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 2008

HIGHLIGHTS

	2008 *HK$'000*	2007 *HK$'000*	**Changes in %**
Turnover	**2,802,974**	3,328,097	**-16%**
Profit attributable to equity holders	**13,148**	124,928	**-89%**
Basic earnings per share	**HK2.8 cents**	HK29.6 cents	**-91%**
Final dividend per share	**HK Nil cents**	HK3.0 cents	**-100%**
Return on equity ratio	**2%**	22%	**-91%**

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 2008 together with the comparative figures for 2007 as follows:

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	Note	Group **2008** ***HK$'000***	Group 2007 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**46,873**	47,927
Deposits for acquisition of land use rights		**26,400**	–
Property, plant and equipment		**378,328**	269,150
Interest in associated companies		**400**	–
Deferred tax assets		**387**	1,042
		452,388	318,119
Current assets			
Inventories		**264,352**	374,974
Trade receivables	*3*	**430,742**	610,850
Prepayments, deposits and other receivables	*3*	**151,412**	35,015
Amount due from associated companies		**–**	8,770
Tax prepaid		**4,783**	–
Pledged bank deposits		**–**	6,359
Cash and bank balances		**353,140**	267,280
		1,204,429	1,303,248
Total assets		**1,656,817**	1,621,367
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**57,720**	41,228
Other reserves		**212,326**	107,505
Retained earnings			
– Proposed final dividend		**–**	12,369
– Others		**405,371**	395,096
		675,417	556,198
Minority interest		**424**	424
Total equity		**675,841**	556,622

	Note	Group 2008 HK$'000	Group 2007 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings, secured		**188,700**	90,875
Deferred tax liabilities		**8,753**	7,536
Provision for long service payments		**9,793**	6,053
		207,246	104,464
Current liabilities			
Taxation payable		**–**	2,959
Trade and bills payables	*4*	**351,379**	451,605
Accruals and other payables		**202,365**	183,086
Receipts in advance		**2,614**	4,929
Amount due to associated companies		**811**	–
Short-term bank borrowings, secured		**216,561**	317,702
		773,730	960,281
Total liabilities		**980,976**	1,064,745
Total equity and liabilities		**1,656,817**	1,621,367
Net current assets		**430,699**	342,967
Total assets less current liabilities		**883,087**	661,086

CONSOLIDATED INCOME STATEMENT – by function of expense

FOR THE YEAR ENDED 31 MARCH 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Revenue	5	**2,802,974**	3,328,097
Cost of sales	6	**(2,623,931)**	(3,024,002)
Gross profit		**179,043**	304,095
Distribution and selling expenses	6	**(34,948)**	(40,343)
General and administrative expenses	6	**(117,225)**	(113,358)
Operating profit		**26,870**	150,394
Finance income	7	**14,853**	11,104
Finance costs	7	**(20,071)**	(23,764)
Profit before taxation		**21,652**	137,734
Taxation	8	**(8,504)**	(12,806)
Profit attributable to equity holders of the Company		**13,148**	124,928
Earnings per share (expressed in HK cents)			
– Basic	9	**2.8**	29.6
– Diluted	9	**2.8**	29.4
Dividends	10	**4,329**	47,413

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**21,652**	137,734
Adjustments for non-cash items/interest/tax	**30,357**	31,376
Changes in working capital	**109,527**	(14,446)
Net cash generated from operating activities	**161,536**	154,664
Net cash used in investing activities	**(177,352)**	(86,129)
Net cash generated from/(used in) financing activities	**101,628**	(124,764)
Net increase/(decrease) in cash and cash equivalents	**85,812**	(56,229)
Cash and cash equivalents at 1 April	**267,145**	323,374
Cash and cash equivalents at 31 March	**352,957**	267,145
Analysis of cash and cash equivalents:		
Cash and bank balances	**353,140**	267,280
Bank overdrafts	**(183)**	(135)
	352,957	267,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried 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) Standards, amendment and interpretations effective in current year

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements;

HK(IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements; and

HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions". HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in current year but not relevant for the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

- HK(IFRIC) – Int 9, "Re-assessment of embedded derivatives".

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009;

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets;

- HKAS 32 and HKAS 1 (Amendments) "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective for annual periods beginning on or after 1 January 2009). The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity;

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker;

- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts;

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010;

- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any significant impact on the Group's financial statements; and

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC/HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services; and

- HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2 Segment information

(a) Primary reporting format – business segments

At 31 March 2008, the Group is principally engaged in the manufacture and sale of computer casings, office automation products, moulds, plastic and metal parts (together referred to as "Metal and Plastic Business") and provision of electronic manufacturing services ("EMS Business").

In accordance with the Group's internal financial reporting, the Group has determined that major product segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The segment results for the year ended 31 March 2008 are as follows:

	2008			
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues				
Total segment revenue	**1,419,684**	**1,478,407**	**3,007**	**2,901,098**
Inter-segment revenue	**(98,124)**	**–**	**–**	**(98,124)**
Revenue	**1,321,560**	**1,478,407**	**3,007**	**2,802,974**
Segment results	**48,127**	**(24,264)**	**3,007**	**26,870**
Finance income				**14,853**
Finance costs				**(20,071)**
Profit before taxation				**21,652**
Taxation				**(8,504)**
Profit attributable to equity holders of the Company				**13,148**

	2007			
	Metal and plastic business *HK$'000*	Electronic manufacturing services business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenues				
Total segment revenue	1,605,146	1,839,112	8,067	3,452,325
Inter-segment revenue	(124,228)	–	–	(124,228)
Revenue	1,480,918	1,839,112	8,067	3,328,097
Segment results	132,270	10,057	8,067	150,394
Finance income				11,104
Finance costs				(23,764)
Profit before taxation				137,734
Taxation				(12,806)
Profit attributable to equity holders of the Company				124,928

Other segment items included in the consolidated income statement are as follows:

	2008		
	Metal and plastic business	**Electronic manufacturing services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Depreciation	**40,534**	**18,860**	**59,394**
Amortisation	**557**	**497**	**1,054**
Provision for impairment of trade and other receivables	**774**	**1,821**	**2,595**
Write-back of provision for obsolete and slow-moving inventories	**(5,193)**	**(6,277)**	**(11,470)**

	2007		
	Metal and plastic business	Electronic manufacturing services business	Total
	HK$'000	*HK$'000*	*HK$'000*
Depreciation	36,865	16,113	52,978
Amortisation	515	535	1,050
Provision for/(write-back of provision for) impairment of trade and other receivables	548	(22)	526
(Write-back of provision)/provision for obsolete and slow-moving inventories	(15)	15	–

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year ended are as follows:

	2008		
	Metal and plastic business	**Electronic manufacturing services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**827,892**	**484,307**	**1,312,199**
Unallocated assets			**344,618**
Total assets			**1,656,817**
Segment liabilities	**367,767**	**259,133**	**626,900**
Unallocated liabilities			**354,076**
Total liabilities			**980,976**
Capital expenditures	**107,668**	**64,461**	**172,129**

	Metal and plastic business	2007 Electronic manufacturing services business	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	810,922	693,229	1,504,151
Unallocated assets			117,216
Total assets			1,621,367
Segment liabilities	343,308	408,351	751,659
Unallocated liabilities			313,086
Total liabilities			1,064,745
Capital expenditures	53,173	38,452	91,625

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, and cash and bank balances. Unallocated assets include prepaid tax, deferred tax assets and interest in associated companies.

Segment liabilities comprise operating liabilities. Unallocated liabilities include items such as taxation payable and deferred tax liabilities.

Capital expenditure comprises additions to leasehold land and land use rights and property, plant and equipment.

(b) Secondary reporting segments – geographical segments

The Group's revenues are mainly derived from customers located in Japan, Hong Kong, China, Asia (excluding Japan, Hong Kong and China), North America and Western Europe.

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Japan	**252,894**	259,253
Hong Kong	**84,018**	83,788
China	**741,178**	745,730
Asia (excluding Japan, Hong Kong and China)	**636,698**	591,082
North America	**284,213**	477,525
Western Europe	**803,973**	1,170,719
Total	**2,802,974**	3,328,097

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

	2008	2007
	HK$'000	*HK$'000*
Segment assets		
Japan	**1,251**	–
Hong Kong	**787,331**	821,951
China	**819,189**	725,647
North America	**25,912**	25,799
Western Europe	**23,134**	47,970
Total	**1,656,817**	1,621,367

Segment assets are allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**3,139**	2,351
China	**168,974**	89,245
North America	**2**	3
Western Europe	**14**	26
Total	**172,129**	91,625

Capital expenditure is allocated based on where the assets are located.

3 Trade receivables, prepayments, deposits and other receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**441,839**	619,352
Other receivables	**122,796**	21,599
	564,635	640,951
Less: Provision for impairment of trade and other receivables	**(11,097)**	(8,502)
	553,538	632,449
Prepayments	**4,598**	10,295
Deposits	**24,018**	3,121
	28,616	13,416
	582,154	645,865

The Group generally grants credit periods ranging from 30 to 120 days. Aging analysis of trade and other receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**547,193**	565,628
91 to 180 days	**11,236**	20,699
181 to 360 days	**3,479**	51,388
Over 360 days	**2,727**	3,236
	564,635	640,951

4 Trade and bills payables

Aging analysis of trade and bills payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**323,818**	416,870
91 to 180 days	**20,993**	20,046
181 to 360 days	**4,150**	10,914
Over 360 days	**2,418**	3,775
	351,379	451,605

5 Revenue

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of merchandise from		
– Metal and plastic business	**1,321,560**	1,480,918
– Electronic manufacturing services business	**1,478,407**	1,839,112
	2,799,967	3,320,030
Other gains		
Rental income	**3,007**	3,176
Management service fee income	**–**	4,891
	3,007	8,067
Total revenue	**2,802,974**	3,328,097

6 Expenses by nature

	2008 *HK$'000*	2007 *HK$'000*
Cost of inventories	**2,256,203**	2,689,656
Depreciation of property, plant and equipment	**59,394**	52,978
Amortisation of leasehold land and land use rights	**1,054**	1,050
Employee benefit expenses (including Directors' emoluments)	**234,207**	215,375
Operating lease rental of premises	**14,707**	20,666
Net exchange gain	**(8,889)**	(2,296)
Auditors' remuneration	**1,650**	1,598
Provision for impairment of trade and other receivables	**2,595**	526
Write-off of other receivables	**918**	–
Write-back of provision for amount due from associated companies	**–**	(1,874)
Write-back of provision for obsolete and slow-moving inventories	**(11,470)**	–
Net loss on disposal of property, plant and equipment	**3,192**	367
Other expenses	**222,543**	199,657
	2,776,104	3,177,703
Representing:		
Cost of sales	**2,623,931**	3,024,002
Distribution and selling expenses	**34,948**	40,343
General and administrative expenses	**117,225**	113,358
	2,776,104	3,177,703

7 Finance income and costs

	2008 *HK$'000*	2007 *HK$'000*
Interest expense on:		
– bank borrowings wholly repayable within five years	**20,071**	23,670
– others	**–**	94
Finance costs	**20,071**	23,764
Finance income – Interest income	**(14,853)**	(11,104)
Net finance costs	**5,218**	12,660

8 Taxation

The Company is exempted from Bermuda taxation until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
Current taxation: Hong Kong profits tax		
– current year	**5,146**	14,586
– under-provision in prior years	**1,486**	755
Deferred taxation	**1,872**	(2,535)
Taxation charge	**8,504**	12,806

9 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.

	2008	2007
Profit attributable to equity holders of the Company (in HK$'000)	**13,148**	124,928
Weighted average number of ordinary shares in issue (in thousand shares)	**474,971**	422,319
Basic earnings per share (HK cents per share)	**2.8**	29.6

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

The Company has outstanding share options, which have a dilutive effect on the ordinary shares. A calculation has been performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to equity holders of the Company (in HK$'000)	**13,148**	124,928
Weighted average number of ordinary share in issue (in thousand shares)	**474,971**	422,319
Adjustment for share options (in thousand shares)	**41**	2,091
Weighted average number of ordinary shares for diluted earnings per share (in thousand shares)	**475,012**	424,410
Diluted earnings per share (HK cents per share)	**2.8**	29.4

The weighted average number of ordinary shares for the calculation of the 2007 basic and diluted earnings per share has been adjusted for the effect of rights issue in November 2007.

10 Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK0.75 cents (2007: HK8.5 cents) per ordinary share	**4,329**	35,044
Final dividend, proposed, of HK Nil cents (2007: HK3.0 cents) per ordinary share	**–**	12,369
	4,329	47,413

The directors do not recommend the payment of a final dividend in respect of 2007/08.

PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

- Metal and Plastic Business: manufacturing and sale of metal and plastic products including computer casings, office automation products, video tape cassettes, 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" and other computer peripherals.

Business review

- The turnover of the Metal and Plastic Business for year ended 31 March 2008 was HK$1,321,560,000 (for the year ended 31 March 2007: HK$1,480,918,000), 11% lower than that for the corresponding period last year. The decline was mainly attributed to the fact that the Group had acceded to the price-cutting request from one of its major customers, based on a mistaken belief that by doing so the Group would be able to secure orders from this customer as a sole supplier. However, it turned out that the Group was not able to secure orders for some of the new projects, and that shipments for the existing orders had also slowed down. This has led to a decline in both the turnover and profit. The operational profit for the year is HK$48,127,000 (for the year ended 31 March 2007: HK$132,270,000), approximately 64% lower than that for the same period last year.

- The turnover of the EMS Business for the year ended 31 March 2008 dropped by 20% to HK$1,478,407,000 (for the year ended 31 March 2007: HK$1,839,112,000). The EMS Business recorded an operational loss of HK$24,264,000 during the year. This was mainly attributable to a drop of 44% in the sales of one of laser printers of our major customers when compared with the sales for the corresponding period last year. The sales to this major customer had not been recovered after this major customer had restructured its business whilst sales from the other customers were insufficient to mitigate the decrease in the size of the abovementioned decrease in shipment. As a result, the overall turnover of the EMS Business dropped accordingly during the relevant period.

Fear no challenges

- This financial year is obviously the most challenging year that we have ever met. At the macro-economy level, the sub-prime mortgage crisis in the U.S. remains unsolved and may further deteriorate, and the U.S. economy may fall into stagflation and even recession. The global economy has become worse as the global credit crunch results in a tight money supply. Without exception, China has also been adversely affected.

- In order to mitigate the inflation, China has raised interest rate and deposit reserve ratio several times to curb liquidity and to prevent its economy from overheating. However, these restrictive policies are apparently unfavorable to the reconstruction of the devastated areas in China after China has suffered severe natural disasters like the snowstorm and earthquakes. Accordingly, China's economy is now facing a dilemma. Furthermore, rapid price rise in raw materials and the repeatedly record-breaking price rise in crude oil, appreciation of RMB, more rigid environmental protection laws and regulations as well as a series of labor protection laws and regulations such as the newly implemented Labor Contract Law and the minimum wage rules are also unfavorable factors. All of the above factors lead to a rapid rise in the overall cost of the labor-intensive manufacturing industries. In China, manufacturers that fail to control their costs effectively or fail to keep demand unaffected when passing on the increasing cost in full to their customers are in an even worse situation, China's position as the "world's factory" has become unstable. Under such adverse circumstances, many factories have been closed or relocated to other areas with lower labor cost.

– In addition, the commencement of operation of Yu Quan Plant and the expenses earmarked for the construction of Yixing plant have resulted in an increase in additional expenditure and operation cost.

Despite all these challenging situations, the Group still focuses on expansion in China market, fears no challenges and is confident to surmount these difficulties and taking steady steps forward. The Group adopts the following solutions to tackle the following major problems:

Appreciation of RMB

Weak US dollar has resulted in a 8% increase in the exchange rate of RMB against Hong Kong dollar during the year, and appreciation of RMB boosted the operation expenditures of the Group up. Given that RMB is not an international currency, we do not have any effective method to hedge the relevant risk. However, as most of the Company's raw materials have been procured from customers and designated suppliers and are settled in US dollar, the effect arising from the fluctuation of exchange rates can be reduced accordingly.

In the long run, the Company will pass on the increasing operation cost to its customers as much as possible. In our 2007/08 annual report, amount settled in RMB accounted for approximately 15% of the total cost.

Electricity supply

Electricity expenses accounted for less than 2% of the total cost. During the year, the Group used local power and diesel-powered generators as before to maintain 100% alternative power supply capacity and to ensure that its production would not be adversely affected. However, with the price of crude oil hitting US$145 per barrel, higher cost of energy and electricity would certainly affect the Group's profit. The Group managed to use local electricity, which was less expensive, to mitigate this adverse effect as the costs of alternative power supply capacity is higher than that of the local power. As a result, the average electricity expenses for the year decreased slightly than that of last year. However, the amount of HK$3,000,000 so saved was totally "swallowed" by the appreciation of RMB.

Steel price

The price of steel materials was relatively stable in the past two years, but has since the beginning of 2008 been on the rise, for more than 50%. The Group kept raising the prices of its products and stocking up steel materials. The steel materials accounted for approximately 5% of the total cost.

Labor

The Group complied with the newly implemented Labor Contract Law and strictly followed the minimum wage rules. This resulted in a double-digit increase in the Group's labor cost. To offset the rising labor cost, the Group has employed capital-intensive automatic machines and enhanced administrative efficiency to reduce labor headcount and to cut wage expenditure. During the year, salary/wage accounted for less than 10% of the total cost.

Keen Competition

The industry in which the Group operates is highly competitive, with the players therein competing with each other in such major aspects as productivity, product and service stability and quality, pricing, responsiveness to market and production capacity, etc. The management of the Group clings closely to the ever-changing business environment, grasps the market pulse, understands customers' needs, industry trends and various challenges, so as to capture opportunities and develop new business for the Group.

"THE THREE EQUILIBRIUMS"

We have always been focusing "the three equilibriums", which allowed us to achieve rapid growth or contraction while facing different problems and challenges. Achieving the "equilibriums" in conflicting circumstances is a difficult task, but it is also a key to successful corporate management. (please refer to page 16 to 17 of the 2006/07 Annual Report)

The First Equilibrium: "Risk of Investing" vs "Risk of Not Investing"

Despite the conflicting situation, Karrie's management team has never given up the pursuit of achieving an equilibrium between them. Since the financial year 2003/04, the Group has been implementing a capacity expansion plan to further exploit economies of scale, strengthen cost competitiveness and accelerate automation. After several years' investments (see chart below), it is expected that after completion of the capital expenditure of approximately HK$80,000,000 next year, the capacity and productivity will increase significantly to meet future business development of the Group. This round's Capex will terminate and the subsequent investment amounts will decrease remarkably.

	Turnover *HK$*	**Capex** *HK$*	**Net Gearing Ratio as at 31 March**
2001/02	1,156,262,000	15,000,000	-18%
2002/03	1,737,979,000	24,000,000	-9%
2003/04	1,692,960,000	59,000,000	1%
2004/05	2,563,190,000	62,000,000	56%
2005/06	3,592,741,000	92,000,000	21%
2006/07	3,320,030,000	92,000,000	25%
2007/08	2,799,967,000	199,000,000	8%
2008/09	N/A	80,000,000	<50%*

* Initial estimation

– Factory investment:

- Automation and factory expansion for future development purpose, which mainly includes:

  – completion of the expansion of phase II of the new Yu Quan Plant;

  – acquisition of new automation robotic transfer line for mass production, metal stamping and mould processing equipments and facilities for Yu Quan Plant; and

  – construction of Phase I of Yi Xing plant and acquisition of machinery.

- The Group devotes itself to meeting customers' demands in the Eastern China. It initially planned to lease factory premises in Wuzhong, Suzhou, Jiangsu province. However, after the signing of the lease, the landlord of the factory premises requested an increase of rental through the local government. Despite that Group had acceded to the request, at the time when renovation had commenced and machinery were then being moved into the factory premises, the landlord made another request to the Group verbally that an additional plant be built. The repeated requests for amendments to the terms and conditions of the lease cast doubts on the integrity of the landlord. As a result, the Group decided to terminate the relevant lease. Negotiation for the termination is under way and is expected to be finalised very soon.

- The Group pursues a strategy, which emphasizes setting up factories in the eastern China, providing best quality products and services to customers and growing up together, and at the same time providing value-added services to potential customers who develop and conduct businesses in the Yangtze River Delta, China, so as to explore more business opportunities. To continue this strategy, a wholly-owned subsidiary of the Company entered into an agreement to acquire the land use rights of a piece of land located in Jiangsu Yixing Economic Development Zone in Jiangsu Province in the Yangtze River Delta region, China, on 31 January 2008.

  The land has a site area of approximately 480 acres (approximately 320,000 sq.m.) (for reference: the existing three plants at Fenggang, Yan Tien and Yu Quan, Dongguan, with a total land area of approximately 470 acres). For more details, you may refer to the circular to shareholders dated 18 February 2008. It is planned that the first phase of the project will be commenced in the year 2008/09. It is estimated that the fixed asset investment for the construction of three factories and the acquisition of machinery will amount to HK$20,000,000. Due to the recent rainy weather, it is expected that trial production can only commence in the 4th quarter of 2008.

The Second Equilibrium: "Dividends" vs "Capex and Working Capital Requirement"

In determining dividends, the Board should consider the Capex and the working capital requirement and achieve a proper equilibrium.

On 11 October 2007, the Group announced to undertake a proposed rights issue of shares at the price of HK$0.75 per rights share, on the basis of four rights shares for every ten existing shares (the "Rights Issue"). The Rights Issue was successfully completed in November 2007. The Rights Issue has expanded share capital bases and increased shareholder bases. A net proceeds of approximately HK$121,690,000 was raised, which gave good financial support to the Group's future development and strengthened the working capital of the Group.

The Board has adopted a set of "New Dividend Policy" for the financial year ended 31 March 2008, which outlines the factors for consideration when determining the dividend for distribution, such as profit attributable to equity holders of the Company, cash flow and capex. In view of the setback in the results of the Group and the increase in Capex for the year, the Company adjusted its dividend distribution to its equity holders accordingly while its dividend policy remains unchanged. The Group has paid interim dividends of HK0.75 cents on 31 January 2008. According to the dividend policy of the Group, not less than 30% of profit attributable to equity holders is distributed as dividends. Taking into account of the interim dividend of HK0.75 cents, there is not much profit left available for dividend distribution to shareholders for the year. As at 15 June 2008, there were 696 equity holders and 537 of them held 2,000 or fewer shares. In order to save administration expenditures and retain profits of the Group for future development, after careful considerations, the Board does not recommend distribution of final dividends to shareholders this year.

Although the Company has entered into the stage of proactive investments, the non-current assets to shareholders' fund ratio remained at a healthy level of 67% (2006/07: 57%). Bank borrowings provided flexible allocation of financial resources for the Group, and net bank borrowing ratio and the net bank borrowing amount was 8% and HK$52,121,000 (31 March 2007: 25% and HK$141,297,000) respectively. It is expected that the non-current assets to shareholders' fund ratio for the year will be below 100% and the net bank borrowing ratio will stay at a healthy level of under 50%.

The Third Equilibrium: How to balance the customers' requirement for reasonable inventory vs the risk profile of the Group

As the sole supplier of specific projects of customers, we have to oblige to their requests to maintain a reasonable level of inventory. However, under our effective inventory management, the inventory turnover was 37 days, and the value of our inventory was approximately HK$264,352,000 as at 31 March 2008 (representing an inventory amount decrease of 30% as compared to 45 days and HK$374,974,000 as at 31 March 2007).

Geographical Distribution

The Group does not rely on one single market but ships to diverse markets. During the year, Asia (except Japan, China and Hong Kong) contributed HK$636,698,000 in turnover (2006/07: HK$591,082,000). Turnover from Japan amounted to HK$252,894,000 (2006/07: HK$259,253,000), that from China amounted to HK$741,178,000 (2006/07: HK$745,730,000) and that from Hong Kong amounted to HK$84,018,000 (2006/07: HK$83,788,000). Turnover from Western Europe amounted to HK$803,973,000 (2006/07: HK$1,170,719,000) and turnover from direct shipment to North America amounted to HK$284,213,000 (2006/07: HK$477,525,000).

PROSPECTS

The year under review was difficult and challenging. The aforesaid negative factors encompassed the Group and resulted in the downward trend of our overall gross profit margin and turnover, it is anticipated that our turnover for the coming year will remain steady or even drop by a single digit percentage. In response to the increasing expansion of the above cost structure and the uncertainties of the economic environment, the Company has taken the following measures accordingly:

(i) Proactively communicating with our customers with a view to transfer part of the costs to them;

(ii) Accelerating the process of automation and streamlining the approaching operation to improve efficiency, reducing consumption of raw materials and cutting labour cost;

(iii) The construction of Phase II of Yu Quan Plant is approaching its completion and the construction of Yixing Plant will soon commence, which will further increase our production capacity to meet the requirements of customers located in different regions. This will result in a more concentrated production and operation. Each of individual building is independently constructed so as to satisfy various customers' requirements. The operations can be run under either contract processing or WOFE business model to enhance flexibility and ensure smoothness in business operation for each customer;

(iv) In addition, as the Company's mission is to maximize shareholders' interest, it has also considered using factories as the focal point to develop other integrated businesses such as hotel, travel and property businesses. Personally, I have accumulated extensive experience and good proven records in this respect which I wish to be useful for the diversification of businesses of the Company. However, as at today, the Group has no detailed plans in this respect; and

(v) With the commencement of operation of Yu Quan Plant, production facilities in Yan Tien have begun to be relocated to Yu Quan Plant. But some production lines will remain in operation till the end of the year. By then, the Group will have vacated a site area of approximately 24,000 sq.m..Various plans as to the future use of the vacated site are still under discussion with the view of maximizing the interests of our shareholders.

The Group's unaudited turnover for the two months ended 31 May 2008 was HK$415,000,000 (2006/07: HK$463,000,000), as the unaudited turnover for these two months may not be able to reflect the final results for the year ended 31 March 2009, investors and shareholders should exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

The Group's business suffered a setback this year. In theory, the decrease in working capital requirements would reduce the bank borrowings requirements, assuming no deterioration in current assets quality. The inherent beauty of this self-adjusting mechanism of our business model is one of the key pillars of our confidence in the future of the Group.

Robust Cash Generating Ability

With the new Capex cycle coming to an end, the Group has taken a group-wide effort to improve the cash cycle. As a result, the Group maintains a net cash inflow from operating activities of HK$161,536,000 as compared to last year's net cash inflow of HK$154,664,000 despite a 16% decrease in turnover.

Additional Bank Borrowings

The Group has adequate financial flexibility backed by long term banking facilities secured. Our bankers have been very supportive. Hang Seng Bank, HSBC and Standard Chartered Bank have provided the Group with a five-year installment loan facility totalling HK$200,000,000. Such loan facilities had all been utilised as at 31 March 2008.

Raising funds by Rights Issue to expand shareholders' funds

During the year under review, net proceeds of approximately HK$121,690,000 were raised from the Rights Issue. The Group is of the view that the Rights Issue has enabled it to raise funds to support its business development and general working capital needs. With a strengthened financial position as a result of the Rights Issue, the Group will be able to make strategic investments promptly when opportunities arise.

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

The Non-current assets to Shareholders' Fund Ratio stayed at a healthy 67% (2006/07: 57%). 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

The financing arrangement for 2008/09 is by far more difficult than the last financial year because of the following reasons:

– Even though the 2008/09 Capex budget has been reduced, when compared to the actual expenditure of HK$198,529,000 for 2007/08, it remains high at HK$80,000,000;

– The financial market is stringent;

– The macro economic environment is unfavourable to the manufacturing industry.

As at 31 May 2008, the unaudited net bank borrowing ratio was approximately 25%. As such, we still expect the net gearing ratio will stay at a level of below 50%. We are also following our house rule of using our profit after tax and proceeds from the Rights Issue last year to finance our capital expenditures:

					Financing Capex by Profit				
HK$ million	**99/00**	**00/01**	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**
Profit After Tax	20	26	78	120	90	147	186	125	13
Depreciation	32	39	34	32	34	38	50	54	60
Proceeds of Rights Issue	–	–	–	–	–	–	–	–	122
	52	65	112	152	124	185	236	179	195
Less:									
CAPEX	57	65	15	24	59	62	92	92	199
Dividend/Dividends To Be Distributed	16	42*	113*	92*	82	86	103*	47	4
(Deficit)/Surplus	(21)	(42)	(16)	36	(17)	37	41	40	(8)
(Net Bank Borrowings)/Net Cash	(23)	(51)	64	34	(6)	(234)	(112)	(141)	(52)
(Net Gearing Ratio)/ Net Cash Ratio	(7%)	(16%)	18%	9%	(1%)	(56%)	(21%)	(25%)	(8%)

* Including special dividend

As a prudent manufacturer, we never entertain the idea of borrowing money to finance Capex, as this will expose the Group to financial difficulty should the economy take a sudden downturn.

However, from the experience of previous years, even with a decrease in turnover growth rate, a vigorous working capital management system would alleviate the burden on cash flow resulting from financing receivables and inventories.

Resources Available

The Directors are confident that with the cash in hand of HK$353,140,000 and banking facilities of HK$1,340,249,000, the Group is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

Exchange Rate Exposure

All 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 regarding raising its products' selling prices to mitigate the impact of the appreciation of the RMB on its business.

Contingent Liabilities

As at 31 March 2008, the Group had no significant contingent liabilities.

RECOGNITION

2007 IR Magazine Award

The Group's annual reports have won various awards including Asiamoney, IR Magazine and the Hong Kong Management Association in the past few years. Continuing this excellent track record, the Group's 2006/07 annual report received the first prize of "Best Annual Report and other Corporate Literature" award from IR Magazine. Besides, despite that the Group's performance declined during the year, the Group received the "Honorable Mention" in the "Grand Prix for the Best Overall Investors Relations in Hong Kong – Small/Mid Cap" by institutional investors and analysts by IR Magazine.

2007 HKMA Best Annual Reports Award

The Group also received "Honourable Mentions" and "Citation for Achievement in Corporate Governance Disclosure" in the 2007 Hong Kong Management Association Best Annual Reports Award. The Board believes that the Group's annual reports and other corporate literatures and website are important platforms for communication with shareholders and all stakeholders. The Group thus devotes "Heartfelt Dedication in All Details" (theme of the 2005/06 annual report) and resorts to using graphs, simple and clear language, and photos to communicate with investors, shareholders and other stakeholders. We are delighted that our efforts are recognized and we will continue to seek room for improvement.

Tea-break with individual investors

The Company is of the opinion that all investors shall have equal rights to get access to the certain information of the Company. Therefore, "Tea-Break with Individual Investors" event has been organised to create a new channel for effective communication with investors. Two "tea-breaks" were successfully organised during the year, at which various interactive activities were carried out between investors and the management, thereby investors deepened their understanding of the Group and made some suggestions. The Company considers that such communication channel is valuable in effectively communicating with individual investors. Two "tea-breaks" are expected to be held this year. The next "tea-break" is scheduled to take place on 25 July 2008 from 7 p.m. to 9 p.m. at Crystal Room IV, 3/F, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan. As part of the Group's social responsibility effort, participants will be asked to donate at least HK$50 to charity and the Group will match the donation up to a maximum of HK$10,000. For those who donate HK$100 or more, the Group will request the relevant charity to issue a receipt to the donor for tax deduction purpose. As the investors have become more knowledgeable about the Group, they are now less enthusiastic about attending tea-breaks. Coupled with the decline in the interest amongst investors in the shares of small industry sector, the number of investors attending tea-breaks has been dropping. Depending on the number of investors attending, we will consider reducing the number of tea-breaks from twice a year to once a year.

Interested investors are invited to visit the Group's website at www.karrie.com.hk for more details. Application form can be downloaded from the website or obtained by calling 2411-1142 during office hours. Since seats are limited, only investors whose applications are confirmed can join the function. If the total number of application is more than the seats available, the Group reserves the right to allocate the admission tickets by lottery. Investors are advised to grasp this opportunity to communicate directly with the management of the Company.

Talents Assembling, Brainstorming and Diligent Working

Despite the rapid growth in the past few years, the Group recently saw a slowdown in turnover. In addition, the operational difficulties we now face in the country and in relation to manufacturing industry, including rising labor cost in China, appreciation of RMB, higher consumer prices, surging diesel prices and rising raw materials price, has driven up overall operational costs and eroded the profit margin.

Nevertheless, the management has never been discouraged. As we stated in the Interim Report for 2007/08, if we always "prepare for the worst and plan ahead for the best", and implement the policy of "increase the revenue and control the costs" in a rapid and decisive way, we can withstand the wildest storm.

"Join together and brainstorming". During the year, the Group has broken the tradition and held a brainstorming session in March 2008 at Breakthrough Youth Village which lasted for two days and one night. During the brainstorming session, the management considered the future direction of the Group from various viewpoints, and managed to create some innovative methods to broaden the revenue base and control the costs. The brainstorming session also urged for team spirit and effective implementation of the policies. During the brainstorming session, the attendees shared with the others their own management knowledge and experiences in such areas as metal/plastic production, assembly production, logistics management, market development and administration. In the meantime, they set up a mutual goal for each of these areas and ensured that the Group's objective of "cost control and higher efficiency" for the year could be achieved.

Many practical action plans have been formulated at the brainstorming session. In respect of production, there were plans for avoiding wastage of raw material and controlling scrap through mould design, technology improvement, combination of machinery and equipment as well as training. In respect of logistic management, there were plans to enhance performance level of suppliers, shorten order circle, strengthen storage management and accelerate material management and response speed as well as control scrap strictly by reinforcing a series of measures. In respect of administration, there were plans to reduce excess employees and retrench staff through structure and foundation reorganization, and strengthen the policy that linking performance management with reward. Whilst cost controlling is important, broadening the revenue base is more important. In respect of marketing, there were plans to readjust strategies and explore more opportunities, in addition to actively develop new projects with existing customers.

Each action plan has been implemented at full speed, for which the Board will monitor closely and has confidence that each plan will be successful.

Pressing Forward In One Mind and Join Forces to Excel

Predicting from the current year, the Group is expected to be exposed in the coming year to various uncertainties, including a sharp increase in raw material price, soaring oil price, appreciation of the Renminbi, macro-economic regulating measures, repercussions of the sub-prime crisis, credit crisis and rising wages etc. Although the aforesaid problems will affect the Group's profit margin to a certain extent, but the Group has, in the face of such great challenges, made sufficient preparation in the area of funding requirement, personnel training and maintenance of team spirit, thereby showing great foresight, overcoming challenges, taking up future investment direction, surmounting difficulties and marching steadily towards our goal. With excellent team spirit and effective management, we are determined to achieve better results and seek greater return for our shareholders. Though facing uncertainties, we have strong belief in a bright prospect as long as we make efforts in one mind.

As an old Chinese saying goes "a journey of a thousand miles starts with the first step" (main theme of the 2004/05 annual report), we can steadily go forward. It is the firm belief of our prudent team that with "heartfelt dedication in all details" (main theme of the 2005/06 annual report), the Group will be able to accumulate and learn from experience, forge a solid foundation, work in unity and "Ride the waves" (main theme of the 2006/07 annual report) to overcome all difficulties, and "Join Forces to Excel" (main theme of the 2007/08 annual report).

Dividend

The Board does not recommend the payment of any final dividend in respect of this year (2006/07: HK3 cents). Together with the interim dividend of HK0.75 cent per share already paid, total dividend for this year will amount to HK0.75 cent (2006/07: HK11.5 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 August 2008 to Friday, 22 August 2008 (both dates inclusive) during which period no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 15 August 2008.

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 2008, the Company had applied the principles and complied with the requirements set out in the Code on Corporate Govenance Practices ("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 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 without a specific term. 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. Mr. Ho Cheuk Ming, Non-executive Director, is also subject to retirement by rotation according to the Bye-laws of the Company. 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 annual general meetings at least once every three years.

Under Code Provision E.1.2, the Chairman of the Audit Committee and Remuneration Committee or their delegates should be arranged to attend the Company's annual general meeting. The Chairman of the Audit and Remuneration Committees, Mr. So Wai Chun, had not attended the annual general meeting of the Company held on 17 August 2007 (the "Meeting") as he had another business engagement and no delegate had been arranged to attend the Meeting. The Chairman of the Board, Mr. Ho Cheuk Fai, together with other members of the Board had attended the Meeting in which Mr. Lee Shu Ki, the Executive Director of the Company, took the chair of the Meeting. The Board considers that the Chairman of the Board and the members of the Board who attended the Meeting were already of sufficient calibre and number for answering questions from shareholders at the Meeting.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the consolidated results of the Group for the year ended 31 March 2008.

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.

My special appreciation is given to Mr. Wong Shun Pang, the executive director, for his dedication to the Group during the past years with rich experience in the engineering and manufacturing management in the plastic, metal and electronic industries. He resigned as the director of the Company for health reasons on 1 December 2007.

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

By Order of the Board
Ho Cheuk Fai
Chairman

Hong Kong, 3 July 2008

* *For identification purpose only*