion

Upon full payment of the total consideration of RMB147,001,414 (approximately HK\$180,812,000).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group originally acquired the Property for potential expansion of its manufacturing business. However, in light of the slow sales growth of the Group as a result of the recent global economic downturn, it is expected that the Property may not be fully utilised in the near future and the entering into of the Agreement will enable the Group to realise the surplus land use right so that the proceeds generated from the Disposal can be used by the Group as general working capital and for future development.

The consideration for the Disposal was arrived at after arm's length negotiations between the Seller and the Purchaser with reference to the prevailing market value of the comparable lands in Dongguan City, the PRC. The proceeds of the Disposal will be used as general working capital of the Group. The net book value of the Property is approximately RMB110,376,000 (approximately HK\$135,762,480). It is expected that the Group will record a gain of approximately RMB20,752,000 (approximately HK\$25,524,960) after deduction of costs and expenses incurred and taxes by the Seller in connection with the Disposal.

The Directors (including the independent non-executive Directors) consider that the Agreement is on normal commercial terms, the terms of which are fair and reasonable, and the Disposal on the terms of the Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the metal and plastic business and electronic manufacturing services business.

The Purchaser

The Purchaser is the People's Government of Fenggang Town, Dongguan City, the PRC and is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios (as defined in the Listing Rules) exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Agreement if:

- (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the terms of, and the transactions contemplated under, the Agreement; and
- (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued shares of the Company giving right to attend and vote at a general meeting to approve the terms of, and the transactions contemplated under, the Agreement.

As none of the Shareholders has a material interest in the transactions contemplated under the Agreement, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the terms of, and the transactions contemplated under, the Agreement.

Pursuant to Rule 14.44 of the Listing Rules, on 8 February 2012, the Company obtained a written approval from the Closely Allied Group comprising Mr. Ho Cheuk Fai, the Chairman of the Board and an executive Director, and his associates, which are together interested in 615,364,000 shares of the Company (representing approximately 70.89% of the issued share capital of the Company) as at the date of this announcement, to approve the Disposal and the terms of the Agreement. The composition of the Closely Allied Group is set out below:

Name of the member of the Closely Allied Group	Number of Shares held
Mr. Ho Cheuk Fai, Chairman of the Board and an executive Director	139,356,000
Mr. Ho Cheuk Ming, a non-executive Director and the brother of Mr. Ho Cheuk Fai	12,104,000
Ms. Ho Po Chu, the chief executive of the Company and the spouse of Mr. Ho Cheuk Fai	55,100,000
New Sense	243,804,000
Castfast Properties	<u>165,000,000</u>
Total	<u>615,364,000</u>

GENERAL

A circular containing, among other things, further details of the Disposal, is expected to be despatched to the Shareholders within 15 Business Days after publication of this announcement, that is, on or before 29 February 2012.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Agreement”	a factory and land collection agreement (廠房及用地徵收協議書) dated 8 February 2012 in relation to the Disposal
“associates”	has the meaning ascribed to it under the Listing Rules
“B2B Factory”	the B zone of the B2 factory located within the Property
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and a public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Castfast Properties”	Castfast Properties Development Co., Ltd., a company incorporated in Hong Kong with limited liability which is held as to 87% by Honford Investments, which in turn is wholly-owned by Equity Trust (BVI)
“Closely Allied Group”	the closely allied group of Shareholders comprising Mr. Ho Cheuk Fai, Mr. Ho Cheuk Ming, Ms. Ho Po Chu, New Sense and Castfast Properties, which are together interested in 615,364,000 Shares (representing approximately 70.89% of the issued share capital of the Company) as at the date of this announcement
“Company”	Karrie International Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the terms of the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules

“Consideration”	RMB147,001,414 (approximately HK\$180,812,000), being the total consideration for the Disposal payable by the Purchaser to the Seller pursuant to the Agreement
“Directors”	directors of the Company
“Disposal”	the proposed disposal of the Property by the Seller to the Purchaser pursuant to the Agreement
“Equity Trust (BVI)”	Equity Trust (BVI) Limited, a company incorporated in the BVI with limited liability and the trustee for The Ho Family Trust
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honford Investments”	Honford Investments Limited, a company incorporated in the BVI, whose entire issued share capital is held by Equity Trust (BVI) as the trustee for The Ho Family Trust
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person who himself or herself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Sense”	New Sense Enterprises Limited, a company incorporated in the BVI, the entire issued share capital of which was held by Equity Trust (BVI) as trustee for The Ho Family Trust
“PRC”	the People’s Republic of China, which for the purpose hereof, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the land situated at No.7 and No.8 Yuquan Industrial Region, Dongshen II Road, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市東深二路玉泉工業區7號及8號) with a site area of approximately 103,678 square metres and all buildings erected thereon
“Purchaser”	the People’s Government of Fenggang Town, Dongguan City, the PRC* (中國東莞市鳳崗鎮人民政府)

“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Dongguan Jiabao Electronics Industry Co., Limited* (東莞嘉寶電子實業有限公司), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement to be entered into by the Purchaser and the Seller in relation to lease of the B2B Factory
“The Ho Family Trust”	a discretionary trust, the trustee of which is Equity Trust (BVI) and the settler of which is Mr. Ho Cheuk Fai, and its discretionary objects include Mr. Ho Cheuk Ming, Ms. Ho Po Chu and Mr. Ho Cheuk Fai’s children under 18
“%”	per cent

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

Hong Kong, 8 February 2012

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

For purpose of this announcement, the conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$1.23.

* *For identification purposes only*