



KARRIE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 1998

Financial Highlights

Impact of the Asian financial crisis on the Group ended and all operation costs are under control. The Directors will continually strive for better performance.

	<i>As at 30th September, 1998 HK\$'000</i>	<i>As at 31st March, 1998 HK\$'000</i>
Cash and bank balances	66,972	26,494
Total borrowings from banks and financial institutions	71,031	92,697
Net gearing ratio*	1%	21%
Stocks	81,744	128,061
Trade debtors	142,751	176,096

* This represents ratio of total borrowings from banks and financial institutions less cash and bank balances to the shareholders' fund.

Interim Results

The Directors of Karrie International Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 1998 together with the comparative figures for the corresponding period in 1997 as follows:

	Six months ended	
	30th September,	
	1998	1997
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>322,161</u>	<u>299,347</u>
Profit before taxation	15,034	3,774
Taxation (<i>Note 1</i>)	<u>(2,385)</u>	<u>(697)</u>
Profit after taxation	12,649	3,077
Minority interests	<u>249</u>	<u>--</u>
Profit attributable to shareholders	<u>12,898</u>	<u>3,077</u>
Interim dividend per share	<u>HK2 cents</u>	<u>N/A</u>
Earnings per share (<i>Note 2</i>)	<u>HK3.6 cents</u>	<u>HK0.9 cent</u>

Notes:

1. Taxation

Hong Kong profits tax has been provided for at the rate of 16% (1997: 16.5%) on the estimated assessable profits for the period.

2. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$12,898,000 (1997: HK\$3,077,000) and on 360,000,000 shares (1997: 360,000,000 shares) in issue during the period.

Interim Dividend

The Directors declared an interim dividend of HK2 cents per share for the six months ended 30th September, 1998 (1997: Nil) payable in cash on or about 14th January, 1999 to shareholders whose names appear on the Register of Members on 4th January, 1999.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 31st December, 1998 to Monday, 4th January, 1999 (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 Wednesday, 30th December, 1998.

Review

The turnover of the Group for the six months ended 30th September 1998 was HK\$322,161,000, representing an increase of 7.6% when compared with the corresponding period in 1997. Profit attributable to shareholders during the same period amounted to HK\$12,898,000, representing an

increase of 319% over the corresponding period in 1997.

The first half of the current financial year represented a continuation of the consolidation and diversification policy as adopted by the Directors since late 1997 following the onset of the Asian financial turmoil. Emphasis was put on incremental changes to maximize cash on hand rather than on taking up new projects or direction.

The performance of the Group's products during the period under review is as follows:

- sale of video cassette housings continued to experience a gradual decline in both volume and unit price. As a result, its contribution to the Group had suffered accordingly.
- sale of computer casings showed dramatic improvement as compared with the corresponding period last year as the Group was able to land on major orders from new customers in Europe while the orders from other OEM customers significantly rebounded with the dedicated efforts of the marketing department.
- sale of office automation products remained steady but its relative importance to the Group declined with the resurgence of computer casings business.

Prospect

To improve productivity, the Group had already introduced the unique "Smart Card Management System" and the "Status of Production and Task Display Board" ("Display Board") in its production management so as to facilitate data collection and analysis. The contributions of these facilities to the Group's production efficiency are substantiated by the fact that Karrie Industrial Company Limited, one of the Group's wholly-owned subsidiary, had been awarded the 1998 HKPC Certificate of Merit in Productivity and the 1998 Industry Department Certificate of Merit in Quality.

To strengthen its competitiveness, the Group had commissioned the Hong Kong Productivity Council ("HKPC") to study part of its manufacturing resources planning system for further improvement. The first stage of that study had been completed. The next step will be to co-ordinate with HKPC to study how to utilize the Group's existing manufacturing resources planning system to improve materials planning and cost reduction. With the combining effect of using the "Smart Card Management System" and the "Display Board" in the production floor, the production management of the Group will be improved. The Directors expect that this phase will take around 6 months to 9 months to complete.

In addition, the Group's new factory will become fully operational around January, 1999. The Directors expect that the Group's competitiveness will be further strengthened by then.

The Group will also continue its existing policy of consolidation and manage its cash prudently until the economic climate shows sign of improvement. However, despite their reservation about the global economic outlook, the Directors, barring any unforeseen factors, possess extreme confidence in the Group's cash flow position. As such, the Directors resolved to declare the payment of an interim dividend of HK2 cents per share.

The Directors believe at the moment that cash is the king and have refined the Group's sales and production policies accordingly. Short term sacrifice will and may be made to ensure that the Group will be able to take advantage of the coming upturn with its huge production and financial resources.

Year 2000 Problem

The Group considers "Year 2000 Problem" as adverse impact on business operations caused by the

failure of information system and electronic chips embedded in the equipment in managing the dates extending to, during and beyond the Year 2000. The Group has established a "Year 2000 Compliance Committee" which consists of members of senior management. The main duties of the Committee are (i) to perform a thorough assessment and to undertake testing on the information system and equipment of the Group and to formulate overall policy and temporary measures; (ii) to co-ordinate the major suppliers and various institutions so as to ensure that their products or services are Year 2000 compliant.

Equipment which are not Year 2000 compliant are being replaced and upgraded as scheduled and the relevant softwares are also revised if required. The total estimated cost of the project, which is expected to be completed by 30th June, 1999, will be around HK\$1,500,000. As at 30th September, 1998, the cost already paid for solving the "Year 2000 Problem" was HK\$300,000. The "Year 2000 Problem" related expenses will be recorded according to the accounting principles generally accepted in Hong Kong.

The Directors believe that the "Year 2000 Problem" will not pose a threat to the operation of the Group.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares during the period.

By Order of the Board
Ho Cheuk Fai
Managing Director

Hong Kong, 15th December, 1998