



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

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with limited liability)



**INTERIM REPORT**  
**2001/2002**

## INTERIM RESULTS

The Directors of Karrie International Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2001 together with the comparative figures for the corresponding period in 2000, the unaudited consolidated balance sheet of the Group as at 30th September 2001 with comparative audited figures for the immediate preceding year end, and unaudited condensed consolidated cash flow statement for the six months ended 30th September 2001 together with the comparative figures for the corresponding period in 2000 (collectively “Unaudited Interim Financial Statements”) as follows:

### CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30th September 2001

(Expressed in Hong Kong dollars)

	Note	For the six months ended 30th September	
		2001 \$'000 (Unaudited)	2000 \$'000 (Unaudited)
Turnover	2	<b>413,443</b>	398,100
Cost of sales		<b>(317,146)</b>	(310,080)
Gross profit		<b>96,297</b>	88,020
Other revenue	3	<b>3,426</b>	1,277
Distribution and selling expenses		<b>(22,608)</b>	(24,167)
General and administrative expenses	3	<b>(51,860)</b>	(41,430)
Profit from operations		<b>25,255</b>	23,700
Finance expenses, net		<b>(2,235)</b>	(5,755)
Profit before taxation	4	<b>23,020</b>	17,945
Taxation	5	<b>(2,500)</b>	(2,500)
Profit attributable to shareholders		<b>20,520</b>	15,445
Dividends	6	<b>(37,483)</b>	(4,382)
Earnings per share			
– Basic	7	<b>5.49 cents</b>	4.15 cents
– Diluted	7	<b>5.46 cents</b>	4.12 cents

A separate statement of recognised gains and losses is not presented because there were no recognised gains and losses other than the profit attributable to shareholders.

**CONSOLIDATED BALANCE SHEETS**

*As at 30th September 2001*

*(Expressed in Hong Kong dollars)*

		<b>30th September</b>	31st March
		<b>2001</b>	2001
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	<b>262,407</b>	285,632
<b>CURRENT ASSETS</b>			
Inventories		<b>117,166</b>	131,950
Trade receivable	9	<b>92,072</b>	155,149
Prepayment, deposits and other current assets		<b>14,539</b>	20,572
Prepaid tax		<b>647</b>	312
Cash and bank deposits		<b>190,570</b>	112,347
Total current assets		<b>414,994</b>	420,330
<b>CURRENT LIABILITIES</b>			
Short-term bank borrowings		<b>(89,685)</b>	(111,633)
Finance lease obligations, current portion		<b>(12,626)</b>	(10,396)
Bills payable		<b>(6,673)</b>	(5,738)
Trade payables	10	<b>(105,592)</b>	(113,885)
Accruals, receipts in advance and other payable		<b>(75,634)</b>	(66,488)
Taxation payable		<b>(4,935)</b>	(2,870)
Amounts due to related companies	3	<b>(273)</b>	(273)
Total current liabilities		<b>(295,418)</b>	(311,283)
Net current assets		<b>119,576</b>	109,047
Total assets less current liabilities		<b>381,983</b>	394,679



		<b>30th September</b>	31st March
		<b>2001</b>	2001
<i>Note</i>		<b>\$'000</b>	<b>\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loan		<b>(13,500)</b>	(15,500)
Finance lease obligations		<b>(16,411)</b>	(10,554)
Provision for long service payments		<b>(6,966)</b>	(6,775)
Deferred taxation		<b>(4,949)</b>	(4,949)
		<u><b>(41,826)</b></u>	<u>(37,778)</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>			
		<u><b>(41,826)</b></u>	<u>(37,778)</u>
<b>MINORITY INTERESTS</b>			
		<u><b>(424)</b></u>	<u>(424)</u>
<b>NET ASSETS</b>			
Net assets		<u><b>339,733</b></u>	<u>356,477</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>11</i>	<b>37,429</b>	37,374
Reserves	<i>12</i>	<b>264,876</b>	281,729
Proposed dividends	<i>12</i>	<b>37,428</b>	37,374
		<u><b>339,733</b></u>	<u>356,477</u>
<b>SHAREHOLDERS' EQUITY</b>			
		<u><b>339,733</b></u>	<u>356,477</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended 30th September 2001*

*(Expressed in Hong Kong dollars)*

	<b>For the six months ended 30th September</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow (outflow) from operating activities	<b>139,203</b>	(26,852)
Net cash outflow from returns on investments and servicing of finance	<b>(39,664)</b>	(13,985)
Taxation paid	<b>(771)</b>	(146)
Net cash inflow (outflow) from investing activities	<b>10,752</b>	(47,814)
	<u>109,520</u>	(88,797)
Net cash (outflow) inflow from financing	<b>(2,257)</b>	38,302
	<u>107,263</u>	(50,495)
Increase (Decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of period	<b>51,893</b>	30,913
	<u>159,156</u>	(19,582)

Analysis of cash and cash equivalents:

	<b>30th September 2001</b>	30th September 2000
	<b>\$'000</b>	\$'000
Cash and bank deposits	<b>190,570</b>	48,500
Bank overdrafts	<b>(798)</b>	(19)
Trust receipts bank loans	<b>(30,616)</b>	(68,063)
	<u>159,156</u>	(19,582)



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### 1. Basis of Presentation and Preparation

Karrie International Holdings Limited (“the Company”) was incorporated in Bermuda on 6th December, 1996 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited since 16th December, 1996. The Company’s Directors consider Pearl Court Company Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

This interim financial report has been prepared in accordance with the principal accounting policies set out in the Company’s audited financial statements as at and for the year ended 31st March, 2001 except for changes set out below, and comply with Statement of Standard Accounting Practice (“SSAP”) Number 25 issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

Effective 1st April, 2001, the following SSAPs issued by the HKSA were adopted by the Company and its subsidiaries (collectively “the Group”):

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

#### a. SSAP 9 (revised) : Events after the balance sheet date

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) “Events after the balance sheet date”, issued by the HKSA, the Group recognises dividends proposed or declared as a liability in the accounting period in which

they are declared or proposed by the directors. The new accounting policy has been adopted retrospectively so that the comparative presented has been restated to conform to the changed policy. As a result of this change in accounting policy, the Group's shareholders' equity as at 31st March, 2001 was restated and increased by \$37,374,000. There is no impact on the Group's profit attributable to shareholders for the periods presented.

*b. SSAP 26 : Segment reporting*

In Note 2 to the interim financial report, the Group has disclosed segment revenue and results. The primary segment is defined by major product category, while secondary segment is defined by geographical location of customers.

*c. SSAP 28 : Provisions, contingent liabilities and contingent assets*

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

*d. SSAP 31 : Impairment of assets*

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.



Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

Except for the restatement of the opening balance of shareholders' equity and the reclassification of comparative figures in the balance sheet in relation to the adoption of SSAP Number 9 (revised), the adoption of the above standards had no material effect on amounts reported in the prior period.

**2. Turnover and revenue**

The Group's turnover by major product category and geographical location, together with their respective contribution to profit from operations is analysed as follows:

	<b>For the six months ended 30th September</b>			
	<b>Turnover</b>		<b>Contribution to profit from operations</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
By principal products categories:				
Computer and server casings	<b>193,556</b>	263,146	<b>47,822</b>	55,720
Office automation products	<b>163,018</b>	70,778	<b>37,099</b>	20,728
Video cassette housings	<b>27,876</b>	24,884	<b>2,977</b>	492
Moulds and other plastic and metal parts	<b>28,993</b>	39,292	<b>8,399</b>	11,080
	<b><u>413,443</u></b>	<u>398,100</u>	<b><u>96,297</u></b>	<u>88,020</u>
Less: Distribution, selling, administrative and finance expenses, and other revenue			<b><u>(73,277)</u></b>	<u>(70,075)</u>
Profit before taxation			<b><u>23,020</u></b>	<u>17,945</u>



	<b>For the six months ended 30th September</b>			
	<b>Turnover</b>		<b>Contribution to</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
By geographical location*:				
West Europe	<b>128,398</b>	137,671	<b>37,519</b>	37,730
Japan	<b>139,300</b>	79,213	<b>25,339</b>	12,780
North America	<b>90,327</b>	97,217	<b>16,420</b>	20,206
Asia (excluding Japan)	<b>55,418</b>	83,999	<b>17,019</b>	17,304
	<u><b>413,443</b></u>	<u>398,100</u>	<u><b>96,297</b></u>	<u>88,020</u>
Less: Distribution, selling, administrative and finance expenses, and other revenue			<u>(73,277)</u>	<u>(70,075)</u>
Profit before taxation			<u><b>23,020</b></u>	<u>17,945</u>

\* Turnover by geographical location is determined on the basis of the destination of delivery of merchandise.

### 3. *Related Party Transactions*

a. The Group had the following significant transactions with related parties:

	<b>For the six months ended</b>	
	<b>30th September</b>	
	<b>2001</b>	2000
	<i>\$'000</i>	<i>\$'000</i>
Sales to Kar-Info Company Limited*	–	2
Rental income earned from Kar-Info Company Limited*	<b>190</b>	190
Rental changed by Kings Lion Development Limited*	<u><b>527</b></u>	<u>527</u>

\* Kar-Info Company Limited and Kings Lion Development Limited are beneficially owned and controlled by the family of Mr. Ho Cheuk Fai, a director of the Company.

b. The balances with related parties were unsecured, non-interest bearing and without predetermined repayment terms.



**4. Profit Before Taxation**

Profit before taxation was determined after charging and crediting the following:

	<b>For the six months ended</b>	
	<b>30th September</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
After charging –		
Staff costs	<b>56,374</b>	57,295
Depreciation of fixed assets	<b>18,992</b>	18,031
Loss on disposal of fixed assets	<b>9,101</b>	–
Operating lease rental of premises	<b>4,422</b>	3,484
Interest expense on		
– bank overdrafts and loans wholly repayable within one year	<b>3,959</b>	4,264
– finance leases	<b>637</b>	1,006
– factoring of trade receivables	<b>190</b>	1,691
– others	<b>17</b>	32
	<b>=====</b>	<b>=====</b>
After crediting –		
Gain on disposal of fixed assets	–	2,444
Rental income	<b>3,426</b>	1,277
Net exchange gain	<b>356</b>	285
Interest income from bank deposits	<b>2,568</b>	1,238
	<b>=====</b>	<b>=====</b>

5. *Taxation*

Taxation consisted of:

	<b>For the six months ended 30th September</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Hong Kong profits tax		
– Current taxation	<b>2,500</b>	2,000
– Deferred taxation	<b>–</b>	500
	<b><u>2,500</u></b>	<u>2,500</u>

Hong Kong profits tax was provided at the rate of 16% (2000 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

There is no significant unprovided deferred taxation as at 30 September, 2001.

6. *Dividends*

Dividends consisted of:

	<b>For the six months ended 30th September</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Proposed interim dividend – 5.0 cents (2000 – 1.1 cents) per share	<b>18,714</b>	4,115
Proposed special dividend – 5.0 cents (2000 – Nil) per share	<b>18,714</b>	–
Prior year dividend in respect of share options exercised prior to the dividend payment date	<b>55</b>	267
	<b><u>37,483</u></b>	<u>4,382</u>



7. *Earnings per Share*

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$20,520,000 (2000 – HK\$15,445,000) and on the weighted average number of approximately 373,913,000 shares (2000 – 372,407,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$20,520,000 (2000 – HK\$15,445,000) and on the weighted average number of approximately 375,549,000 shares (2000 – 374,810,000 shares) in issue after adjusted for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	<b>30th September 2001</b>	30th September 2000
Weighted average number of shares used in calculating basic earnings per share	<b>373,913,000</b>	372,407,000
Adjustment for potential dilutive effect in respect of employees' share options	<b><u>1,636,000</u></b>	<u>2,403,000</u>
Weighted average number of shares used in calculating diluted earnings per share	<b><u><u>375,549,000</u></u></b>	<u><u>374,810,000</u></u>

8. **Fixed Assets**

Movements of fixed assets were:

	<b>30th September</b>	31st March
	<b>2001</b>	2001
	<b>\$'000</b>	<b>\$'000</b>
<b>Cost/Valuation</b>		
Beginning of period/year	<b>528,972</b>	538,579
Additions	<b>5,586</b>	65,034
Disposals	<b>(41,345)</b>	(74,641)
	<u><b>493,213</b></u>	<u>528,972</u>
End of period/year	<b>493,213</b>	528,972
<b>Accumulated Depreciation</b>		
Beginning of period/year	<b>243,340</b>	262,227
Provision for the period/year	<b>18,992</b>	38,614
Disposals	<b>(31,526)</b>	(57,501)
	<u><b>230,806</b></u>	<u>243,340</u>
End of period/year	<b>230,806</b>	243,340
<b>Net book value</b>		
End of period/year	<u><b>262,407</b></u>	<u>285,632</u>
Beginning of period/year	<u><b>285,632</b></u>	<u>276,352</u>



**9. Trade Receivable**

The Group grants credit periods ranging from 30 to 120 days. An aging analysis of trade receivable as at the reporting dates is as follows:

	<b>30th September</b>	31st March
	<b>2001</b>	2001
	<b>\$'000</b>	\$'000
0 – 90 days	<b>115,162</b>	159,850
91 – 180 days	<b>2,978</b>	2,472
181 – 365 days	<b>142</b>	1,935
	<b>118,282</b>	164,257
Less: Trade receivables factored, with recourse	<b>(20,163)</b>	(3,061)
	<b>98,119</b>	161,196
Less: Provision for bad and doubtful debts	<b>(6,047)</b>	(6,047)
	<b>92,072</b>	155,149

**10. Trade Payables**

An aging analysis of trade payable as at the reporting dates is as follows:

	<b>30th September</b>	31st March
	<b>2001</b>	2001
	<b>\$'000</b>	\$'000
0 – 90 days	<b>101,071</b>	110,094
91 – 180 days	<b>2,129</b>	2,149
181 – 365 days	<b>996</b>	963
Over 365 days	<b>1,396</b>	679
	<b>105,592</b>	113,885

11. Share Capital

	30th September 2001		31st March 2001	
	Number of shares '000	Nominal value \$'000	Number of shares '000	Nominal value \$'000
Authorised (Ordinary shares of HK\$0.1 each)	<b>800,000</b>	<b>80,000</b>	800,000	80,000
Issued and fully paid (Ordinary shares of \$0.1 each)				
Beginning of period/year	373,736	37,374	361,950	36,195
Issued upon exercise of employees' share options	550	55	13,050	1,305
Repurchase of shares	-	-	(1,264)	(126)
End of period/year	<b>374,286</b>	<b>37,429</b>	373,736	37,374



**12. Reserves and Proposed Dividends**

Movements of reserves during the six months ended 30th September, 2001 were:

	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Fixed assets revaluation reserve \$'000	Retained Profit \$'000	Total \$'000	Proposed dividends \$'000
As at 1st April, 2001 as previously reported	56,168	5,900	449	44,165	175,047	281,729	-
Prior year adjustment (Note 1)	-	-	-	-	-	-	37,374
As at 1st April, 2001 as restated	56,168	5,900	449	44,165	175,047	281,729	37,374
Profit for the period	-	-	-	-	20,520	20,520	-
2001 final dividend paid	-	-	-	-	-	-	(14,202)
2001 special dividend paid	-	-	-	-	-	-	(23,172)
Proposed dividends (Note 6)	-	-	-	-	(37,428)	(37,428)	37,428
Prior year dividend in respect of share options exercised prior to the dividend payment date	-	-	-	-	(55)	(55)	-
Premium arising from issue of shares upon exercise of employees' share options	110	-	-	-	-	110	-
As at 30th September, 2001	56,278	5,900	449	44,165	158,084	264,876	37,428



**13. Contingent Liabilities**

Contingent liabilities not provided for in the unaudited interim financial statements were:

	<b>30th September</b>	31st March
	<b>2001</b>	2001
	<b>\$'000</b>	\$'000
Trade receivables factored, with recourse	<b>20,163</b>	3,061
Shipping guarantees	<b>1,529</b>	708
	<b><u>21,692</u></b>	<b><u>3,769</u></b>

**DIVIDENDS**

The Directors declared an interim dividend of HK5.0 cents (2000–HK1.1 cents) per share for the six months ended 30th September 2001 and a special dividend of HK5.0 cents per share payable in cash on or about 10th January 2002 to shareholders whose names appear on the Register of Members on 4th January 2002.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 31st December 2001 to Friday, 4th January 2002 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 28th December 2001.



## MANAGEMENT DISCUSSION AND ANALYSIS


### Highlights

- Turnover rose 3.9% to HK\$413,443,000
- Profit from operations climbed 6.6% to HK\$25,255,000
- Profit attributable to shareholders increased 32.9% to HK\$20,520,000 due to reductions in oil prices and finance expenses and production reorganization
- Earnings per share at HK5.49 cents
- Interim dividend of HK5.0 cents per share
- Special dividend of HK5.0 cents per share

For the period under review, the Group continued to deliver satisfactory results amidst setbacks in the global economies. The Group achieved a turnover of HK\$413,443,000, representing a 3.9% increase over that of the previous year. This was mainly attributable to the Group's successful diversification into the high growth Electronics Manufacturing Service (EMS) business. This strategy of well-defined diversification has not only further stimulated growth, but has also provided flexibility.

Profit from operations rose 6.6% from the corresponding period last year to HK\$25,255,000. A series of interest rate cuts during the review period has significantly reduced finance expenses. Profit attributable to shareholders net of finance expenses rose to HK\$20,520,000, 32.9% higher than the corresponding period last year. Earnings per share climbed from HK4.15 cents last year to HK5.49 cents this year. The Board of Directors has recommended an interim dividend of HK5.0 cents per share and a special dividend of HK5.0 cents per share.

The Group's newly developed EMS business made a significant contribution during the period. EMS business includes the manufacturing of products such as magnetic tape drives, laser printers and point-of-sales systems. This expansion has largely been reflected with the stellar rise of sales in office automation products, whose contribution to sales rose from 17.8% last year to 39.4% this year. As a result of the uncertainties prevailing in the US economy and the setbacks in the global computer market, contribution from the Group's computer and server casings business fell slightly to 46.8% of total turnover. The production of video cassette housings continued its steady contribution, accounting for 6.7% of total turnover whilst the production of moulds and other plastic and metal parts accounted for the remaining 7.1%.



Japan was the Group's most important market during the reporting period, accounting for 33.7% of total sales. Contribution from the Western Europe market was 31.1%. The North American and Asian (except Japan) markets accounted for 21.8% and 13.4% respectively. This geographical distribution of sales demonstrates the Group's commitment to its ongoing policy of business diversification.

To enhance competitiveness, the Group has further refined operational efficiencies and continued to implement stringent cost containment policies. Despite renewed enhancements in service and manufacturing excellence, the Group was also able to maintain capital expenditures at HK\$5,500,000 during the period.

Despite the difficult business environment, the Group has successfully achieved a significant growth in net profit. There were many factors contributing to such increase in profit. Other than the improvement of staff efficiency, some of the major reasons were:

- significant reduction in oil prices allowed considerable savings as fuel charges represented a significant percentage of production costs
- interest rate cuts together with unrelenting support from major bankers resulted in lowered finance expenses
- production reorganization introduced at the end of 2000 and early 2001 has started to achieve significant results for the Group

As an established leader in the production of computer peripheral products, the Group's commitment is not only focused on its business, but also carried through to environmental protection. To accomplish its mission slogan of "hand-in-hand, save the environment and resources for the next generation", the Group has made significant investments in setting up a sizable sewage treatment centre and a well-equipped air filtering facility. These facilities ensure that manufacturing processes pose a minimum impact on the environment. In addition, the Group is also proceeding to obtain ISO 14000 accreditation to further demonstrate its commitment to protecting the environment.

With its prime focus on total customer satisfaction, the marketing division is fully committed to attaining the highest goals. At the same time, the production and administrative reorganization plans initiated by the management has not only improved overall efficiencies, but also strengthened the Group's foundations to future growth.



## Special Dividend

In the Group's annual report 2000/2001, the Directors have stated clearly the general criteria in recommending payment of a special dividend:

1. The Group's cash holding must be far in excess of the current and future operating and capital requirements
2. Reward shareholders for their support
3. Improve returns on equity/investment

After careful deliberation of the operating performance of the half-yearly results of 2001/2002, present cash holding (30/9/01: HK\$190,000,000; 31/3/01 HK\$112,000,000) and future operation plan, the Directors come to the conclusion that the above three criteria have been attained and hence recommend the payment of a special dividend of HK\$5.0 cents per share

The Directors have also explored the possibility of huge funding demands as a result of the fast growing EMS business. The Board is convinced that the present dividend policy will not jeopardize future working capital requirements after examination of all related factors. The reasons are as follow:

- The Group's high dividend policy to reward shareholders is a long-term strategy
- Since early 2001 the Group has adopted strict controls over capital expenditures, HK\$5,500,000 for the first half year (2000 – HK\$50,250,000)
- The financing requirements of the EMS business is of 'trade' nature rather than 'capital' nature
- Even after the payment of the interim dividend and special dividend, the Group's cash holding plus its available banking facilities are sufficient to match its funding requirements in the coming year
- Properly apply, selective use of financial leverage within safety limits can improve return on equity
- As a precautionary measure, the Group has prepared contingency financing plans



## PROSPECT

Since the asian financial turmoil, both the Directors and staff have worked hard and made a concerted effort to adapt to the new business environment. Since 1998 the Group has implemented three major reforms to prepare for the new challenges of the new millennium:

1. The Group has invested hundreds of millions dollars to build a new factory and upgrade its production capacities.
2. A shift in the marketing focus has repositioned the Group from the manufacturing of computer casings with metals and plastics to the new EMS business for office automation and other products.
3. Organization structures have been streamlined and staff capabilities enhanced.

After three years of investment, re-positioning and re-structuring, it is now time for harvesting.

Looking ahead, barring any unforeseen circumstances, the Directors are optimistic about the Group's performance based on the following factors:

1. In spite of the external unfavourable economic factors, the "Diversified Business Model" adopted by the Group is expected to endure the vagaries of the world economies in general and the computer peripherals markets in particular.
2. Successful diversification into the new EMS business will provide the Group with strong momentum for a new era of tremendous growth.
3. Establishment and streamlining of a production team comprising different financially independent business units to serve the changing demands of different customers.



Despite solid performance in the first half of the current financial year, the Group will not slacken its vigilance. The Directors will continue to keep a close watch on the general economy and adopt the following measures:

1. Striking the right balance between
  - the traditional business of computer casing manufacturing with metal and plastic, which now provides slower growth but reasonable returns and
  - the new EMS business for office automation and other products, which carries exponential growth but low margins
2. Financing the huge demand for working capital for the new EMS business without impairing the financial stability of the Group by exploring different financing options
3. Exploring new business opportunities with China's entry into the World Trade Organization

The Directors hope that the current financial year will be a new turning point in the Group's history. The Group is committed to continuing its hard work to maximize shareholders' returns.

## **FINANCIAL RESOURCES**

As at 30th September 2001, the Group's cash holding was approximately HK\$190,570,000. The Directors are confident that with its cash holdings and banking facilities of approximately HK\$408,455,000, the Group is able to meet its current and future operational and capital expenditure requirements.



## **EXCHANGE RATE EXPOSURE**

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or Renminbi. As the exchange rates of Hong Kong dollar, US dollar and Renminbi were relatively stable during the year, the Group was not exposed to material exchange risk.

## **CONTINGENT LIABILITIES**

As at 30th September 2001 there was a trade receivable factored with recourse of approximately HK\$20,163,000 and shipping guarantee of approximately HK\$1,529,000, and the Group did not have other significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

During the period under review, the Group employed approximately 4,023 members of staff. The remuneration of the employees is determined in accordance with their performance, experience and prevailing industry practice. Discretionary bonuses based on the Group's audited results will be awarded to employees who demonstrated good performance under a reward evaluation policy. Other staff benefits include medical insurance and Mandatory Provident Fund. Besides, a share option scheme was adopted in 1996 under which share options were/will be granted to certain employees as incentives and awards for their contribution to the Group.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30th September 2001, the interests of the Directors and chief executives in the shares of the Company and any associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (a) The Company

	Number of ordinary shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate/ Other interests	Number of outstanding share options
Mr. Ho Cheuk Fai	–	33,570,000 <i>(Note 1)</i>	232,200,000 <i>(Note 2)</i>	3,000,000
Mr. Ho Cheuk Ming	1,000,000	–	232,176,780 <i>(Note 3)</i>	8,000,000
Mr. Tam Wing Hung	1,500,000	–	–	1,500,000
Mr. Lee Shu Ki	800,000	–	–	–
Mr. Kwok Wing Kin	200,000	–	–	1,000,000
Ms. Ho Po Chu, Scandy	33,570,000	–	232,200,000 <i>(Note 4)</i>	2,500,000

*Notes:*

- 1 Mr. Ho Cheuk Fai is deemed to be interested in these shares by virtue of the fact that his wife, Ms Ho Po Chu, Scandy has a personal interest in these shares.



- 2 232,200,000 Shares are held by Pearl Court Company Limited (“Pearl Court”) as trustee for a unit trust known as the Ho Cheuk Fai Family Trust (“HCF Trust”). Mr. Ho Cheuk Fai is deemed to be interested in these shares through Pearl Court by virtue of (i) his wife being the only shareholder of Pearl Court who controlled one-third or more of the voting power at general meeting of Pearl Court, and (ii) Mr. Ho Cheuk Fai and his wife being two of the three directors of Pearl Court. Mr. Ho Cheuk Fai is also deemed to be interested in these Shares by virtue of the facts that one of 10,000 units of the HCF Trust is held by his wife and that the beneficiaries of a discretionary trust known as the Ho Wai Leung Memorial Trust (“HWL Trust”) (see note 3 below) included his wife and children under 18.
- 3 These shares are held by Pearl Court as trustee for the HCF Trust. 9,999 of 10,000 units of the HCF Trust are held by HSBC International Trustee Limited (“HITL”) as trustee for the HWL Trust. Mr. Ho Cheuk Ming is deemed to be interested in these shares by virtue of the fact that he is one of the beneficiaries of the HWL Trust.
- 4 Disregarding the interests of her husband, Mr. Ho Cheuk Fai, who is the Chairman and a Director of the Company and whose interests are separately disclosed, Ms. Ho Po Chu, Scandy is deemed to be interested in these shares through Pearl Court by virtue of the facts that she is the only shareholder of Pearl Court and holds one unit of the HCF Trust and that the beneficiaries of the HWL Trust includes herself and her children under 18.

**(b) Associated Corporations**

- (i) Karrie Industrial Company Limited

	<b>Number of non-voting deferred shares of HK\$100 each</b>			
	<b>Corporate/ Personal</b>			
	<b>interests</b>	<b>Family interests</b>	<b>Other interests</b>	<b>Total interests</b>
Mr. Ho Cheuk Fai	43,000	–	–	43,000
Ms. Ho Po Chu, Scandy	7,000	–	–	7,000



(ii) Karpo Technologies Limited

	<b>Number of non-voting deferred shares of HK\$100 each</b>			
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate/ Other interests</b>	<b>Total interests</b>
Mr. Ho Cheuk Fai	10,000	–	–	10,000

(iii) Karrie Industrial Holdings Limited

	<b>Number of non-voting deferred shares of HK\$1 each</b>			
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate/ Other interests</b>	<b>Total interests</b>
Mr. Ho Cheuk Fai	1	–	–	1
Ms. Ho Po Chu, Scandy	1	–	–	1

Save as disclosed above and under the heading “Arrangement to Purchase Shares and Debentures”, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th September 2001.

## ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

A share option scheme is maintained by the Company under which eligible employees of the Group, including Executive Directors and chief executives of the Company, may be granted options to subscribe for shares in the Company. Each share option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a pre-determined price. Details of outstanding share options as at 30th September 2001 granted to and accepted by Executive Directors and chief executives under the scheme were as follows:

Name	Date of grant	Exercise Price HK\$	Number of Share Options			
			Outstanding at 30.9.2000	Granted during the period	Exercised during the period	Outstanding At 30.9.2001
Mr. Ho Cheuk Fai	19.6.1999	0.335	3,000,000	-	-	3,000,000
Mr. Ho Cheuk Ming	19.6.1999	0.335	8,000,000	-	-	8,000,000
Mr. Tam Wing Hung	20.9.2000	0.300	1,500,000	-	-	1,500,000
Mr. Kwok Wing Kin	20.9.2000	0.300	1,200,000	-	200,000	1,000,000
Ms. Ho Po Chu, Scandy	19.6.1999	0.335	2,500,000	-	-	2,500,000

All of these share options will expire on 30th November 2006.

Except for the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.



## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2001, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the persons (other than a Director or chief executive of the Company) who were, directly or indirectly, interested and/or deemed to be interested in 10 per cent. or more of the nominal value of the issued share capital of the Company were as follows:

	Number of ordinary shares of HK\$0.10 each		
	Personal interests	Corporate/ Other interests	Shareholding percentage
Pearl Court *	–	232,200,000 <i>(Note 1)</i>	62.04%
HITL	–	232,176,780 <i>(Note 2)</i>	62.03%
HSBC Holdings plc ("HHUK")	–	232,176,780 <i>(Note 2)</i>	62.03%
HSBC Finance (Netherlands) ("HFN")	–	232,176,780 <i>(Note 2)</i>	62.03%
HSBC Holdings B.V. ("HHBV")	–	232,176,780 <i>(Note 2)</i>	62.03%
HSBC Investment Bank Holdings B.V. ("HIB")	–	232,176,780 <i>(Note 2)</i>	62.03%

*Note:*

- 1 Pearl Court is a trustee of the HCF Trust.
- 2 HITL is the trustee of the HWL Trust. HITL is wholly-owned subsidiary of HHUK through HFN, HHBV and HIB, which are also wholly-owned subsidiaries of HHUK. HHUK, HFN, HHBV and HIB are deemed to be interested in these shares by virtue of the interest of HITL. The interests of HITL, HHUK, HFN, HHBV and HIB duplicate each other.

- The corporate/other interests in the Shares of each substantial shareholder duplicate the family interests and corporate/other interests of Mr. Ho Cheuk Fai, Mr. Ho Cheuk Ming and Ms. Ho Po Chu, Scandy as stated in the section headed “Directors’ and chief executives’ interests in the Shares”.

Save as disclosed above, there were no other interests as recorded on the register kept by the Company under Section 16(1) of the SDI Ordinance as at 30th September 2001.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30th September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

## **AUDIT COMMITTEE**

The Company has an audit committee comprising three independent non-executive directors. The Audit Committee has reviewed with the management level the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2001.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 1st April 2001 to 30th September 2001.

On behalf of the Board of Directors,  
**HO CHEUK FAI**  
*Chairman*

Hong Kong, 10th December 2001



## CORPORATE INFORMATION

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor  
Southeast Industrial Building  
611-619 Castle Peak Road  
Tsuen Wan  
New Territories  
Hong Kong

### WEB SITE

<http://www.karrie.com.hk>

### BOARD OF DIRECTORS

Mr. HO Cheuk Fai (*Chairman*)  
Mr. HO Cheuk Ming  
Mr. TAM Wing Hung  
Mr. LEE Shu Ki  
Mr. KWOK Wing Kin  
Mr. CHAN Sui Sum, Raymond \*  
Mr. LEUNG Wai Ho \*  
Mr. SO Wai Chun \*

\* *Independent non-executive director*

### AUDIT COMMITTEE

Mr. SO Wai Chun (*Chairman*)  
Mr. CHAN Sui Sum, Raymond  
Mr. LEUNG Wai Ho

### COMPANY SECRETARY

Mr. CHENG Chai Fu



**AUDITORS**

Arthur Andersen & Co  
21st Floor Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

**PRINCIPAL BANKERS**

The Bank of East Asia Limited  
10 Des Voeux Road Central  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
Level 10  
1 Queen's Road Central  
Hong Kong

Standard Chartered Bank  
Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

**PRINCIPAL SHARE REGISTRARS AND  
TRANSFER OFFICE**

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

**HONG KONG BRANCH SHARE  
REGISTRARS AND TRANSFER OFFICE**

Central Registration Hong Kong Limited  
Rooms 1712-6, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong