



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, 1999, together with the comparative figures for the corresponding period in 1998, as follows:

	Six months ended 30th September,	
	1999	1998
	HK\$'000	HK\$'000
Turnover	<u>326,197</u>	<u>322,161</u>
Profit before taxation	16,247	15,283
Taxation (Note 1)	<u>(1,883)</u>	<u>(2,385)</u>
Profit attributable to shareholders	<u>14,364</u>	<u>12,898</u>
Interim dividend	<u>7,920</u>	<u>7,200</u>
Earnings per share (Note 2)		
— Basic	<u>HK 3.99 cents</u>	<u>HK 3.58 cents</u>
— Diluted	<u>HK 3.95 cents</u>	<u>N/A</u>

Notes:

1. Taxation

Hong Kong profits tax was provided for at the rate of 16% (1998: 16%) on the estimated assessable profit for the period arising in or derived from Hong Kong.

2. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$14,364,000 (1998: HK\$12,898,000) and on the weighted average number of 360,000,000 shares (1998: 360,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$14,364,000 and on the weighted average number of 363,834,604 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:

Weighted average number of shares used in calculating basic earnings per share	360,000,000
Adjustment for potential dilution effect in respect of employee share options	<u>3,834,604</u>
Weighted average number of shares used in calculating diluted earnings per share	<u>363,834,604</u>

The diluted earnings per share for the six months ended 30th September, 1998 is not shown since there was no dilution effect for the six months ended 30th September, 1998.

INTERIM DIVIDEND

The Directors declared an interim dividend of HK2.2 cents per share for the six months ended 30th September, 1999 (1998: HK 2cents) payable in cash on or about 27th January, 2000 to shareholders whose names appear on the Register of Members on 14th January, 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 10th January, 2000 to Friday, 14th January, 2000 (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, 7th January, 2000.

REVIEW

Turnover of the Group for the six months ended 30th September, 1999 was HK\$326,197,000, representing an increase of 1.3% as compared with the corresponding period in 1998. Profit attributable to shareholders during the period amounted to HK\$14,364,000, representing an increase of 11.4% over the corresponding period in 1998.



During the period under review, the Group's profit recorded a satisfactory growth which was attributable to the continuous adoption of the diversification policy, an active expansion of the core business of personal computer and server casings, as well as the further enhancement of cost control and thus maintaining a reasonable profit margins.

The performance of the Group's business during the period under review was as follows:

- As a result of the dedicated efforts of the marketing department, the sales of personal computer and server casings recorded substantial growth of 17% over the same period last year. During the period under review, server casings accounted for 43% of the Group's total sales of casings as compared to 32% for the corresponding period last year.
- As described previously, the office automation products business experienced a sales decline because of the financial restructuring of a major customer's parent company. However, sales of office automation products are expected to increase following completion of the restructuring program of that customer in the fourth quarter of 1999.
- In view of the declining popularity of video cassettes, the Group had gradually downsized the video cassette housings business.

Prominent personal computer manufacturers, including Compaq and IBM, remain as the Group's major customers as a result of the dedicated efforts made to enhance relationships with them. With the Group's strong customer base, sales of personal computer and server casings to North America and Europe recorded substantial growth. In addition, the Group received awards from Compaq, Maxell and Siemens Nixdorf, reaffirming customers' recognition.

PROSPECT

Given that the global market demand for personal computers will continue to grow in this new Internet era, the Group will take the opportunity to further expand its personal computer and server casings business. To cope with the market changes, the Group launched several new models. At the same time, it will enhance its research and development(R&D) to meet Original Design Manufacturing(ODM) market needs. The Group's products received promising response at the COMDEX exhibition held last month in Las Vegas.

Although three of the world's five leading personal computer brands are the Group's major customers, we will be looking to retain strong business relationships with existing customers, as well as thriving to obtain orders from new customers. The deployment of engineers and marketing staff to overseas offices of customers not only provides better support to the customers, but also allows the Group to better understand market trends, enabling us to obtain new orders for large scale projects. In addition, the Group's customer base has been expanding continuously.

To further upgrade its services to the customers, the Group has set up close to 10 Just-In-Time services centres in strategic locations in various overseas markets, including the USA, UK, Germany, Japan, and Singapore markets. This has increased flexibilities in product delivery, enabling customers to deliver computer products to their buyers within a shorter period of time, while also enhancing the Group's competitiveness.

As the program currently being undertaken by the Hong Kong Productivity Council (HKPC) for the improvement of resources planning system will be completed soon, the Group's material planning, production arrangement and cost control system have improved significantly, allowing the Group to increase its profitability.

Other than expanding its business, the Group will also focus on maintaining a strong financial foundation as well as retaining sufficient financial resources for future development. The Directors are confident about the future and believe that the Group will continue to sustain its growth. Barring any unforeseen circumstances, the Directors expect to continue implementing a growing dividend policy.

YEAR 2000 COMPLIANCE

The Group has disclosed information relating to Year 2000 ("Y2K") issue in its 1999 Annual Report and has achieved the Y2K requirements for all relevant systems to ensure that the Group's business will not be affected by the millennium problem.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th September, 1999, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept by the Company 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

Name	Number of ordinary shares held			Number of share option
	Personal interests	Family interests	Corporate/ Other interests	
Mr. Ho Cheuk Fai	—	—	232,176,780 <i>(Note (a))</i>	3,000,000
Mr. Ho Cheuk Ming	—	—	232,176,780 <i>(Note (b))</i>	9,000,000
Mr. Li Cheuk Sum	—	—	—	1,500,000
Mr. Tam Wing Hung	—	—	—	1,500,000
Mr. Lee Shu Ki	—	—	—	1,000,000
Ms. Ho Po Chu, Scandy	34,320,000	—	232,200,000 <i>(Note (c))</i>	2,500,000

(b) Associated Corporations

Name	Number of non-voting deferred shares held		
	Karrie Industrial Company Limited	Karpo Technologies Limited	Karrie Industrial Holdings Limited
Mr. Ho Cheuk Fai	43,000	10,000	1
Ms. Ho Po Chu, Scandy	7,000	—	1

Notes:

- 232,200,000 shares were held by Pearl Court Company Limited ("Pearl Court") as trustee for a unit trust known as the Ho Cheuk Fai Family Trust ("HCF Trust"). One unit of the HCF Trust was held by Ms. Ho Po Chu, Scandy and 9,999 units were held by HSBC International Trustee Limited ("HITL") as trustee for a discretionary trust known as the Ho Wai Leung Memorial Trust ("HWL Trust"). Mr. Ho Cheuk Fai was deemed to be interested in these shares by virtue of the fact that the beneficiaries of the HWL Trust included his children under 18.
- Mr. Ho Cheuk Ming was deemed to be interested in these shares by virtue of the fact that he was one of the beneficiaries of the HWL Trust.
- Ms. Ho Po Chu, Scandy was deemed to be interested in these shares through Pearl Court by virtue of the facts that she was the only shareholder of Pearl Court and held one unit of the HCF Trust and by virtue of the fact that the beneficiaries of the HWL Trust included her children under 18.

As recorded in the Company's register required to be kept under Section 29 of the SDI Ordinance as at 30th September, 1999 and except as disclosed above and under the heading "Arrangement to Purchase Shares and Debentures", no right to subscribe for equity or debt securities of the Company was granted to any Director or chief executive (or the spouse or children under 18 years of age of any such Director or chief executive) of the Company.

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 predetermined price. Details of outstanding share options as at 30th September, 1999 granted to and accepted by Executive Directors and chief executives under the scheme were as follows:



Name	Granted on 19th June, 1999	Outstanding options as at 30th September, 1999	Subscription price per share
Mr. Ho Cheuk Fai	3,000,000	3,000,000	HK\$0.335
Mr. Ho Cheuk Ming	9,000,000	9,000,000	HK\$0.335
Mr. Li Cheuk Sum	1,500,000	1,500,000	HK\$0.335
Mr. Tam Wing Hung	1,500,000	1,500,000	HK\$0.335
Mr. Lee Shu Ki	1,000,000	1,000,000	HK\$0.335
Ms. Ho Po Chu, Scandy	2,500,000	2,500,000	HK\$0.335

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

Except for the above, at no time during the period was the Company or 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, 1999, 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:

Name of shareholder	Number of ordinary shares held		Shareholding percentage
	Personal interests	Corporate/ Other interests	
Pearl Court	—	232,200,000 <i>(Note (a))</i>	64.50%
HITL	—	232,176,780 <i>(Note (a))</i>	64.49%
HSBC Holdings plc ("HHUK")	—	232,176,780 <i>(Note (a) & (b))</i>	64.49%
HSBC Finance (Netherlands) ("HFN")	—	232,176,780 <i>(Note (a) & (b))</i>	64.49%
HSBC Holdings B.V. ("HHBV")	—	232,176,780 <i>(Note (a) & (b))</i>	64.49%
HSBC Investment Bank Holdings B.V. ("HIB")	—	232,176,780 <i>(Note (a) & (b))</i>	64.49%

Notes:

- The interests of Pearl Court and HITL have been disclosed and explained in Note (a) to the section headed "Directors' and Chief Executives' Interests in the Shares of the Company and Associated Corporations".
- HITL is a wholly-owned subsidiary of HHUK through HFN, HHBV and HIB which are also wholly-owned subsidiaries of HHUK.

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.

AUDIT COMMITTEE

According to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group has established an Audit Committee in January 1999 comprising two independent non-executive directors of the Company. They will be responsible for dealing with matters relating to audit which include reviewing and supervising the financial reporting process and internal control to protect the interests of the shareholders.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30th September, 1999, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

By Order of the Board
Ho Cheuk Fai
President

Hong Kong, 13th December, 1999