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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Highlights

– Revenue decreased by 17% to HK$1,076,999,000
– Loss attributable to equity holders of the Company was HK$7,918,000
– Basic loss per share was HK1.37 cents

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Karrie International Holdings Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2009

	Note	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**71,456**	72,096
Property, plant and equipment		**469,083**	435,732
Investments in associated companies		**15,766**	601
Deferred tax assets		**349**	349
		556,654	508,778
Current assets			
Inventories		**200,886**	227,062
Trade receivables	4	**436,122**	419,064
Prepayments, deposits and other receivables	4	**82,466**	69,486
Tax prepaid		**–**	4,017
Cash and bank balances		**291,801**	641,440
		1,011,275	1,361,069
Total assets		**1,567,929**	1,869,847
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**57,710**	57,710
Other reserves		**199,395**	199,748
Retained earnings		**424,137**	440,711
		681,242	698,169
Minority interest		**42,719**	43,026
Total equity		**723,961**	741,195

	Note	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**101,700**	118,700
Deferred tax liabilities		**6,086**	6,880
Provision for long service payments		**14,495**	12,929
		122,281	138,509
Current liabilities			
Trade and bills payables	5	**361,745**	298,596
Accruals and other payables		**188,475**	200,465
Receipts in advance		**2,764**	3,636
Amount due to an associated company		**392**	211
Tax payable		**1,343**	–
Short-term bank borrowings		**166,968**	487,235
		721,687	990,143
Total liabilities		**843,968**	1,128,652
Total equity and liabilities		**1,567,929**	1,869,847
Net current assets		**289,588**	370,926
Total assets less current liabilities		**846,242**	879,704

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	For the six months ended 30 September **2009** (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Revenue	*6*	**1,076,999**	1,301,878
Cost of sales		**(1,015,338)**	(1,224,447)
Gross profit		**61,661**	77,431
Distribution and selling expenses		**(12,274)**	(15,739)
General and administrative expenses		**(57,221)**	(51,206)
Operating (loss)/profit	*7*	**(7,834)**	10,486
Finance income	*8*	**2,047**	4,366
Finance costs	*8*	**(2,906)**	(6,174)
Share of losses of associated companies		**(25)**	–
(Loss)/profit before income tax		**(8,718)**	8,678
Income tax credit/(charge)	*9*	**729**	(716)
(Loss)/profit for the period		**(7,989)**	7,962
(Loss)/profit attributable to:			
Equity holders of the Company		**(7,918)**	7,962
Minority interest		**(71)**	–
		(7,989)	7,962
(Loss)/earnings per share attributable to equity holders of the Company *(HK cents)*			
– Basic	*10*	**(1.37)**	1.38
– Diluted	*10*	**(1.37)**	1.38
Dividends	*11*	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(7,989)**	7,962
Other comprehensive income:		
Difference on translation of foreign currency financial statements	**(589)**	–
Total comprehensive (expense)/income for the period	**(8,578)**	7,962
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(8,271)**	7,962
Minority interest	**(307)**	–
	(8,578)	7,962

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(8,718)**	8,678
Adjustments for non-cash items/interest/tax[(1)]	**28,163**	21,904
Changes in working capital	**46,667**	55,642
Net cash generated from operating activities	**66,112**	86,224
Net cash used in investing activities	**(69,239)**	(57,036)
Net cash (used in)/generated from financing activities	**(345,923)**	73,499
Net (decrease)/increase in cash and cash equivalents	**(349,050)**	102,687
Cash and cash equivalents at 1 April	**641,440**	352,957
Effect of foreign exchange rate	**(589)**	–
Cash and cash equivalents at 30 September	**291,801**	455,644

Analysis of cash and cash equivalents:

	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cash and bank balances	**291,801**	455,677
Bank overdrafts	**–**	(33)
	291,801	455,644

[(1)] Analysis of adjustments for non-cash items/interest/tax:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**22,787**	25,883
Amortisation of leasehold land and land use rights	**640**	526
Share-based compensation expenses	**–**	337
Share of losses of associated companies	**25**	–
Provision for long service payments	**1,566**	1,872
(Gains)/losses on disposal of property, plant and equipment	**(42)**	770
Interest income	**(2,047)**	(4,366)
Hong Kong profits tax paid	**–**	(3,214)
Hong Kong profits tax refunded	**5,234**	96
	28,163	21,904

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information has not been audited, but has been reviewed by the Group's audit committee.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009, which are relevant for and applied in the Group:

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits 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" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. There are three reportable segments presented as follows, Metal and plastic business, Electronic manufacturing services business and other business segments.

  Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-maker of the Group.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 March 2010.

The following amendment to standard has been issued but is not effective for the financial year beginning 1 April 2009 and has been early adopted:

- Amendment to HKFRS 8, "Operating segments", effective for periods beginning on or after 1 April 2010.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 April 2009, are not currently relevant for the Group or do not have material impact on the Group for the period ended 30 September 2009.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.

- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

- HKFRS 9, "Financial Instruments", effective for periods beginning on or after 1 January 2013.

- HK (IFRIC) – int 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009.

- HK (IFRIC) – int 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009.

HKICPA's improvement to HKFRS published in May 2009:

- Amendment to HKFRS 2, "Share-based payments", effective for periods beginning on or after 1 July 2009.

- Amendment to HKFRS 5, "Non-current Assets held for sale and discontinued operations", effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 1, "Presentation of financial statements", effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 7, "Statement of cash flows", effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 17, "Leases", effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 36, "Impairment of assets", effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 38, "Intangible assets", effective for periods beginning on or after 1 July 2009.

- Amendment to HKAS 39, "Financial instruments: recognition and measurement", effective for periods beginning on or after 1 January 2010.

- Amendment to HK (IFRIC) – int 9, "Reassessment of embedded derivatives", effective for periods beginning on or after 1 July 2009.

- Amendment to HK (IFRIC) – int 16, "Hedges of a net investment in a foreign operation", effective for periods beginning on or after 1 July 2009.

The Group is in the process of assessing the impact of these amendments on the financial statements.

3. Segment information

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

Management considers the business from both a geographic and products and services perspective. From a products and services perspective, management assesses the performance of metal and plastic business, and electronic manufacturing services business. And there is further evaluation on a geographic basis (Japan, Hong Kong, Mainland China, Asia (excluding Japan, Hong Kong and Mainland China), North America and Western Europe). Management assesses the performance of the operating segments based on operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in the financial statements.

Revenue consists of sales from metal and plastic business, electronic manufacturing services business and other business, which are approximately HK$443,250,000, HK$632,661,000 and HK$1,088,000 respectively for the six months ended 30 September 2009 and HK$671,434,000, HK$628,556,000 and HK$1,888,000 for the six months ended 30 September 2008.

Revenue recognised during the period are as follows:

	For the six months ended 30 September 2009 (Unaudited)			
	Metal and plastic business *HK$'000*	**Electronic manufacturing services business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues				
Total segment revenue	**495,841**	**632,661**	**1,088**	**1,129,590**
Inter-segment revenue	**(52,591)**	**–**	**–**	**(52,591)**
Revenue from external customers	**443,250**	**632,661**	**1,088**	**1,076,999**
Operating profit/(loss)	**1,224**	**(10,146)**	**1,088**	**(7,834)**
Distribution costs and administrative expenses	**35,255**	**34,240**	**–**	**69,495**

	For the six months ended 30 September 2008 (Unaudited)			
	Metal and plastic business *HK$'000*	Electronic manufacturing services business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenues				
Total segment revenue	719,118	628,556	1,888	1,349,562
Inter-segment revenue	(47,684)	–	–	(47,684)
Revenue from external customers	671,434	628,556	1,888	1,301,878
Operating profit/(loss)	25,441	(16,843)	1,888	10,486
Distribution costs and administrative expenses	39,222	27,723	–	66,945

A reconciliation of operating (loss)/profit to (loss)/profit before income tax is provided as follows:

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2009	2008
	HK$'000	*HK$'000*
Operating (loss)/profit	**(7,834)**	10,486
Finance income	**2,047**	4,366
Finance costs	**(2,906)**	(6,174)
Share of losses of associated companies	**(25)**	–
(Loss)/profit before income tax	**(8,718)**	8,678

Geographical information

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2009	2008
	HK$'000	*HK$'000*
Japan	**88,212**	89,699
Hong Kong	**241,734**	274,778
Mainland China	**325,088**	348,819
Asia (excluding Japan, Hong Kong and Mainland China)	**121,142**	130,997
North America	**106,561**	144,791
Western Europe	**194,262**	312,794
Total revenue	**1,076,999**	1,301,878

Revenue by geographical location determined on basis of the destination of shipment/delivery.

The Group's sales are made primarily to few key customers. For the six months ended 30 September 2009, the revenue derived from five largest customers accounted for approximately 86% (2008: 83%) of the Group's total revenue.

4. Trade receivables, prepayments, deposits and other receivables

	30 September 2009 (Unaudited)	31 March 2009 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**447,219**	430,161
Other receivables	**63,025**	52,365
	510,244	482,526
Less: Provision for impairment of trade and other receivables	**(11,825)**	(11,825)
	498,419	470,701
Prepayments	**4,741**	3,453
Deposits	**15,428**	14,396
	20,169	17,849
	518,588	488,550

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

	30 September 2009 (Unaudited)	31 March 2009 (Audited)
	HK$'000	*HK$'000*
0 to 90 days	**494,306**	474,966
91 to 180 days	**12,454**	4,848
181 to 360 days	**3,147**	1,059
Over 360 days	**337**	1,653
	510,244	482,526

As at 30 September 2009, trade and other receivables of approximately HK$11,825,000 (31 March 2009: HK$11,825,000) were impaired for which full provision of impairment has been made. The impairment was firstly assessed individually for significant or long aging balances, and the remaining balances were grouped for collective assessment according to their aging and historical default rates as these customers were of similar credit risk.

The creation and release of provision for impaired trade and other receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of trade receivables mentioned above. The Group does not hold any collateral as security.

5. Trade and bills payables

Aging analysis of trade and bills payables is as follows:

	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
0 to 90 days	**347,529**	283,603
91 to 180 days	**10,679**	12,903
181 to 360 days	**3,208**	376
Over 360 days	**329**	1,714
	361,745	298,596

6. Revenue

	For the six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Turnover		
Sales of merchandise from		
– Metal and plastic business	**443,250**	671,434
– Electronic manufacturing services business	**632,661**	628,556
	1,075,911	1,299,990
Other gain		
Rental income	**1,088**	1,888
Total revenue	**1,076,999**	1,301,878

7. Expenses by nature

	For the six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	**22,787**	25,883
Amortisation of leasehold land and land use rights	**640**	526
Employee benefit expenses (including directors' emoluments)	**126,236**	131,845

8. Finance costs – net

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income:		
– Bank interest income	**2,047**	4,366
Finance costs:		
– Interest expenses on bank borrowings	**(2,906)**	(6,163)
– Others	**–**	(11)
	(2,906)	(6,174)
	(859)	(1,808)

9. Income tax credit/(charge)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. The amount of tax credited/(charged) to the consolidated income statement represents:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
– Current period	**–**	(716)
– Under-provision in prior year	**(65)**	–
Deferred tax	**794**	–
Income tax credit/(charge)	**729**	(716)

10. (Loss)/earnings per share

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company *(in HK$'000)*	**(7,918)**	7,962
Weighted average number of ordinary shares in issue *(in thousand shares)*	**577,098**	577,198
Basic (loss)/earnings per share (HK cents per share)	**(1.37)**	1.38

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company *(in HK$'000)*	**(7,918)**	7,962
Weighted average number of ordinary shares in issue and for diluted earnings per share *(in thousand shares)*	**577,098**	577,198
Diluted (loss)/earnings per share (HK cents per share)	**(1.37)**	1.38

11. Dividends

The dividend for the year ended 31 March 2009 amounting to HK$8,656,000 were paid in September 2009 (2008: Nil).

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 September 2009 (30 September 2008: Nil).

12. Commitments and contingent liabilities

Capital commitments

The Group had the following authorised and contracted capital commitments:

	30 September 2009	31 March 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Construction of factory premises in the Mainland China	**9,500**	30,392
Purchase of property, plant and equipment	**1,666**	2,507
Investment in an associated company	**15,190**	–
	26,356	32,899

13. Banking facilities

As at 30 September 2009, the Group's banking facilities were secured by corporate guarantees provided by the Company and certain of its subsidiaries.

14. Event occurring after the balance sheet date

On 30 November 2009, the Group entered into an agreement to transfer the land use right of a plot of land with total site area of approximately 120 Chinese acres situated at the Yixing Economic Development Zone, Jiangsu Province, the PRC (the "Zone") to a third party at the consideration of RMB20,160,000 (equivalent to approximately HK$22,880,000).

On the same date, the Group entered into another agreement with Jiangsu Yixing Economic Development Zone Investment and Development Company Limited ("Jiangsu Yixing"), pursuant to which the Group shall relinguish the land use right of the land with total site area approximately 260 Chinese acres situated at the Zone, to Jiangsu Yixing; and in consideration of the Group relinguishing the land use right of the land, Jiangsu Yixing shall grant to the Group the land use right of another plot of land with a site area of approximately 260 Chinese acres situated at the same zone.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2009 (the "Relevant Period") (2008/09 Interim: nil) in order to reserve funds for future development of the Group.

Review of Operations

Since the outbreak of the financial turmoil last year, the economic environment has become more stable. The deepest distress should have been through and a moderate continuous up-moving trend emerges gradually. Nevertheless, our products are mainly corporate consumed office equipments and computer peripherals. Even with the "green shoot" economic recovery, demand of our Group's product will be under a hysteretic condition. The turnover for the period contracted as compared with that of last year. It is estimated that the contraction will extend to the second half of FY09/10.

Turnover for the six months ended 30 September 2009 declined by 17% to HK$1,075,911,000 (2008/09 year: HK$1,299,990,000).

This year is still full of difficulties. The market is still filled with unstable and uncertain sentiments, for example the recent Dubai World Incident. As from the second quarter this year, the global financial market commences to show a remarkable re-bound accompanied with an expectation of recovery in exports. In this sense, the exports sector is expected to benefit in the forthcoming months. However, nowadays' customers take a more cautious view than the past, not all the demand for exports can be recovered simultaneously. The economic recession had an adverse effect on the sales of durable consumerable goods. We are still prudent that the continuous rebound on demand can last for a long time. Recently, although the sudden but small demand for additional shipment does provide certain contribution to the Group, we still estimate that the current year's turnover will reduce by approximately 15%.

Metal and Plastic Business ("Metal and Plastic Business")

The turnover of the Metal and Plastic Business for the six months ended 30 September 2009 was HK$443,250,000 (For the 6 months ended 30 September 2008: HK$671,434,000), 34% lower than that for the same period last year. It was mainly due to the fact that one of our customers decreased its shipment of server cassettes by 50% under the effects of global financial turmoil, which led the operating profits declined 95% to HK$1,224,000 (for the six months ended 30 September 2008: HK$25,441,000).

Electronic Manufacturing Services Business ("EMS Business")

Inevitably, our EMS Business was also stricken by the global financial turmoil. However, since one of our major clients had commenced to have shipment of a new model of laser printer, the turnover for the six months ended 30 September 2009 slightly rose by 1% to HK$632,661,000 (For the 6 months ended 30 September 2008: HK$628,556,000). Its operational loss decreased to HK$10,146,000 as compared with that of last year loss of HK$16,843,000.

Geographical Distribution

The Group does not rely on a single market but ships to diverse markets. During the Relevant Period, Asia (except Japan, Hong Kong and the People's Republic of China ("PRC")) recorded a turnover of HK$121,142,000. Turnover from Japan amounted to HK$88,212,000, that from Hong Kong amounted to HK$241,734,000 and that from the PRC amounted to HK$324,000,000. Turnover from Western Europe amounted to HK$194,262,000 and turnover from North America amounted to HK$106,561,000.

Active Measures in Costs Savings

Although we recorded loss in our interim results mainly due to the fact that the reduction in costs could not fully compensate the rapid drop of our turnover, the decrease in the number of labor force and labor cost, the declining steel price and oil price and relatively stable exchange rate of RMB together with the improvement in production efficiency has reduced the operating cost by approximately HK$22,000,000 compared with that of the same period last year. We will continue to take strict measures over the execution of cost control.

Capital Expenditure ("CAPEX")

As explained in pages 17 & 20 of the 2008/09 annual report of the Company, the CAPEX budget remains at approximately HK$70,000,000 for the year 2009/10.

As at 31 October 2009, the CAPEX spent was approximately HK$57,177,000.

Prospects

1. Sagem Karrie Technologies (Hong Kong) Company Limited, one of the Group's joint venture company, had been alloyed and integrated for a year. The business is gradually going on the right track. A break-even result is expected to be achieved this year.

2. On 15 July 2009, the Group had established a joint-venture company known as TIS Karrie Technologies (H.K.) Co., Ltd. ("TK") with TECO Image Systems Co., Ltd. ("TECO"), a company listed and registered in Taiwan.

   The Group beneficially owned 49% interest of TK. The establishment of TK can strengthen the business relationship between TECO and the Group and creates business synergy. This can also enable the Group to get access to the global market demand of TECO products. The injection of capital in TK had been completed in November 2009. TK is expected to have the trial production by the end of 2009 in Yu Quan Plant.

3. The agreements of transfer and exchange of land in Jiangsu Province, the PRC at the end of November 2009 (for more details please refer to the announcement made by the Company on 30 November 2009) provided general working capital and flexibility for future development. Some plants have already been built on part of this piece of land (approximately 100 Chinese acres) and it is scheduled that trial production will commence at the beginning of next year.

4. The outburst of the global financial turmoil has taken place for more than one year. From all the evidences provided, the deepest economic distress should have been passed and is stepping out of the haze of economic recession gradually, even the market is still full of uncertainties and challenges. The Group continues in amplifying its value added abilities by strengthening its automation and improving supply chain management in order to enhance production efficiency. The Group will stick to its core values for "Creating value together". We are confident that even during the difficult times we can secure trust and support from our customers continuously in line with the improving operational efficiency.

5. Currently, our Research & Development Department, Engineering Department and Tooling Department are busy in handling new projects for our customers. The number of new projects are more than that of last year. It is therefore expected that the turnover of 2010/11 should be better than that of 2009/10. However, we are stilling looking forward for more up-dated information from relevant parties in the mean time.

6. Meanwhile, we will always bear in mind that the adoption of "Quantitative Easing" monetary policy by various nations will undoubtedly lead to another cycle of inflation, higher labor costs and rising price of raw materials, which in turn will increase the pressure on the operational cost for the manufacturing sector.

7. The unaudited turnover of the Group for October 2009 was approximately HK$190,000,000 (October 2008: HK$205,000,000). As the unaudited turnover for this month may not represent the final result for the year ended 31 March 2010, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.

8. Our Group realized that "working together" and "value creation" are essential to survival. The Group has been listed on the Stock Exchange of Hong Kong Limited for more than 13 years and experienced many upheaval events, such as the 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 has not been knocked out and takes positive measures to face those challenges proactively. The Group managed to enhance our operation in terms of "Value Chain" which composed of Marketing Operation, Purchasing & Logistic, Manufacturing Operation, Technology Development, Human Resources, Financial and Internal Audit and the Optimization of Management (see 2008/2009 Annual Report of the Company pages 21-24). We work interactively together, like a set of gear wheels interlocking each other and keep moving on to create value and to increase precision with swiftness, to strengthen our competition edge, and finally to enhance our capabilities so as to grasp new business opportunities upon the up-turn of the foreseeable recoveries.

Liquidity Resources and Financing Policies

The Group has been focusing on its own core business and follows a prudent financial policy. It never invested in any high risk leveraged financial products.

As at 30 September 2009, the unaudited net bank balance was approximately HK$23,133,000 and the unaudited net bank balance ratio was approximately 3% (the net gearing ratio was approximately 3% as at 30 September 2008). It is expected that by the end of financial year 2009/10, the net gearing ratio will remain at less than 20%. As the non-current asset to shareholders' fund ratio remains at a level of 82%, the financial position is still healthy.

The bank borrowing was HK$268,668,000. With the cash and cash equivalents of HK$291,801,000 and the banking facilities of approximately HK$1,189,665,000, the Group is confident to meet its current and future operational and capital expenditure requirements.

Exchange Rate Exposure

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

Contingent Liability

As at 30 September 2009, the Group had no significant contingent liabilities.

Employee and Remuneration Policies

During the Relevant Period, the Group had employed on average approximately 6,500 employees (2008/09: 7,000). With a strong reputation in the local community, the Group had not experienced any serious labour shortage problem.

Like many manufacturers in the Guangdong Province, the Group had also experienced minor labor shortage problem in recent months due to the sudden surge of demand from customers.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the Relevant Period 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 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 annual general meeting and would then be eligible for re-election. With the introduction of the CG Code and to comply with Code Provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at the annual general meeting at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure good corporate governance of the Company.

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

COMPLIANCE WITH THE MODEL CODE

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

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

As at the date of this announcement, the Executive Directors are: Messrs. Ho Cheuk Fai, 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, 11 December 2009

* *For identification purpose only*