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 2009

HIGHLIGHTS

	2009 *HK$'000*	2008 *HK$'000*	Changes in %
Revenue	**2,463,926**	2,802,974	-12%
Profit for the year	**20,433**	13,148	+55%
Basic earnings per share	**HK3.8 cents**	HK2.8 cents	+36%
Final dividend per share	**HK1.5 cents**	HK Nil cents	N/A
Return on Equity Ratio	**3%**	2%	+50%

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 2009 together with the comparative figures for 2008 as follows:

BALANCE SHEETS
AS AT 31 MARCH 2009

	Note	Group 2009 HK$'000	Group 2008 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**72,096**	46,873
Deposits for acquisition of land use rights		**–**	26,400
Property, plant and equipment		**435,732**	378,328
Investment in associated companies		**601**	400
Deferred tax assets		**349**	387
		508,778	452,388
Current assets			
Inventories		**227,062**	264,352
Trade receivables	*3*	**419,064**	430,742
Prepayments, deposits and other receivables	*3*	**69,486**	151,412
Tax prepaid		**4,017**	4,783
Cash and bank balances		**641,440**	353,140
		1,361,069	1,204,429
Total assets		**1,869,847**	1,656,817
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**57,710**	57,720
Other reserves		**199,748**	212,326
Retained earnings			
– Proposed final dividend		**8,657**	–
– Others		**432,054**	405,371
		698,169	675,417
Minority interest		**43,026**	424
Total equity		**741,195**	675,841

	Note	Group 2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**118,700**	188,700
Deferred tax liabilities		**6,880**	8,753
Provision for long service payments		**12,929**	9,793
		138,509	207,246
Current liabilities			
Trade and bills payables	*4*	**298,596**	351,379
Accruals and other payables		**200,465**	202,365
Receipts in advance		**3,636**	2,614
Amount due to an associated company		**211**	811
Short-term bank borrowings		**487,235**	216,561
		990,143	773,730
Total liabilities		**1,128,652**	980,976
Total equity and liabilities		**1,869,847**	1,656,817
Net current assets		**370,926**	430,699
Total assets less current liabilities		**879,704**	883,087

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSE

FOR THE YEAR ENDED 31 MARCH 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Revenue	*5*	**2,463,926**	2,802,974
Cost of sales	*6*	**(2,286,474)**	(2,623,931)
Gross profit		**177,452**	179,043
Distribution and selling expenses	*6*	**(30,709)**	(34,948)
General and administrative expenses	*6*	**(120,387)**	(117,225)
Operating profit		**26,356**	26,870
Finance income	*7*	**10,071**	14,853
Finance costs	*7*	**(12,888)**	(20,071)
Share of profit of an associated company		**201**	–
Profit before taxation		**23,740**	21,652
Taxation	*8*	**(3,307)**	(8,504)
Profit for the year		**20,433**	13,148
Profit/(loss) attributable to:			
Equity holders of the Company		**22,081**	13,148
Minority interest		**(1,648)**	–
		20,433	13,148
Earnings per share attributable to equity holders of the Company during the year (expressed in HK cents)			
– Basic	*9*	**3.8**	2.8
– Diluted	*9*	**3.8**	2.8
Dividends	*10*	**8,657**	4,329

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**23,740**	21,652
Adjustments for non-cash items/interests/tax	**46,052**	30,357
Changes in working capital	**77,649**	109,527
Net cash generated from operating activities	**147,441**	161,536
Net cash used in investing activities	**(104,399)**	(177,352)
Net cash generated from financing activities	**244,816**	101,628
Net increase in cash and cash equivalents	**287,858**	85,812
Cash and cash equivalents at 1 April	**352,957**	267,145
Effect of foreign exchange rate	**625**	–
Cash and cash equivalents at 31 March	**641,440**	352,957
Analysis of cash and cash equivalents:		
Cash and bank balances	**641,440**	353,140
Bank overdrafts	**–**	(183)
	641,440	352,957

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.

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.

(i) Amendment to existing standards effective in current year

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(ii) Interpretations effective in current year but not relevant to the Group

- HK(IFRIC)-Int 12 'Service concession arrangements'
- HK(IFRIC)-Int 14 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

(iii) Standards, amendments and interpretations to existing standards that have been issued but are not yet effective in current year and have not been early adopted by the Group

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 April 2009.

- HKAS 23 (Revised) 'Borrowing Costs' (effective from 1 January 2009). The amendment requires an entity to capitalize 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 (Revised) from 1 April 2009 but it is currently not applicable to the Group as it has no qualifying assets.

- HKAS 27 (Revised) 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity of there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) to transactions with non-controlling interests from 1 April 2010.

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions. As such these features would need to be included in the grant date fair value for transactions with employees and other providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 April 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised) 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) from 1 April 2010 prospectively.

- 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 April 2009, but it is not expected to have a material impact on the number of reportable segments as well as the manner in which the segments are reported.

(iv) Standards, amendments and interpretations to existing standards that have been issued but are not effective for the current year and are not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009
HKAS 39 (Amendment)	Eligible Hedged Items	1 July 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC)-Int 18	Transfer of Assets from Customers	1 July 2009
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives	30 June 2009
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments	1 January 2009

(v) HKICPA's improvements to HKFRS published in October 2008

HKICPA's improvements to HKFRS have been published in October 2008 but are not effective for period beginning on 1 April 2008 and have not been early adopted by the Group.

The Group is in the process of assessing the impact of these amendments but management considers that the adoption of these amendments would have no significant impacts to the Group's financial statements.

2 Segment information

(a) Primary reporting format – business segments

At 31 March 2009, 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 2009 are as follows:

	2009			
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues				
Total segment revenue	**1,354,059**	**1,203,650**	**3,348**	**2,561,057**
Inter-segment revenue	**(97,131)**	**–**	**–**	**(97,131)**
Revenue	**1,256,928**	**1,203,650**	**3,348**	**2,463,926**
Segment results	**61,720**	**(38,712)**	**3,348**	**26,356**
Finance income				**10,071**
Finance costs				**(12,888)**
Share of profit of an associated company				**201**
Profit before taxation				**23,740**
Taxation				**(3,307)**
Profit for the year				**20,433**

	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 for the year				13,148

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

	2009		
	Metal and plastic business	**Electronic manufacturing services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Depreciation	**36,287**	**20,007**	**56,294**
Amortisation	**791**	**386**	**1,177**
Provision for impairment of trade and other receivables	**728**	**–**	**728**
Write-back of provision for obsolete and slow-moving inventories	**(4,246)**	**2,441**	**(1,805)**

	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)

The segment assets and liabilities at 31 March 2009 and capital expenditures for the year ended are as follows:

	2009		
	Metal and plastic business	**Electronic manufacturing services business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**828,897**	**716,847**	**1,545,744**
Unallocated assets			**324,103**
Total assets			**1,869,847**
Segment liabilities	**496,632**	**294,020**	**790,652**
Unallocated liabilities			**338,000**
Total liabilities			**1,128,652**
Capital expenditures	**72,722**	**41,919**	**114,641**

	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

Segment assets consist primarily of property, plant and equipment, investment in associated companies, inventories, trade and other receivables, and cash and bank balances. Unallocated assets comprise deferred taxation and land and building in Hong Kong and other corporate-related assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, deferred taxation, bank loans for corporate use and other corporate-related liabilities.

Capital expenditures comprise 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.

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Japan	**178,956**	252,894
Hong Kong	**483,769**	425,101
China	**612,010**	758,569
Asia (excluding Japan, Hong Kong and China)	**332,569**	278,224
North America	**264,275**	284,213
Western Europe	**592,347**	803,973
Total	**2,463,926**	2,802,974

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

	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Japan	**2,096**	1,251
Hong Kong	**773,402**	787,331
China	**1,058,448**	819,189
North America	**15,486**	25,912
Western Europe	**20,415**	23,134
Total	**1,869,847**	1,656,817

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

	2009	2008
	HK$'000	*HK$'000*
Capital expenditures		
Hong Kong	**1,228**	3,139
China	**113,401**	168,974
North America	**12**	2
Western Europe	**–**	14
Total	**114,641**	172,129

Capital expenditures are allocated based on where the assets are located.

3 Trade receivables, prepayments, deposits and other receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**430,161**	441,839
Other receivables	**52,365**	122,796
	482,526	564,635
Less: Provision for impairment of trade and other receivables	**(11,825)**	(11,097)
	470,701	553,538
Prepayments	**3,453**	4,598
Deposits	**14,396**	24,018
	17,849	28,616
	488,550	582,154

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

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**474,966**	547,193
91 to 180 days	**4,848**	11,236
181 to 360 days	**1,059**	3,479
Over 360 days	**1,653**	2,727
	482,526	564,635

4 Trade and bills payables

Aging analysis of trade and bills payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**283,603**	323,818
91 to 180 days	**12,903**	20,993
181 to 360 days	**376**	4,150
Over 360 days	**1,714**	2,418
	298,596	351,379

5 Revenue

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of merchandise from		
– Metal and plastic business	**1,256,928**	1,321,560
– Electronic manufacturing services business	**1,203,650**	1,478,407
	2,460,578	2,799,967
Other gains		
Rental income	**3,348**	3,007
Total revenue	**2,463,926**	2,802,974

6 Expenses by nature

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories	**1,912,962**	2,256,203
Depreciation of property, plant and equipment	**56,294**	59,394
Amortisation of leasehold land and land use rights	**1,177**	1,054
Employee benefit expenses (including Directors' emoluments)	**255,097**	234,207
Operating lease rental of premises	**15,760**	14,707
Net exchange gain	**(650)**	(8,889)
Auditor's remuneration	**1,700**	1,650
Provision for impairment of trade and other receivables	**728**	2,595
Write off of other receivables	**–**	918
Write-back of provision for obsolete and slow-moving inventories	**(1,805)**	(11,470)
Net loss on disposal of property, plant and equipment	**772**	3,192
Other expenses	**195,535**	222,543
	2,437,570	2,776,104
Representing:		
Cost of sales	**2,286,474**	2,623,931
Distribution and selling expenses	**30,709**	34,948
General and administrative expenses	**120,387**	117,225
	2,437,570	2,776,104

7 Finance income and costs

	2009	2008
	HK$'000	*HK$'000*
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	**12,888**	20,071
Finance income – Interest income	**(10,071)**	(14,853)
Net finance costs	**2,817**	5,218

8 Taxation

The Company is a company incorporated in Bermuda but exempted from Bermuda taxation until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year for all group companies incorporated in Hong Kong. All the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2008.

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

	2009	2008
	HK$'000	*HK$'000*
Current taxation: Hong Kong profits tax		
– current year	**5,261**	5,146
– under-provision in prior years	**(119)**	1,486
Deferred taxation	**(1,835)**	1,872
Taxation charge	**3,307**	8,504

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.

	2009	2008
Profit attributable to equity holders of the Company (in HK$'000)	**22,081**	13,148
Weighted average number of ordinary shares in issue (in thousand shares)	**577,150**	474,971
Basic earnings per share (HK cents per share)	**3.8**	2.8

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 one category of dilutive potential ordinary shares during the year which is the share options granted to employees. 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.

	2009	2008
Profit attributable to equity holders of the Company (in HK$'000)	**22,081**	13,148
Weighted average number of ordinary share in issue (in thousand shares)	**577,150**	474,971
Adjustment for share options (in thousand shares)	**–**	41
Weighted average number of ordinary shares for diluted earnings per share (in thousand shares)	**577,150**	475,012
Diluted earnings per share (HK cents per share)	**3.8**	2.8

10 Dividends

	2009	2008
	HK$'000	*HK$'000*
Interim dividend, declared, of Nil (2008: HK0.75 cents) per ordinary share	**–**	4,329
Final dividend, proposed, of HK1.5 cents (2008: Nil) per ordinary share	**8,657**	–
	8,657	4,329

PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

– Metal and Plastic Business: manufacturing and sales 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" system and other computer peripherals.

BUSINESS REVIEW

It was a tough and difficult year. The Group enjoyed a stable first half of the year. However, with the sudden emergence of the global financial turmoil in the beginning of October, many enterprises were caught off their guard and were placed under a harsh and severe situation. The rapidly worsen macro-economic environment made our customers take cautious measures. The demand became weak. Most of our customers requested further delay in shipment. They even delayed the development and launching of new products and projects. For instance, the operations of our joint venture company with Sagem has been delayed accordingly. Both orders and quantity of shipments from our metal and plastic and EMS customers declined significantly, resulting in a double-digit decrease of the Company's turnover in the second half of the year. The economic situation ahead is still full of uncertainties. We believe that the instability and uncertainty will persist for certain period of time, not to mention its recovery.

The Group had implemented strict and decisive measures immediately to bring cost under control and their effects gradually reflected at the end of this fiscal year. Turnover for the year ended 31 March 2009 declined by 12% or HK$339,389,000 to HK$2,460,578,000 (for the year ended 31 March 2008: HK$2,799,967,000). But the profit attributable to equity holders of the Company increased 68% or HK$8,933,000 to HK$22,081,000 (for the year ended 31 March 2008: HK$13,148,000).

– The turnover of the Metal and Plastic Business ("M & P") for year ended 31 March 2009 was HK$1,256,928,000 (for the year ended 31 March 2008: HK$1,321,560,000), 5% lower than that for the corresponding period last year. M & P represents 51% of the total turnover. The drop of the turnover was mainly due to the decrease in shipment from one of our major customers. The operational profit for the year was HK$61,720,000 (for the year ended 31 March 2008: Profit HK$48,127,000), approximately 28% higher than that for the same period last year. The Metal and Plastic Business still remains the main source of profits of the Group.

– The turnover of the EMS Business for the year ended 31 March 2009 was HK$1,203,650,000 dropped by 19% compared to the same period last year (for the year ended 31 March 2008: HK$1,478,407,000). EMS represents 49% of the total turnover. During the year, one of our prominent client's sales dropped by 25% compared to the same period last year, other clients also suffered from financial turmoil and resulted in decrease of sales. Despite our tight cost control measures, the EMS Business still recorded an operational loss of HK$38,712,000 during the year (for the year ended 31 March 2008: loss HK$24,264,000).

(I) Decisive Measures

The rise of cost structure started to slow down after the financial turmoil. The appreciation of RMB, rise of fuel cost and steel price became steady. With our efforts to streamline the operating structure and implemented some job re-allocations, the labour cost had been reduced gradually. However, the overall costs were still higher than that of the same period last year.

The Group faced the rise of the following operating costs during the financial year:

(i) RMB appreciated by approximately 4%;

(ii) Labour cost rose by approximately 14%;

(iii) Oil price rose by approximately 22%; and

(iv) Steel price rose by approximately 18%;

The Group implemented the following measures which effectively reduced the cost:

(a) Strict control over cost: At the beginning of 2009, members of the Board of Directors and Executive Committee took initiatives to reduce their remunerations by approximately 6% in average. Bonus was reduced and 5 days' work was implemented in the Mainland China. Staffs in Hong Kong also had their salary cut over 3% on average with effect from March 2009. The Group had enhanced its efficiency and achieved saving of costs through streamlining the operating structure, laying off employees whose performance was not up to standard and normal staff turnover. The number of employees was reduced from approximately 7,200 persons at the end of March 2008 to approximately 5,650 persons (or approximately 22%) at the end of March 2009. However, the labour cost had not been decreased accordingly due to the implementation of the Labour Contract Law and strict compliance of the minimum wage rules, which increased the Group's expenditure in this respect.

    In view of the drop of turnover, the Group would not treat slothfully in respect of the control of expenditure. Expenses on transportation, overseas traveling and entertainment were reduced by HK$9,000,000 compared with that of last year.

(b) Improvement in production: The Group has improved production efficiency, reduced the demand of labour and material scraps by means of robot hands and the usage of the operational model under multi-production stops.

(c) Upholding core business: the Group has never invested in any high risk leveraged financial products. All the net proceeds from the rights issue were invested in the construction of plants, purchase of production related facilities and treated as working capital so as to maximize the shareholders' interest. In view of the price fluctuation of the raw material commodity, the Group only took up profitable projects and would not participate in any cut-throat price competition in order to reserve our financial and production strengths.

(d) Preparing for a rainy day: The Group always made decision based on the principle of "Preparing for the worst and making the best preparation". Before the outbreak of the financial crisis, the Group had already completed the rights issue in November 2007 and therefore, even under severe financial turmoil, our financial status remained healthy.

(e) Stock management: As the sole supplier of our customers for some of their specific projects, we are obliged to take certain stock risk, especially under such an economic downturn situation. However, to satisfy customers' requests for maintaining reasonable stock level and to achieve an effective inventory management, the inventory turnover was 36 days and the value of our inventory was approximately HK$227,062,000 as at 31 March 2009 (37 days and HK$264,352,000 as at 31 March 2008).

(f) Good communication: The Group understands that the support from various parties is crucial and is the foundation to business growth. Maintaining good communication with various parties is very important. The Group always keeps contacts with our customers to understand their needs so that we can develop products to meet their requirements. In addition, we also exchange views on the principal activities of the Group, world economy and financial trends with our banks in order to enhance their confidence and render support to the Group.

(g) Investment consolidation: Customers' orders were reduced due to the financial turmoil. Our production capacity had been increased significantly over capital expenditure in the past few years. With the completion of Phase II & III of Yu Quan Plant respectively, on one hand, we are seeking more appropriate partners to form joint venture so as to utilize our production facilities and enhance the operational efficiency as a whole. On the other hand, the Capex of the Group will slow down with suitable adjustments to reduce certain Capex so as to improve our liquidity.

    The adverse impacts caused by the leasing problems in Suzhou at the beginning of 2007, and the fact that the drenching rain in Central China in 2008 and global financial turmoil recently delayed our investment plan in Eastern China. In addition, to expand new business in new area, customers will take conservative measure, especially under uncertainty economic environment. More time is required for mutual understanding. Our plan to provide excellent services and products to meet customers' demands in those areas will not be affected. It is expected that the Yixing plant will commence pilot production in the third quarter of the financial year of 2009/10.

Since the financial year 2003/04, the Group has been implementing a capacity expansion plan and accelerating automation to further exploit economy of scale and strengthen cost competitiveness (as shown in the table below). The Capex was HK$114,641,000 for the year ended 31 March 2009.

The Capex for April and May 2009 was approximately HK$27,000,000. The Capex is temporarily scheduled at approximately HK$70,000,000 for the year of 2009/10. The capacity and productivity have been increased greatly and are sufficient for the Group's future business development.

	Turnover *HK$*	Capex *HK$*	Net Gearing Ratio as at 31 March
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	172,000,000	8%
2008/09	2,460,578,000	115,000,000	-5%
2009/10	N/A	70,000,000	30%*

* Initial estimation

(II) Flexible Combination

Tangram can outline different kinds of diagrams and objects through various ingenious combinations with creations by means of change. The simple and stiff geometrical diagrams become protean, vivid and lively and full of dynamic objects in different types of style. The Group pursues the spirit of Tangram and establishes various objectives under the ever changing business environment so as to enhance our operations in terms of "Value Chain" through flexible, swiftly and dynamic combinations (the seven geometrical diagram) of our limited resources. We seek to maximize shareholders' value under severe economic environment.

The Group's "Value Chain" is composed of a series of business operations, including two major activities: production and support.

Production Activities

(1) Marketing Operation

(2) Purchasing & Logistic

(3) Manufacturing operation

Supporting Activities

(4) Technology Development

(5) Human Resources

(6) Finance and Internal Audit

(7) Optimization of Management

(III) Dividend Policy

The Board has adopted a set of “New Dividend Policy” since the first quarter of the financial year of 2006/07, 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. After careful considerations of all factors, the Board expects to maintain payment of dividends to shareholders in twelve consecutive years, the Board recommends to pay a final dividend of HK$1.5 cents per share to shareholders whose names appear on the Register of members of the Company on 28 August 2009.

(IV) Geographical Distribution

The Group does not rely on one single market but ships to diverse markets. Details are set out in segment information Note 2(b) of the Financial Statements.

(V) Conclusion

The Company has been listed on The Stock Exchange of Hong Kong Limited for more than twelve years and overcame many upheaval events, such as Asian financial crisis, the outbreak of the dot-com bubbles, the impact of SARS (Severe Acute Respiratory Syndrome), and the recent global financial turmoil. The Group remains unshakable as time goes by. The Group managed to uphold its level of corporate governance; stable financial status, efficient administration, productivity motion, goodwill and cost management. In addition, the Group has been focusing on its own core business with pragmatic style. Notwithstanding the current severe economic situation, the Group continues to utilize limited resource to create opportunities with no fear of challenges and will step forwards persistently to manifest our efficiency even under adverse time.

PROSPECTS

With the impacts of financial turmoil, the year of 2009/10 will certainly be a year full of difficulties and challenges. The global business is undergoing some difficult time and the Group cannot get away from it. As a preliminary estimation, the turnover for the year of 2009/10 will drop. As the Group’s products are mainly for corporate usage, there will be a time-lag effect to reflect the demand in the market. However, it seems that the declining trend of consumer electronic products has approached its trough and the shipment of new model from one of our EMS customers will be launched. It is expected that the turnover ratio between Metal and Plastic Business and the EMS Business shall be 30: 70. Thanks to the “Quantitative Easing” monetary policy adopted by many countries, it has provided sufficient capital to the global financial market and enhanced the liquidity in short term. The economic atmosphere has become more steady and people started to regain confidence gradually. Furthermore, the Chinese government has implemented different stimulating measures. It is believed that the internal demand in China remains strong. In the future, the Company will remain focusing on its own core business and grasping the business growth opportunities in China.

Under such a severe business environment, the Group will continue the effective measures as set out last year to save costs and increase revenue and maintain the healthy financial status. We believe “Together, we can” and we will “Prepare for the worst and plan ahead for the best”. With appropriate measures in place, we will be able to overcome the current difficult time and heading toward to a brighter future.

The Group’s unaudited turnover for the two months ended 31 May 2009 was HK$295,406,000 (2007/08: HK$415,000,000), as the unaudited turnover for these two months may not be able to reflect the final results for the year ended 31 March 2010, investors and shareholders should exercise caution when dealing in the shares of the Company.

FINANCIAL RESOURCES

Robust Cash Generating Ability

With the new Capex cycle slowing down, 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$147,441,000 as compared to last year's net cash inflow of HK$161,536,000 despite a 12% decrease in turnover.

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

The Non-current assets to Shareholders' Fund Ratio stayed at a healthy 69% (2007/08: 67%). This means that the Group is using long term shareholders' fund to finance non-current assets such as plants and machinery. The sole purpose of the existing bank borrowings is to finance the working capital.

Financing for Growth

As at 31 March 2009, the unaudited net bank balances was approximately HK$35,505,000. As such, we still expect the net gearing ratio will stay at a level of below 30%. 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**	**08/09**
Profit After Tax	20	26	78	120	90	147	186	125	13	20
Depreciation	32	39	34	32	34	38	50	54	60	57
Proceeds of Rights Issue	–	–	–	–	–	–	–	–	122	–
	52	65	112	152	124	185	236	179	195	77
Less:										
CAPEX	57	65	15	24	59	62	92	92	199	115
Dividend/Dividends To Be Distributed	16	42*	113*	92*	82	86	103*	47	4	9
(Deficit)/Surplus	(21)	(42)	(16)	36	(17)	37	41	40	(8)	(47)
(Net Bank Borrowings)/ Net Cash	(23)	(51)	64	34	(6)	(234)	(112)	(141)	(52)	36
(Net Gearing Ratio)/ Net Cash Ratio	(7%)	(16%)	18%	9%	(1%)	(56%)	(21%)	(25%)	(8%)	5%

* Including special dividend

Resources Available

Total bank borrowings is about HK$605,935,000. The Directors are confident that the cash in hand and bank balances of HK$641,440,000 with banking facilities of HK$1,211,000,000, the Group is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

Exchange Rate Exposure

Most of the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or RMB. As the exchange rates of the RMB against Hong Kong dollar and US dollar rose continuously during the relevant period, the Group was exposed to exchange rate fluctuation risks and pressure on its production cost. The Group will actively communicate with its customers 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 2009, the Group had no significant contingent liabilities.

2008 HKMA Best Annual Reports Award

The Group is delighted to receive "Citation for Achievement in Corporate Governance Disclosure" in the 2008 Hong Kong Management Association Best Annual Reports Award.

The Board believes that the Group's annual reports and other corporate literatures and the Company's website are important platforms for communication between the Company and its shareholders and stakeholders. The Group thus devotes to "Heartfelt Dedication in All Details" (theme of the 2005/06 annual report) and uses graphs, simple language, and photos to aid communication. We are delighted that our efforts are recognized.

Tea-break with individual investors

We are glad that the "tea-break with individual investors" has been successfully held for 13th times. Owing to the sluggish market sentiment, particularly the lack of interests among investors in the shares of small industrial enterprises, the attendance rate was gradually decreased over years. However, the Group adheres to the principles of "openness, fairness and equality" and believes that all investors (large or small) should have the same right to get access to the Company's information. With these principles in mind and considering that the tea-break remains to be an effective and efficient way for the Company to communicate with its investors, the Group will continue to organise tea-breaks with individual investors but will reduce the number of tea-breaks to once annually (provisionally to be held in July each year). In the event that the investment environment improves and investors become enthusiastic in participating in the tea-break again, we will consider to gradually increase the number of tea-breaks per year. The next tea-break is scheduled on 31 July 2009 from 7 p.m. to 9 p.m. at Maxim's Palace Restaurant, G27 Luk Yeung Galleria, Tsuen Wan MTR Station. As part of the Group's social responsibility efforts, 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.

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 2411-0913 during office hours. Since seats are limited, if the total number of application is more than the seats available, the Group reserves the right to allocate the admission tickets by lot. Only investors whose applications are confirmed can join the function. Investors are advised to grasp this opportunity to communicate directly with the management of the Company.

EMPLOYEES AND REMUNERATION POLICIES

At the end of March 2009, the Group had approximately 5,650 employees (approximately 7,200 employees at the end of March 2008). With a good reputation in the local community, the Group has never encountered major difficulties in recruiting employees.

Employee remuneration packages are determined in accordance with prevailing market standards and the employee's performance and experience. The Group will also grant bonuses to employees with outstanding performance based on its own audited business performance and the appraisal and reward system. Other employee benefits include medical insurance, "Cooperative Home & Car Ownership Scheme" and mandatory provident fund.

Performance Based Incentives

The standard 13th month pay was abolished in 2002 and replaced by a performance based bonus system and more objective performance assessment. Employees with outstanding performance will receive bonus higher than what they would have received before the new system was implemented.

Dividend

The Board recommended to pay a final dividend of HK1.5 cents (2007/08: Nil) per share to shareholders whose names appear on the Register of members of the Company on 28 August 2009. Together with the interim dividend, total dividend paid for this year amounted to HK1.5 cents (2007/08: HK0.75 cent) per share. The final dividend, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 28 August 2009, will be payable to those entitled on 16 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 August 2009 to Friday, 28 August 2009 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2009 and for attending the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 August 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 100,000 shares of HK$0.10 each were repurchased by the Company at prices ranging from HK$0.40 to HK$0.42 per share through The Stock Exchange of Hong Kong Limited.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 March 2009 and the Company has not redeemed any of its shares during the year 31 March 2009.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 March 2009, the Company had applied the principles and complied with the requirements set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited, except the following:

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

Being the founder of the Group, Mr. Ho has substantial experience in the manufacturing industry. At the same time, Mr. Ho has the appropriate skills and business acumen which are the 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 allows the Group to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and Mr. Ho shall continue in his dual capacity as the Chairman and the Chief Executive Officer.

According to Code Provision A.4.1, Non-executive Director should be appointed for a specific term, subject to re-election. Mr. Ho Cheuk Ming was re-designated as Non-executive Director on 1 June 2007 without a specific term but Mr. Ho Cheuk Ming is subject to retirement by rotation according to the Bye-laws of the Company. Moreover, Code Provision A.4.2 stipulated that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not greater than one-third shall retire from office provided that notwithstanding anything in the Company's bye-laws, the Chairman of the Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following AGM and would then be eligible for re-election. With the introduction of the CG Code and to comply with Code Provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at the annual general meeting of the Company at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

AUDIT COMMITTEE

The Company has established an audit committee made up of independent non-executive directors whose duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed the auditing, internal control and financial reporting with the external auditors during the year. The audit committee has reviewed the consolidated results of the Group for the year ended 31 March 2009.

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.

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, 9 July 2009

* *For identification purpose only*