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 2010

HIGHLIGHTS

– Revenue increased by 29% to HK$1,385,997,000

– Profit attributable to equity holders of the Company was HK$11,343,000

– Basic earnings per share was HK1.97 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 2010 as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Restated) HK$'000
ASSETS			
Non-current assets			
Land use rights		**63,262**	63,826
Property, plant and equipment		**471,376**	472,387
Investments in associated companies		**29,051**	28,299
Other non-current assets	*4*	**3,857**	12,803
Deferred tax assets		**1,692**	1,692
		569,238	579,007
Current assets			
Inventories		**401,288**	269,636
Trade receivables	*4*	**509,847**	416,150
Amount due from an associated company		**16,928**	10,226
Prepayments, deposits and other receivables	*4*	**48,626**	43,119
Tax prepaid		**1,158**	2,331
Time deposit		**91,312**	91,312
Cash and bank balances		**233,583**	328,003
		1,302,742	1,160,777
Total assets		**1,871,980**	1,739,784
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**57,710**	57,710
Other reserves		**202,160**	199,812
Retained earnings			
– Proposed final dividend		**–**	5,771
– Others		**450,124**	438,780
		709,994	702,073
Minority interest		**41,098**	39,403
Total equity		**751,092**	741,476

	Note	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Restated) HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	6	**10,000**	15,000
Deferred tax liabilities		**4,742**	4,742
Provision for long service payments		**8,264**	8,264
		23,006	28,006
Current liabilities			
Trade and bills payables	5	**449,889**	405,143
Accruals and other payables		**178,234**	187,140
Receipts in advance		**984**	4,884
Amount due to an associated company		**461**	305
Short-term bank borrowings	6	**468,314**	372,830
		1,097,882	970,302
Total liabilities		**1,120,888**	998,308
Total equity and liabilities		**1,871,980**	1,739,784
Net current assets		**204,860**	190,475
Total assets less current liabilities		**774,098**	769,482

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		For the six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*7*	**1,385,997**	1,076,999
Cost of sales		**(1,290,806)**	(1,015,338)
Gross profit		**95,191**	61,661
Distribution and selling expenses		**(13,028)**	(12,274)
General and administrative expenses		**(66,937)**	(57,221)
Operating profit/(loss)	*8*	**15,226**	(7,834)
Finance income	*9*	**1,420**	2,047
Finance costs	*9*	**(3,188)**	(2,906)
Share of profits/(losses) of associated companies		**753**	(25)
Profit/(loss) before income tax		**14,211**	(8,718)
Income tax (charge)/credit	*10*	**(1,173)**	729
Profit/(loss) for the period		**13,038**	(7,989)
Profit/(loss) attributable to:			
Equity holders of the Company		**11,343**	(7,918)
Minority interest		**1,695**	(71)
		13,038	(7,989)
Earnings/(loss) per share attributable to equity holders of the Company (HK cents)			
– Basic	*11*	**1.97**	(1.37)
– Diluted	*11*	**1.97**	(1.37)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**13,038**	(7,989)
Other comprehensive expense:		
Effect of foreign exchange rate changes	**(1)**	(589)
Total comprehensive income/(expense) for the period	**13,037**	(8,578)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	**11,342**	(8,271)
Minority interest	**1,695**	(307)
	13,037	(8,578)

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Restated)
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**14,211**	(8,718)
Depreciation of property, plant and equipment	**23,075**	22,801
Amortisation of land use rights	**564**	626
Share-based compensation expense	**2,350**	–
Share of (profits)/losses of associated companies	**(753)**	25
Provision for long service payments	**–**	1,566
Losses/(gains) on disposal of property, plant and equipment	**9**	(42)
Interest income	**(1,420)**	(2,047)
Hong Kong profits tax refunded	**–**	5,234
Operating profit before working capital changes	**38,036**	19,445
Changes in working capital	**(196,515)**	46,667
Net cash (used in)/generated from operating activities	**(158,479)**	66,112
Net cash used in investing activities	**(20,653)**	(69,239)
Net cash generated from/(used in) financing activities	**84,713**	(345,923)
Net decrease in cash and cash equivalents	**(94,419)**	(349,050)
Cash and cash equivalents at 1 April	**328,003**	641,440
Effect of foreign exchange rate changes	**(1)**	(589)
Cash and cash equivalents at 30 September	**233,583**	291,801

Analysis of cash and cash equivalents:

	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cash and bank balances	**233,583**	291,801

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 2010 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 2010, 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 2010, 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 Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 April 2010. The adoption of these new and revised standards, amendments and interpretations has no material impact on the Group's results and financial position for the current or prior periods except for the adoption of HKAS 17 (Amendment), "Leases".

The amendments to HKAS 17 "Leases" are effective for the Group from 1 April 2010. Amendments to HKAS 17 require that the classification of leases is based on the extent to which the risks and rewards incidental to ownership of an asset lie with the lessor or the lessee. In particular, the amendments deleted the specific guidance in the standard which previously required that the land element in a lease is normally classified as an operating lease unless title to the land is expected to be passed to the lessee by the end of the lease term. Under the amended HKAS 17, a lease of land is classified as property, plant and equipment if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee. The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of certain lease prepayments to property, plant and equipment in the condensed consolidated interim balance sheet, as follows:

	30 September 2010	**31 March 2010**	**1 April 2009**
	HK$'000	***HK$'000***	***HK$'000***
Increase/(decrease) in:			
Property, plant and equipment	995	1,009	1,036
Land use rights	(995)	(1,009)	(1,036)

	For the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**14**	14
Amortisation of land use rights	**(14)**	(14)

In November 2010, the HKICPA approved HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause" which is effective for annual periods ending on or after 31 December 2010. The Interpretation requires that the amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet, as the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Similarly, in the contractual maturity analysis disclosed by the borrower in accordance with HKFRS 7 "Financial Instruments: Disclosures", amounts repayable under such loan agreement shall be classified in the earliest time bracket. The Group has applied this interpretation in this condensed consolidated interim financial information for the six months ended 30 September 2010 and has classified certain bank borrowings where the relevant loan agreements contain repayment on demand clauses as current liabilities.

	30 September 2010	**31 March 2010**	**1 April 2009**
	HK$'000	***HK$'000***	***HK$'000***
Increase/(decrease) in:			
Short-term bank borrowings	43,300	61,300	50,000
Long-term bank borrowings	(43,300)	(61,300)	(50,000)

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$439,843,000, HK$943,057,000 and HK$3,097,000 respectively for the six months ended 30 September 2010 and HK$443,250,000, HK$632,661,000 and HK$1,088,000 for the six months ended 30 September 2009.

Revenues recognised during the period are as follows:

	For the six months ended 30 September 2010 (Unaudited)			
	Metal and plastic business	**Electronic manufacturing services business**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenues				
Total segment revenue	**516,373**	**943,057**	**3,097**	**1,462,527**
Inter-segment revenue	**(76,530)**	**–**	**–**	**(76,530)**
Revenue from external customers	**439,843**	**943,057**	**3,097**	**1,385,997**
Operating profit	**7,829**	**4,300**	**3,097**	**15,226**
Distribution and selling expenses and general and administrative expenses	**41,126**	**38,839**	**–**	**79,965**

	For the six months ended 30 September 2009 (Unaudited)			
	Metal and plastic business	Electronic manufacturing services business	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 and selling expenses and general and administrative expenses	35,255	34,240	–	69,495

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

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
Operating profit/(loss)	**15,226**	(7,834)
Finance income	**1,420**	2,047
Finance costs	**(3,188)**	(2,906)
Share of profits/(losses) of associated companies	**753**	(25)
Profit/(loss) before income tax	**14,211**	(8,718)

Geographical information

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
Japan	**70,091**	88,212
Hong Kong	**165,646**	241,734
Mainland China	**355,857**	325,088
Asia (excluding Japan, Hong Kong and Mainland China)	**181,230**	121,142
North America	**115,941**	106,561
Western Europe	**497,232**	194,262
Total revenue	**1,385,997**	1,076,999

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

The Group's sales are made primarily to a few key customers. For the six months ended 30 September 2010, the revenue derived from five largest customers accounted for approximately 83% (2009: 86%) of the Group's total revenue.

4. Trade receivables, prepayments, deposits and other receivables

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Audited) *HK$'000*
Trade receivables	**520,945**	427,247
Other receivables	**40,845**	28,997
	561,790	456,244
Less: Provision for impairment of trade and other receivables	**(11,825)**	(11,825)
	549,965	444,419
Prepayments	**4,853**	4,210
Deposits	**7,512**	23,443
	12,365	27,653
Less: Other non-current assets (Note)	**(3,857)**	(12,803)
	8,508	14,850
	558,473	459,269

Note: Other non-current assets represent deposits paid for purchase of property, plant and equipment.

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

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Audited) *HK$'000*
0 to 90 days	**548,544**	429,838
91 to 180 days	**8,473**	9,313
181 to 360 days	**3,664**	15,359
Over 360 days	**1,109**	1,734
	561,790	456,244

As at 30 September 2010, trade and other receivables of approximately HK$11,825,000 (31 March 2010: HK$11,825,000) were impaired for which full provision for impairment has been made. The impairment was firstly assessed individually for significant or long ageing balances, and the remaining balances were grouped for collective assessment according to their ageing 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

An aging analysis of trade and bills payables is as follows:

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Audited) *HK$'000*
0 to 90 days	**434,467**	371,913
91 to 180 days	**5,329**	26,523
181 to 360 days	**5,344**	2,213
Over 360 days	**4,749**	4,494
	449,889	405,143

6. Borrowings

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Restated) *HK$'000*
Non-current		
Bank borrowings repayable		
– Between 1 and 2 years	**10,000**	10,000
– Between 2 and 5 years	**–**	5,000
Long-term bank borrowings	**10,000**	15,000
Current		
Trust receipt loans	**147,314**	41,130
Short-term bank borrowings	**229,900**	211,200
Current portion of long-term bank borrowings	**91,100**	120,500
Short-term bank borrowings	**468,314**	372,830
Total borrowings	**478,314**	387,830

The maturity of the Group's borrowings is as follows:

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Restated) *HK$'000*
Within 1 year	**468,314**	372,830
Between 1 and 2 years	**10,000**	10,000
Between 2 and 5 years	**–**	5,000
	478,314	387,830

The average effective interest rates of the Group's bank borrowings at the balance sheet date are as follows:

	30 September 2010 (Unaudited)	31 March 2010 (Audited)
Long-term bank borrowings, at floating rate	1.72%	1.62%
Short-term bank borrowings, at floating rate	1.59%	1.41%
Trusts receipt loans	1.73%	1.29%

7. Revenue

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Sales of merchandise from		
– Metal and plastic business	**439,843**	443,250
– Electronic manufacturing services business	**943,057**	632,661
	1,382,900	1,075,911
Other gains		
Rental income	**1,909**	1,088
Management fee income	**1,188**	–
	3,097	1,088
Total revenue	**1,385,997**	1,076,999

8. Expenses by nature

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Restated)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**23,075**	22,801
Amortisation of land use rights	**564**	626
Employee benefit expenses (including directors' emoluments)	**162,461**	126,236

9. Finance income and costs

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance costs:		
– Interest expenses on bank borrowings wholly repayable within five years	**3,188**	2,906
Finance income:		
– Interest income from bank deposits	**(1,420)**	(2,047)
	1,768	859

10. Income tax (charge)/credit

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. The amount of tax (charged)/credited to the consolidated income statement represents:

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
– Current period	**(1,173)**	–
– Under-provision in prior year	**–**	(65)
Deferred tax	**–**	794
Income tax (charge)/credit	**(1,173)**	729

11. Earnings/(loss) per share

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

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company *(in HK$'000)*	**11,343**	(7,918)
Weighted average number of ordinary shares in issue *(in thousand of shares)*	**577,098**	577,098
Basic earnings/(loss) per share *(HK cents per share)*	**1.97**	(1.37)

Diluted earnings/(loss) 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	
	2010	2009
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company *(in HK$'000)*	**11,343**	(7,918)
Weighted average number of ordinary shares in issue and for diluted earnings per share *(in thousand of shares)*	**577,098**	577,098
Diluted earnings/(loss) per share *(HK cents per share)*	**1.97**	(1.37)

12. Dividends

The dividend for the year ended 31 March 2010 amounting to HK$5,771,000 were paid in September 2010 (2009: HK$8,656,000).

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (30 September 2009: Nil).

13. Commitments and contingent liabilities

Capital commitments

The Group had the following authorised and contracted capital commitments:

	30 September 2010 (Unaudited) *HK$'000*	31 March 2010 (Audited) *HK$'000*
Purchase of property, plant and equipment	**4,046**	6,815

14. Event occurring after the balance sheet date

On 22 October, 2010 after the trading hours, the Group entered into a Sale and Purchase Agreement with a third party whereby the Group has conditionally agreed to acquire 100% of the entire equity interest of Yixing Karrie Commercial Building Development Co. Ltd. at a consideration of RMB105,120,000 (equivalent to approximately HK$123,680,000), which will be satisfied by the allotment and issue of the Company's shares at the issue price of HK$0.425 per share.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (the "Relevant Period") (2009/10 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 magnitude of recovery in different industrial sectors varies. Our products are mainly corporate consumed office equipments and computer peripherals, which are restricted by weak orders from Europe and North America. The pace of recovery of the Group is still slow.

Turnover for the six months ended 30 September 2010 rose by 29% to HK$1,382,900,000 (2009/10 year: HK$1,075,911,000).

The Plant situated in Yixing had commenced its operation in February 2010. No obvious income is generated at the beginning of the Plant's operation which resulted in a loss. It is expected that profit will gradually improve when the operation is on the right track.

The trend of labour cost is continuously rising by approximately 36% as compared with same period last year. Worse still, the atmosphere in respect of employment relationship in Guangdong Province, PRC, is tense since the beginning of the year. Disputes between the employers and its employees, and even the strike of labour, unavoidably bring certain annoyances and problems for the management.

Electronic Manufacturing Services Business ("EMS Business")

Following the trend of the FY09/10, the shipment of new models of laser printers of one of the major clients for our laser printers continued to increase. Therefore, the turnover of the EMS Business for the six months ended 30 September 2010 increased by 49% to HK$943,057,000 (For the 6 months ended 30 September 2009: HK$632,661,000). The operating performance has attained a profit of HK$4,300,000 (For the 6 months ended 30 September 2009: Loss of HK$10,146,000).

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

The turnover of the Metal and Plastic Business for the six months ended 30 September 2010 was HK$439,843,000 (For the 6 months ended 30 September 2009: HK$443,250,000), 1% lower than that for the same period last year. It was mainly due to the fact that shipment has not yet rebounded after the global financial turmoil. However, with our tight cost control measures, the overall operating profit has improved 540% to HK$7,829,000 (for the six months ended 30 September 2009: HK$1,224,000).

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$181,230,000. Turnover from Japan amounted to HK$70,091,000, that from Hong Kong amounted to HK$165,646,000 and that from the PRC amounted to HK$352,760,000. Turnover from Western Europe amounted to HK$497,232,000 and turnover from North America amounted to HK$115,941,000.

Principal Bussiness Activities:–

(1) Revenue exploration and Cost Control

The Group still exercised strict and effective measures so that the overall operational expenses are under control. With the improvement in the operating leverage, the operating contribution is better than the budget, turning the operating performance from loss to profit for the Relevant Period.

The Group constantly adopts the strict cost control measure and revenue exploration so as to tackle different kinds of challenges:–

(a)	*Revenue exploration:*	In respect of principal business activities, we explore clinical equipments, motor vehicle products, visual accessories and assembly of ATM parts.
(b)	*Strict cost control measure:*	The rise of labour cost and RMB appreciation are unavoidable. In order to mitigate the burden, we endeavor to enhance our operation efficient and automation process so as to minimise the headcount requirement. Meanwhile, we are negotiating with our customers to share part of such pay rise.

(2) Joint Venture Companies

(a) SKT had improved its production and management efficiency after two years' operation. The shortage of manpower and raw materials had been gradually solved. Timely shipments are delivered as the orders are placed. Profit was initially recorded this year.

(b) TIS Karrie's plant located in Yu Quan's B2B factory had commenced its shipment and recorded slight profit in the Relevant Period. It is expected that TIS Karrie will remain profitable this year.

Non-principal Business Activities:–

Horizontal Diversification

In respect of non-principal business activities, the experience of the Chairman of the Group in property development, hotel, specialising in wedding theme, tourism industry and other leisure vacation businesses can surely assist the Group in developing and operating other types of business. With the incentive encouragment from Yixing local government, Yixing will become the main area for our development.

On 22 October, 2010 after the trading hours, the Group entered into the Sale and Purchase Agreement with the Castfast Properties Development Co., Limited whereby the Group has conditionally agreed to acquire the entire equity interest of Yixing Karrie Commercial Building Development Co., Ltd ("Yixing Karrie") (the "Acquisition") at a consideration of RMB105,120,000 (equivalent to approximately HK$123,680,000), which will be satisfied by the allotment and issue of the Consideration Shares at the Issue Price of HK$0.425 per Consideration Share. Yixing Karrie was established specifically to obtain the land use rights of the parcel of land with a site area of approximately 20,012 sq. m. located in Yixing (the "Land") and responsible for the development and operation of the project to be developed on the Land. The Acquisition constitutes a major and connected transaction. The circular to shareholders of the Company had been dispatched. The Acquisition requires the approval of the independent shareholders in the Special General Meeting to be held on 6 December 2010 (For more details, please refer to the circular to shareholders of Company dated 12 November 2010).

The Group is principally engaged in the metal and plastic business and electronic manufacturing services business. The management of the Group, after in-depth consideration, is of the view that the rising costs of investment environment, wages and electricity in southern China will continue to pose pressure on the growth of the Group's business. Therefore, apart from improving the Group's industrial techniques to increase its competitiveness and to strengthen its existing business, from time to time, the management of the Group has been exploring and analysing other business opportunities. The Group may also consider diversifying into other businesses including but not limited to hotel, tourism, property and theme city for weddings to enhance the Group's future development and income sources. The Acquisition will broaden the opportunities of horizontal diversification. The Directors has no current intention to dispose or increase or discontinue its existing principal business of metal and plastic business and electronic manufacturing services. The above mentioned Acquisition shall stablize the sources of income and alleviate the business risk in sole dependence of manufacturing industry.

Capital expenditure (“Capex”)

As stated in page 14 of the 2009/10 annual report, the Capex budget remains at approximately HK$65,000,000 for the year of 2010/11.

As at 31 October 2010, the Capex spent was approximately HK$28,000,000.

Prospects

1. For financial year 2010/11, it is estimated that the Group will face two extreme market conditions. Firstly, the constant rising economic trend in Mainland China remains unchanged. However, we are OEM/ODM manufacturer, we do not have our own domestic brand name for sales in PRC so that we cannot benefit from the rising PRC economy. On the other hand, even though the worst situation had gone, the market of the U.S.A. and Europe are still weak under the impact of sovereign debt crisis. With the Korean confrontation recently, the continuity of recovery is even more uncertain. In order to push up the weak economy in the U.S.A., the quantitative easing 2 (“QE2”) had been implemented in the U.S.A. The effect of QE2 is awaiting. The road of recovery is still long and windy.

2. The unaudited turnover of the Group for October 2010 was approximately HK$215,000,000 (October 2009: HK$190,000,000). As the unaudited turnover for this month may not represent the final result for the year ended 31 March 2011, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.

3. We still adopt the “Revenue exploration and cost control measure” during this financial year.

   (a) On one hand, the Group explores and develops new products. “Vision Leads New Sky” is the direction of the Group’s development. We expect “To be a leading integrated Electronics Manufacturing Services Partner” within next five years.

   (b) On the other hand, the Group also explores the feasibility of participation in other horizontal businesses, such as properties development, hotel, tourism or even specialising in wedding celebration and other leisure vacation businesses.

4. In order to execute our vision, active engagement and participation of our staffs from different levels is a must.

5. This year is the Pearl Jubliee for the Company. It is not easy that an enterprise can survive for 30 years even facing various difficulties and challenges. The continuity of the Company relies on the efforts from our staffs, the long-term sustainable growth strategy from our management and long and persistence support and encouragement from all parties, including shareholders, suppliers, customers and bankers. The company avoids any rigid stubborn thinking with no creativities. We encourage "out of the box" thinking like the flow of water which flexibly adjusts itself according to different situations so as to improve ourselves from time to time.

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 2010, the unaudited net bank borrowing was approximately HK$153,419,000 and the unaudited net gearing ratio was approximately 22% (the net bank balance ratio was approximately 3% as at 30 September 2009). It is expected that by the end of financial year 2010/11, the net gearing ratio will remain at less than 35%. As the non-current asset to shareholders' fund ratio remains at a level of 80%, the financial position is still healthy.

The bank borrowing was HK$478,314,000. With the cash and cash equivalents of HK$324,895,000 and the banking facilities of approximately HK$1,107,000,000, 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 2010, the Group had no significant contingent liabilities.

Employee and Remuneration Policies

During the Relevant Period, the Group had employed on average approximately 7,900 employees (2009/10: 6,500). 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. The turnover rate is still high. We still adopt "human" approach to manage our staff so as to establish a harmonious working atmosphere. We work together for a "New Sky".

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, Lee Shu Ki and Ms. Chan Ming Mui, Silvia; 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, 29 November 2010

* *For identification purpose only*