

主動 *Proactive*
服務 *Services*
承諾 *Commitment*

"The Spirit of Hong Kong:
We "CAN DO"!"

" 逆境自強，
港人本色 "

Mr. Ho Cheuk Fai, *Chairman & CEO*
何焯輝先生主席兼行政總裁



On behalf of the Board of Directors, I am pleased to present the annual report of Karrie International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the 12 months ended 31st March 2002.

PRINCIPAL ACTIVITIES & RESULTS

The Group is engaged in

- Metal & Plastic Business – The manufacture and sales of metal and plastic products including computer casings, office automation products, video cassette housings and moulds
- EMS Business – Electronic manufacturing services business

本人代表董事會謹此提交嘉利國際控股有限公司（「公司」）及其附屬公司（「集團」）截至二零零二年三月三十一日止十二個月之年報。

主要業務及業績

集團主要從事

- 五金塑膠業務 – 製造及銷售五金及塑膠產品、包括電腦外殼、辦公室文儀產品、錄影帶外殼及模具等
- 電子專業代工業務





Twin Business Models

The new classification is adopted in order to more accurately reflect the different characteristics of the traditional Metal & Plastic business and the new EMS business. A brief comparison is as follows:

	Metal & Plastic Business 五金塑膠業務	EMS Business 電子專業代工業務
Growth Potential 發展潛力	Stagnant 停滯不前	High growth 高速增長
Investment 資金投放	Heavy investment in fixed assets like metal stamping machines and plastic injection machines 大量投資於固定資產如五金沖壓機器及注塑機	Little capital investment. Instead, heavy working capital requirement 較少資本性投資，但對流動資金需求龐大
Gross Profit Margin 毛利率	Above 20% 20% 以上	Less than 10% 10% 以下

During the period under review, the slowdown of the US economy continued to affect our traditional Metal & Plastic business. Fortunately, with foresight, the Group's newly developed EMS business was able to fill up the vacuum and propelled the Group's performance to a new height since public flotation in late 1996.



雙軌業務經營模式

新的業務分類可更真實反映五金塑膠業務與電子專業代工業務的獨有特質，簡列如下：



於回顧期內，美國經濟放緩繼續影響著傳統的五金塑膠業務。但幸運地集團早已洞悉先機，剛剛發展的電子專業代工業務不單可填補這個缺口，更同時帶領著集團的業績表現，自一九九六年上市以來推向一個新的高峰。

Karrie Technologies

In recognition of the breakneck growth in the EMS business, we have decided to provide it with a separate identity. Starting from July 2002, all of the Group's EMS business will be grouped under a new wholly-owned subsidiary, Karrie Technologies Company Limited ("Karrie Technologies"). The paid-up capital of Karrie Technologies has been raised to HK\$30,000,000 in May 2002, showing the Group's commitment and confidence in this business.

In the coming months, the Group will seek professional advice on the future development of Karrie Technologies. The Directors do not preclude the possibility of a separate listing of Karrie Technologies in the future.

Rebirth: A New Turning Point

For the year ended 31st March 2002, the Group achieved a turnover of HK\$1,156,262,000, representing an increase of approximately 29% over last year. Profit from operations surged 108% from HK\$43,556,000 to reach HK\$90,587,000 this year. Profit attributable to shareholders rose 209% to HK\$81,645,000. This outstanding performance is even more exceptional when viewed against a background of the generally poor economic conditions worldwide.

The truth is Karrie has undergone a total transformation. Its rebirth is reflected not only in its excellent operating performance, but also its transformation from traditional family run business into an enterprise with modern management concept which enables it to march toward excellence.

嘉利環球科技

為確定電子專業代工業務的發展新趨勢，我們決定替其設定一個獨立身份，自二零零二年七月開始，所有集團的電子專業代工業務均會歸入一間新成立的全資附屬公司，名為嘉利環球科技有限公司（「嘉利環球科技」）。而嘉利環球科技的實收資本於二零零二年五月已提升至港幣3,000,000元，突顯出集團對此業務所許下的承諾及信心。

集團會搜集專業意見研究嘉利環球科技的未來發展路向，董事會不排除未來將嘉利環球科技作獨立分拆上市之可能性。

脫胎換骨 再攀高峰

截至二零零二年三月三十一日止之一年內，集團錄得之營業額為港幣1,156,262,000元，比上年度增長約29%。集團之經營溢利由去年之港幣43,556,000元上升約108%至港幣90,587,000元。而股東應佔溢利則攀升209%至港幣81,645,000元。在現時環球不景氣的氣氛籠罩下，本集團的業績表現尤其顯得難能可貴。

事實上嘉利已經完成了一次徹底大蛻變，集團的重生不單反映於其出色營運表現上，更重要的是集團由傳統著重家族式經營逐漸轉移至引入嶄新的現代管理概念，因而帶領著集團向卓越之路邁進。





Laying Down the Burden of History to Move Ahead

During the heydays of the Asian Financial Crisis back in 1998, the Group suffered as a result of the severe credit squeeze. Immediate suspension of banking facilities and requests for immediate loan repayment by a number of banks put an enormous pressure on the Group's operation. Some bankers even stated that they were not prepared to extend facilities to those public companies with less than three years' listing records. Even up to now I am still moved and traumatized by the difficult struggle during those days.

Now I can formally declare the re-restructuring process has been completed. Drastic reduction of profit from the high of HK\$81,213,000 million in year 1997 to HK\$27,865,000 million in year 1998 is history. After three years of investment in new factories, market repositioning and restructuring of business, we are now back on the right track. Now the Group is ready to move ahead without the painful historical burden. Apart from a huge relief, I must thank the customers, suppliers, banks, staff and my fellow directors for all their continued support in the tumultuous years since the Asian financial crisis in 1998.

放下包袱 重新上路

回望於一九九八年正值金融風暴肆虐之際，集團亦深受收緊信貸之苦，更被多間銀行終止信貸並要求即時還款，令集團蒙受重大的壓力。更有銀行家告知集團表示他們不會向上市未足三年之公司給予信貸便利。回想此數年間之艱苦奮鬥，就深感無限唏噓。

現本人正式宣佈集團經已完成重整，業績大幅滑落之慘痛經歷如一九九七年度之港幣81,213,000元至一九九八年度之港幣27,865,000元的時代經已過去。經過了三年時間的「投資」、「市場重新定位」及「業務重組」，集團現已重新納入正軌，現時可以拋棄過往的歷史包袱，繼續重新上路。除了感到如釋重負外，本人必須要衷心感謝各客戶、供應商、銀行、員工及董事局全人自一九九八年金融風暴以來的支持。





Turnover & Profits Before Tax

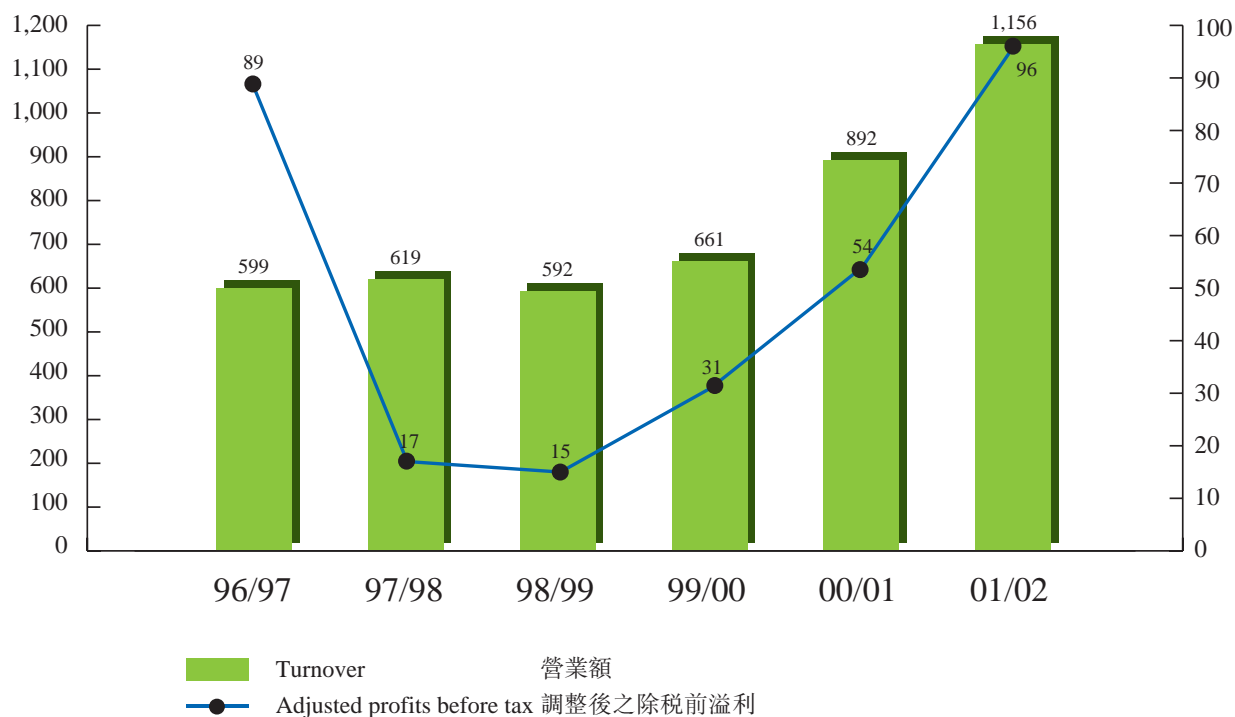
營業額及除稅前溢利

(Adjusted for Stock Provision & (Gain) Loss on Fixed Assets Disposal)

(調整存貨撥備和出售固定資產之(盈)虧)

HK\$ Million
港幣百萬
(T/O 營業額)

HK\$ Million
港幣百萬
(PBT 調整後之除稅前溢利)



	96/97	97/98	98/99	99/00	00/01	01/02
	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million
	港幣百萬	港幣百萬	港幣百萬	港幣百萬	港幣百萬	港幣百萬

Turnover 營業額	599	619	592	661	892	1,156
Profits before tax 除稅前溢利	95	17	21	24	30	85
Add back adjustment for 調整：						
a) Stock provision (written back) 存貨撥備 (回撥)	4	0	(6)	7	9	0
b) (Gain) Loss on Fixed Asset Disposal 出售固定資產 (盈) 虧	(10)	0	0	0	15	11
Adjusted profits before tax 調整後之除稅前溢利	89	17	15	31	54	96

Chairman's Statement

The Spirit of Hong Kong: We “Can Do”

Although the Group has faced numerous challenges since the 1998 Asian Financial Crisis, our management has been able to tackle them one by one with our typical “can do” spirit. The reasons for such outstanding performance are:

1. Market Re-Positioning

The Group had successfully anticipated the downturn of the US economy in general and the computer market back in late 2000. As a result, our Marketing Department has concentrated its resources to develop new business to lessen our dependence on the traditional computer casings and office automation business. We recognized that the era of high profit margin had gone. The way ahead is to survive through engaging in business with very low gross profit margin, high risk and abundant funding requirements.

To escape from the constraint from the traditional “overhead absorption based pricing” method, our marketing and finance teams have jointly developed a novelty approach: a new “integrated contribution & risk management” model to help us to evaluate and monitor new business projects. The result speaks for itself, as Karrie’s new EMS business shot from HK\$47,930,000 last year to HK\$388,216,000 this year, representing an increase of 710%.



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雖然集團自一九九八年亞洲金融風暴以來，遇到不少挑戰，但管理階層發揮逆境自強的精神，排除萬難，取得佳績。此傑出表現之關鍵如下：

1. 市場重新定位

於二零零零年末，集團成功地作出對美國經濟及電腦市場開始放緩之預測，故此市場部集中了資源開展新業務以減少對傳統業務如電腦外殼及辦公室文儀產品的依賴；我們明白到高毛利率的年代已過去，對於未來的路向，要生存便只好接受低毛利率、高風險及大量的資金需求之新時代。

為了減低傳統以「分攤廠費為基礎的報價制度」上的限制，市場部及財務部協商採納一種新的模式，利用新的「綜合貢獻毛益及風險管理」模式去評估及監察新的業務項目。事實上業績已經證明了一切，集團新開展的電子專業代工業務由去年的港幣47,930,000元上升至今年的港幣388,216,000元，上升幅度為710%。





Chairman's Statement

2. Increase in Productivity

Pressure from customers for price reduction is now a norm rather than an exception. To survive in a generally deflationary environment, since 1998 the Group has put the objective of productivity increase in its number one priority.

- Spending over HK\$300,000,000 in fixed assets since 1997 to improve production efficiency
- Engaged in a continuing re-structuring program for its huge production structure. This includes delayering, staff enhancement programme, staff natural attrition, establishment of independent business units and process re-engineering

While there is no best common denominator in measuring improvement in productivity for the Group, we are able to use surrogates to indicate the gigantic changes:

- sales per employee on a per annum basis increased from HK\$142,000 in 1997 to HK\$277,000 in 2002, representing an increase of 95%
- output of casings per employee on a per annum basis increased from 102 pieces per employee to 489 pieces, representing an increase of 379%

It is true that these are very crude indicators that do not distinguish between, for example the complexity between making a personal computer casing as compared with a server casing. But the trend is clear. The success of our dedicated effort to increase productivity helped to mitigate the tough pricing pressure.

2. 生產力的提升

客戶要求減價的壓力已經成為一個慣性循環，是無可避免的，為求於通縮的環境下生存，集團於一九九八年已定下首要目標，就是將生產力提升。

- 為改善生產效率，集團自一九九七年以來已花費了港幣300,000,000元添置固定資產
- 於生產架構上開展持續性的業務重組工作。其中包括精簡架構、員工增值計劃、員工自然流失、成立獨立業務專組與及改善生產流程等

雖然集團並無一些百份百準確的基制作為量度上述措施的成效，但可從其他理據中顯示出當中所帶來的變化：

- 每位員工的銷售額由一九九七年的每年平均港幣142,000元上升至二零零二年的港幣277,000元，上升比率為95%
- 每位員工生產電腦外殼的數量由一九九七年的每年平均102件上升至二零零二年的489件，上升比率為379%

這些均是一些較為粗略的資料，不能明確地辨別製造一個個人電腦外殼與伺服器外殼之不同複雜程度。但此等數據所帶來之信息是十分清晰的，我們努力地提升生產力是可以減低價格下調所帶來的壓力。



3. Operating Leverage

Because of the generally fixed or semi-variable nature of most manufacturing expenses except direct material and labour costs, incremental contribution after variable cost from increase in turnover would automatically be reflected in the bottom line once the critical mass is reached. This phenomenon helps to explain why the Group is able to secure quantum jump in profit in the current year.

DIVIDEND

The directors have recommended a final dividend of HK 5.9 cents per share to shareholders whose names appeared on the Register Members of the Company on 19th August, 2002. Together with the interim dividend of HK 5.0 cents per share, total dividends for the year amounted to HK 10.9 cents per share. The final dividend will be payable on or about 29th August, 2002. This dividend payment is in line with our policy of paying out 50% or more of the after tax profit of the year.

EQUITY TO TURNOVER RATIO

We have carefully studied the Group's trading pattern, capital and debt structure and the future capital expenditure (the "capex") plan. We believe that looking ahead, as a rule of thumb, the Group's optimal equity to turnover ratio will be around 1:6, with an expected resultant net gearing ratio of not more than 50%. This estimation is based on the following assumptions:

- no major capital expenditure plan
- no operating loss
- no changes in receivable/payable pattern

3. 營運槓杆效應

除了直接物料及工人工資外，大部份生產的支出均屬於固定或半變動的支出。每當達到臨界體後，銷售額上升之好處便會直接於盈利中反映出來，此現象可為集團解釋為何本年度之盈利會有顯著的增幅。

股息

董事會建議派發末期股息每股5.9港仙予所有於二零零二年八月十九日名列公司股東名冊之股東，連同中期股息每股5.0港仙，全年股息為每股10.9港仙。末期股息將於二零零二年八月二十九日派發。此股息派發比率與本集團所定下將除稅後溢利之50%或以上作為股息的政策相符。

股東資金與銷售比例

集團已對目前銷售模式、股本與負債結構及未來資本性開支計劃作出了詳細的研究，並相信未來集團的股東資金與銷售比例之「粗略指標」為1對6，並預期相關之淨銀行負債比率應少於50%，以上之估計乃基於以下之假設為基礎：

- 無重大的資本性投資
- 無經營虧損
- 供應商放賬期及客戶應收賬找結期無重大改變

Chairman's Statement

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- no major cash outflow
- no major changes in the Just-in-time inventory

Based on the above and after taking into account the negative multiplier effect should the theoretical equity reduction be undertaken, we estimate that, theoretically, we would only need equity of less than HK\$250,000,000 to support the sales of HK\$1,156,262,000 in 2002. As compared to an equity capital of HK\$352,247,000 in Year 2002, the Group has excess equity capital. With the controlling shareholder of the Company currently holding over 70% of the issued share capitals, any shares buyback would further reduce market liquidity of the shares. So the way to address the issue of over-capital capitalization is through payment of a special dividend.

SPECIAL DIVIDEND

Subject to the approval of the shareholders, the Directors propose the payment of a special dividend of HK14.1 cents per share (00/01 final: HK 6.2 cents, 01/02 interim: HK 5.0 cents). This will be the Group's third consecutive special dividend payment since 2001.

Criteria for Paying Special Dividend

The Directors had laid down the ground rules for payment of a special dividend in the 2001 annual report:

- The Group's cash holding is far in excess of its current and future operating and capex requirements. As at year-end, the Group's net cash holding, despite the payment of dividend of HK\$74,938,000 (2001 final and special dividends of HK\$37,374,000 and 2002 interim and special dividends of HK\$37,564,000), amounted to HK\$61,098,000, which was significantly higher than last year's figure of net bank borrowings of HK\$41,474,000. According to these figures net cash on hand increased by HK\$102,572,000. This clearly demonstrates the huge cash generating capacity of the existing business mix.

- 無重大之現金流失
- 即時供貨之存貨無重大改變

按照上述的指標，於理論上作估計，並計算入假若股本向下調時出現之負乘數效應，集團於二零零二年度之股東資金需求應不多於港幣250,000,000元便可足以支持總銷售額港幣1,156,262,000元。相對二零零二年之股東資金港幣352,247,000元，集團實有過剩之資金問題。目前大股東持有超過70%已發行股本，任何的股份回購將更加削弱股票於市場的流通量，故解決股東資金過剩問題之最佳辦法為派發特別股息。

特別股息

倘若獲得股東通過，董事會建議派發特別股息每股14.1港仙(00/01末期：6.2港仙，01/02中期：5.0港仙)，這將是集團自二零零一年以來連續第三次派發特別股息。

派發特別股息之準則

於二零零一年之年報中，董事局已定下派發特別股息的準則：

- 集團所持之現金遠超於日常營運及資本性開支之需求。截至年結日止，集團所持之淨現金為港幣61,098,000元(大大高於去年之淨銀行負債)，於此年度中，集團共派發了港幣74,938,000元之股息(包括二零零一年派發之末期及特別股息共港幣37,374,000元，二零零二年派發之中期及特別股息共港幣37,564,000元)，而二零零一年年結時之淨銀行負債為港幣41,474,000元，根據此等資料，淨現金數字共上升了港幣102,572,000元，這正好反映出集團現有的業務經營組合能帶來龐大生產現金能力。





- Reward shareholders for their support. In the Special General Meeting convened on 21st May, 2002 to approve the new share option scheme, three shareholders other than directors and staff shareholders attended the meeting for the first time in our short experience as a listed company. These shareholders participated in the subsequent informal discussions with the directors and management. We were excited and grateful for their confidence and trust in the Group. We sincerely believe that, with continuing good performance and in the absence of major capex program, the Group will continue its high dividend policy in order to reward shareholders for their support.



- Improve return on equity (the "ROE"). Accumulating surplus capital in the absence of capex would put a heavy drag on our continued effort to improve the ROE. Had the Group not paying dividend in the years 2001 and 2002, the ROE will be 19% instead of 23%. Rather than putting our surplus cash in high return/high risk financial instruments, we would prefer to concentrate on our manufacturing business and leave the financial investment decision to individual shareholders.

- 回饋股東的支持。於二零零二年五月二十一日集團召開了一次特別股東大會通過新的認股權計劃，當日除了董事會成員及工作人員外，尚有一位小股東出席，這是集團上市以來第一次有小股東參與之股東會。股東會後，這些股東一同跟董事及管理層作非正式的討論，我們衷心感謝他們對本集團的信心及信任。集團深信如能將業績繼續保持良好及沒有重大的投資項目之前題下，集團將繼續維持高息政策以回饋各股東的支持。

- 改善投資回報率。倘若繼續將資本盈餘滾存而又缺乏資本性支出的需要，這將嚴重拖累集團達至改善股東回報率的目標，如集團於二零零一年及二零零二年沒有派發股息的話，股東回報率將會是19%，而非23%。集團並無將其現金盈餘投資在一些高風險/高回報的投資工具上，集團選擇專注其製造業務並將此等財務投資決定經分派股息後交由各股東自行處理。



24 The Case for an Optimal Capital Structure

We believe that too much surplus equity capital, besides making a high ROE difficult, is not conducive to the Group's long-term interest because it may encourage the management to invest in marginal projects. An optimal capital structure would impose powerful financial discipline on the management in their evaluation of the viability of new investments.



However, we do not intend to pay out *all* of equity capital which is in excess of the minimum requirement. We must carefully strike a balance between the two extremes of having too much equity capital and having too much bank debts. After careful deliberation we believe a net gearing ratio of around 20% to 50% is most optimal under the existing business condition and having taken into account the growth prospect in the coming year. Net gearing ratio of over 50% would put the Group into the 'warning zone' in which case we would tackle the problems by reducing the growth in turnover, reducing capex, arranging long term debt financing, arranging equity financing or a combination of the above to bring the net gearing ratio back to a safe level.

追求最合適之資本架構

集團相信太多的股本資金，不但阻礙提升股東回報率，更影響集團之長遠利益。因為這將誘使管理層投資在一些邊緣項目上，合適的資本架構會令管理層更審慎地評估新投資項目的可行性。

但是集團並無打算將股東資金減至在理論上之最低水平，我們必須從太多資本與太多銀行負債兩者中取得平衡。經過細心的研究後，考慮到明年的業務增長，我們相信淨銀行負債比率介乎20%至50%之間於現階段之經營狀況最為合適。倘若任何淨銀行借貸比率超出50%時，集團便跌入「警戒線」，而集團將會減低銷售的增長、減少資本性開支、安排長期信貸、安排資本籌集或綜合上述方案去解決，從而令淨負債比率回落至安全水平。



**BUSINESS REVIEW****Metal & Plastic Business**

Affected by the poor economic climate and sluggish market of computers, total turnover contributed by the Business dropped by 9% from HK\$799,203,000 in year 2001 to HK\$729,028,000 in year 2002. Even though sales of office automation products increased from HK\$188,318,000 in year 2001 to HK\$220,222,000 in year 2002, this was not able to cover the shortfall in sales of computer casings products, which declined from HK\$565,219,000 in year 2001 to HK\$459,651,000 in year 2002. Contribution from this Business dominated the gross profit contributions with its 86% share of the total gross profit because of the accrued benefits of productivity increase and the reduction of fixed assets and inventory write-off (2002: HK\$11,166,000, 2001: HK\$24,180,000).

EMS Business

Sales attributable to this newly formed division increased by nearly 7 times from HK\$47,930,000 in year 2001 to HK\$388,216,000 in year 2002. Gross profit margin is low at only 7%. However, with overheads covered by profits from the Metal & Plastic Business, this Business was still able to make a good profit contribution.

Geographical Distribution

The Group's shipment continued its established pattern of diversification. Western Europe continued to be the biggest market of the Group, accounting for 38% of the total turnover. With contribution from the Group's new EMS Business, sales to both Western Europe and Japan increased tremendously to HK\$443,269,000 and HK\$305,257,000 in 2002 from HK\$320,444,000 and HK\$241,258,000 in 2001 respectively.

業務回顧**五金塑膠業務**

由於受到疲弱的經濟環境與及電腦市場的激烈競爭影響，此業務銷售額由二零零一年港幣799,203,000元降至二零零二年港幣729,028,000元，下跌9%。辦公室文儀產品銷售則有所上升，由二零零一年港幣188,318,000元上升至二零零二年港幣220,222,000元，但這不足以補償電腦外殼產品的下跌幅度，由二零零一年港幣565,219,000元下跌至二零零二年港幣459,651,000元。此業務之毛利貢獻比例仍然較重，佔總毛利貢獻的86%，主要受惠於生產力提升及固定資產及存貨的撇賬之減少（二零零二年：港幣11,166,000元，二零零一年：港幣24,180,000元）。

電子專業代工業務

這新成立業務之銷售上升幅度比去年增長七倍，由二零零一年之港幣47,930,000元上升至二零零二年港幣388,216,000元，而毛利率則偏低，只有7%。但由於固定成本已被五金塑膠業務所補貼，此業務為毛利帶來不錯的貢獻。

地域分佈

集團付運的模式繼續採取多元化，而西歐仍然是本集團最大的市場，佔總銷售額的38%。由於新成立了電子專業代工業務，其帶來之銷售使西歐及日本市場之銷售額由二零零一年分別為港幣320,444,000元及241,258,000元大幅上升至二零零二年港幣443,269,000元及港幣305,257,000元。



ISO14001 Environmental Management System accreditation

The Group embraces the concept of environmental protection because it is part of our social responsibility as a good corporate citizen. Besides, it is in line with some of our customers' requests for "green purchase".

To accomplish the mission 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 for disposing industrial wastes and polluted water despite the slowdown of the world economy and the suspension of other capital expenditure programmes. In addition, we have revamped our manufacturing process including product design, selection of raw materials and manufacturing process to ensure that they are more environmentally friendly. We try our best to utilize parts from outdated moulds for our recurrent production. We have also pushed for greater use of energy saving devices and recycled papers whenever possible.

Our continued effort in the environmental front enabled us to obtain the ISO14001 Environmental Management System accreditation on 30th December, 2001.

PROSPECTS

March toward Excellence

Our profit level is now back to the pre-Asian Financial Crisis level. The Directors believe that the Group will continue its steady march toward excellence in both operating performance and corporate governance.

To enable the Group to move towards these goals, the Group will shift its investment to human resources from the previous heavy investment in fixed assets with a view to laying down the foundation of the next breakthrough

ISO14001環境管理體系認證

集團意識到積極推動環境保護概念是作為一個良好企業的公民責任，同時，這正符合部份客戶「綠色採購」的要求。

為落實「一同參與，使美好地球環境與資源傳給下一代」之使命，縱使環球經濟出現不景氣而導致其他資本性投資計劃有所延誤，集團依然斥資興建了廢水處理中心及空氣過濾設備，用以處理工業廢料及廢水。同時於生產過程中作出修整改動，包括從產品設計、物料的選擇及生產過程考慮環境因素，以確保對環境的影響降至最低。我們盡量拆除過期模具之部件，循環再用；更致力推廣節約能源及紙張循環使用等措施。

集團於環境保護工作上持續的努力，促使集團於二零零一年十二月三十日榮獲ISO14001環境管理體系認證。

展望

爭取主動 邁向卓越

現時集團之盈利已回復至亞洲金融風暴前的水平，董事局深信集團可以繼續保持穩定發展，於「營運表現」及「公司管治」兩方面，一同邁向卓越大道。

為使集團能達致以上目標，集團會將重點由原先集中於投資機器設備等固定資產，逐步轉移集中於人才培育方面，為下一次突破建立根基。



In Defense of the Present Growth Model

We have received many suggestions on our future growth path, ranging from moving upstream, downstream or acquisition. We thank all our friends for their advice but we are deeply convinced that the present path is best for the Group.

1. Moving upstream to capture profit along the supply chain would no doubt boost gross profit margin but would expose the Group to the risk of industry concentration during business downturn.
2. As our 1997/98 disastrous experience in the standard casing (non-OEM) business clearly showed, moving downstream is not easy for an industrialist, at least in the next few years. The Group will simply lose its competitive edge in areas like promotion, distribution channels and brand management.
3. Merging two different industrial organizations with different cultures is a nightmare we can do without. It would seriously distract management attention from our existing growth plan.

Staying Close to Core Competence

We believe that the Group's core competence covers three areas:

- strength in the manufacturing of metal and plastic products and moulds making
- one-stop service and customers first culture
- experience in logistic control and managing complex industrial projects

為目前之增長模式辯護

集團就未來發展路向收到很多不同的建議，如縱橫發展又或是收購合併，本人非常感謝各位的建議，但集團相信現時的路向是最合適的。

1. 向上游發展無疑可從供應鏈上賺取利潤令毛利率上升，但倘若於業務衰退時便會因過份集中而承擔過度風險。
2. 集團於一九九七／九八年時在標準機箱業務中的慘痛經驗裏，學習到向下游發展對一個工業家來說並非一件易事，至少於這幾年內不行，因為集團於推廣、分銷渠道或品牌管理上均缺乏競爭優勢。
3. 將兩個擁有不同文化的工業架構合併可能是一場令人無法控制的惡夢，這將會嚴重地影響管理人員處理日常業務的能力。

不好高騖遠 力保核心優勢

集團相信現有之競爭能力主要在下列三方面：

- 生產五金塑膠產品及工模制作上的優勢
- 「一條龍服務」及以客為先的服務態度
- 處理大型及複雜的工程項目之經驗及掌握物流操作的要訣



To further expand our business we would prefer to stay close to our core competence and to rely on our present twin business models right now and grow internally:

- With the new EMS business providing the growth momentum.
 - a. The beauty of this business, despite the low gross profit margin, is the absence of capex requirements. Thus the Group can grow fast without worrying too much of leaving big unwanted investment or overheads should business take a sudden turn.
 - b. With most of the overheads covered by the metal & plastic business, the rapid growth of the EMS business would propel our earnings to a new height.
 - c. We would of course love to see addition of new customers in this newly formed unit. However, we have to be pragmatic. Given the rapid growth in this area, any addition of new customers would place pressure along the production chain that may be counter-productive in the end.
- With no major capex program in the near future, the metal & plastic business has been turned into a “cash cow”, generating tens of millions of dollars in cashflow to support the Group’s generous dividend and working capital requirement of the EMS business. Furthermore, it is hoped that sales of computer-related products may pick up in the first half of year 2003. If this is the case, then the Group would be benefited from these double thrust expansion.

為配合業務不斷擴展的需要，集團必須從事能發揮其「核心優勢」之業務：

- 新的電子專業代工業務帶領集團進入業務增長的新紀元。
 - a. 此業務雖然毛利率低，但其可取之處是不用作大量資本性投資，因而集團可無需擔心因業務上之突變，而浪費大量的資源。
 - b. 由於大部份之廠費皆為五金塑膠業務所補貼，電子專業代工業務的高速增長可望為集團之盈利帶往高峰。
 - c. 當然集團非常希望能為此業務引入新客戶，但必須先深思熟慮。因為這業務目前乃處於高速增長期，任何新引入之客戶只會為目前工作繁重之生產線帶來壓力，最終可能會適得其反。
- 由於投資期已完成及於預計將來未有重大的資本性投資項目，五金塑膠業務變成了「現金牛」，可為集團帶來數以千萬計以上的現金流入，用以支持集團派發股息及應付電子專業代工業務上的流動資金需求。同時，期望電腦週邊產品的市場可於二零零三年上半年開始復甦，倘若如願，集團便可如魚得水，兩面得益。



Chairman's Statement

Excellence in Operating Performance

Looking ahead, barring any unforeseen circumstances, the Directors are optimistic that in year 2003 that the Group will be able to achieve a 20% growth in turnover as part of the corporate plan of doubling its turnover in 3 years:

- while the growth of the metal and plastic business will not be resumed until the world economy and the computer market show more concrete signs of recovery, this business will continue to generate lots of free cash flow after the completion of fixed asset investment cycle;
- the EMS Business will continue its exponential growth and will be attributable to more than 50% of our total turnover.

Charging Ahead Without Neglecting Risk Management

You can be assured that the directors are not blinded by our modest achievement. My colleagues in the Finance Department and I myself are very conservative. The optimistic forecasts by our Marketing team will in no way lessen our vigilance. We would continue to monitor the Group's risk exposure through vigorous control in:

1. *Operating risk (inventory and performance)*

- by maintaining a diversified business model in terms of customers, products and market diversification;
- Apart from measures already adopted, we would further strengthen risk control by improving internal communication, building up of staff morale and the introduction of a new corporate culture;

營運表現 前景秀麗

展望將來，董事會對二零零三年之業務前景，撇除未可預計的情況下，抱持樂觀的看法並預期銷售額可有20%增長，並定下未來三年將銷售額倍增為集團企業計劃之一：

- 雖然五金塑膠業務呆滯不前，有待環球經濟及電腦市場有較明顯的復甦跡象才有機會恢復增長，但隨着固定資產投資期完成，此業務可帶來大量現金收益；
- 電子專業代工業務將會持續高速增長及將佔總銷售額之50%以上。

大步向前 不忘風險管理

可以肯定的是董事會並不會被眼前的小小成就所蒙蔽，本人及財務部的同事均是非常保守的，市場部對銷售預算樂觀的看法並無減低各人之危機感，集團會透過一些嚴謹控制繼續監察集團所承受之風險：

1. *營運風險 (存貨及生產風險)*

- 採取多元化業務之模式，包括客戶、產品類別甚至市場分佈等；
- 除了現時已採取之措施外，亦會透過改善內部溝通、激勵員工士氣及讓員工深切了解新的企業文化，從而加強風險管理；

**2. Finance Risk (receivable, liquidity and liability)**

- by monitoring receivable;
- by managing cash flow to avoid liquidity risk;
- by keeping an eye on net gearing and overall bank borrowings.

2. 財務風險 (應收賬風險、流動資金錯配風險及負債風險)

- 監察應收賬;
- 監控現金流轉預防流動資金錯配風險;
- 監察淨銀行負債比率與及整體銀行借貸。

Moving Up Along the Learning Curve in Corporate Governance

We still have much to learn in this area. However in the past year

1. We have the honour of recruiting a third independent non-executive director, making a total of three independent non-executive directors out of a total of 8 directors.
2. We have made achieving a 20% ROE as part of our long term business goals.
3. We have clearly defined our dividend policy of paying out dividend representing 50% or more of our after tax profit.
4. We have increased transparency through more disclosure on our management philosophy in our published accounts and through contacts with the public investors.
5. We have delegated operational authority to a new "Executive Committee".
6. We are actively studying the feasibility of issuing quarterly reports and accounts.

公司管治 漸上坦途

集團對公司管治方面仍有很多需要繼續學習,但去年開始集團不斷實踐,包括:

1. 委任第三名獨立非執行董事,使八名董事會成員中獨立非執行董事共佔三席。
2. 將股東回報率定為20%,作為集團的長遠業務目標。
3. 將除稅後利潤之50%或以上用作派息作為集團之派息政策。
4. 透過年報及與公眾投資者接觸中,向公眾投資者講解更多集團之管理哲學,以增加透明度。
5. 授權予新成立之「執行委員」會為集團推行改革及提高決策效率。
6. 正積極研究公佈季度業績之可行性。

Chairman's Statement

NEW KARRIE, NEW CORPORATE CULTURE

From Traditional Business to a New Corporate Identity

Why does a company fail? Many experts have written on this area. But to myself a company fails simply because its managers trust too much on their own instinct. I had that unfortunate experience in one of my private investments and I am determined not to commit the same mistake again, with that HK\$100,000,000 lesson. Delegating new ideas to subordinates for viability study would enhance internal communication and objectivity and reduce reliance on subjective judgement by management. Besides, the Group is growing so fast that the business can no longer be effectively managed by one person without the assistance from professional management and the proper check-and-balance.

So since June 2001, I have delegated the day-to-day running to a newly formed "Executive Committee". This is no easy task given my own workaholic habits and founder status but I realize that for the Group to grow beyond its traditional framework I must give room to a new management team. In addition to improvement in decision-making efficiency, the new management structure would also unleash the potential entrepreneurial spirit of our team.

新嘉利，新企業文化

從傳統業務至新企業身份

一間公司為何會失敗？很多專家曾作研究，但本人認為一間公司其中一個主要失敗的原因是其管理層過於相信自己的一套。本人的一項高科技私人投資項目就是這類不幸的經驗，此一億元之教訓，令本人決意不會再重蹈覆轍。將管理階層之新構思交予下屬去研究可行性，可增加集團內部溝通及研究之客觀性，亦可避免管理階層過份主觀誤事。再者集團現在的增長速度快得根本無法再以一人管理，必須依靠一些專業管理以保持互相監察的作用。

故於二零零一年六月起，本人已將日常營運工作交由新成立之「執行委員」會處理，以本人工作狂的性格及創辦人的身份並非易事，但本人意識到如集團要超越傳統的框架必須騰出空間予新班子。除了加快決定的效率，新管理架構更可無拘束地推行嶄新可行的企業管理概念。



32 The Size of the “Protective Bucket”

Two years ago, when one of my key staff decided to leave the Group. I had tried my best to persuade him to change his mind but my hands are bounded. I failed because with turnaround not yet completed we were simply not in a position to offer substantial financial incentives. I was told, subsequently, that he was not sure how large was the size of the “bucket”, meaning that he was unsure when the Group would be capable of rewarding him. *As the responsible leader to the Group I have the bigger responsibility to ensure that our “protective bucket” is filled with “defense ammunition” before giving out incentives to our staff.* It is unfortunate that my sincere intention was not clearly understood. This matter has occupied my thinking since then.

Continuity through Changes

Competition from China poses serious pressure on people in Hong Kong. With the salary level in China at a fraction of those in Hong Kong, we must adjust to survive. While everybody loves stability, continuity can only be attainable if we are willing to change ourselves to suit the new competitive environment.

We fully recognize that staff is the most important asset of the Group. We have no plan of layoff at the moment and we encourage our colleagues to constantly upgrade themselves. Even for myself I have to ask what is my contribution to the Company to justify my salary and my continued existence. This is certainly unpleasant to most but we have to face this newfound harsh reality. Nevertheless, after the “protective bucket” experience, now I have learnt to deal with personnel matters with compassion, as now I know that I must keep the good staff and keep them happy. Happy staff provides good environment for improvement in productivity.

「保護桶」之尺碼

兩年前本集團的一名要員決定離開，本人曾盡力地挽留他但卻無從入手，最終亦告失敗。原因是因為當期時集團的財政狀況未能提供足夠優厚之聘用條件。事後該職員提及他不知道集團的「保護桶」究竟有多大，意謂他不清楚集團何時願意及可以對他作出獎勵。作為一個負責任的集團領袖，最重大的任務是將這個「保護桶」裝滿「防守彈藥」後才可派發好處予員工。無奈地本人的誠意不被了解，此事件日後影響著本人的想法。

不斷求變以達到延續性

來自中國的競爭不斷為本港造成強大的壓力，由於中國工人的薪酬與香港對比甚遠，香港人必須作出轉變才能繼續生存。當然每人均追求穩定，但要繼續生存就只有從新環境中作出改變和適應。

集團完全意識到員工是最重要的資產，集團現時並無任何裁員計劃，但著重員工的不斷自我增值，就算是本人亦會常自我檢討能為集團付出甚麼，以肯定本人所受的薪金及存在價值，這雖然令人感覺不是味兒，但大家必須接受現時殘酷的現實。但自經過「保護桶」的經驗後，本人學懂了將心比心地對待員工，本人知道要留住好的員工便要令他們心情愉快，因為心情愉快的員工才是提升生產力的根源。



Chairman's Statement



- We have started to grant stock options to our staff since 1999. In May 2002, we granted further options to an enlarged group of staff;
- In January 2002, we decided to cancel the year-end 13th month pay. Instead a performance-based bonus system is implemented. The old system is too rigid and unfair to those with good performance. Now with the new pay for merit system we can truly award those with good performance;
- In June 2002, the Group has started its new corporate rebranding program of “Proactive, Services, Commitment”. Through a series of interactive meetings, we hope that our colleagues would fast learn the tricks of dealing with the challenges of the new millennium;
- Instead of the traditional top to bottom approach, now we try to solicit opinions from middle management level and make our decision-makings process more transparent. Corporate targets and management philosophy are clearly defined and management performance is measured against these criteria. All these may seem to be basic management techniques. But they are also inevitable steps helping the Group to improve its management;
- We have recruited top management personnel to provide new impetus and new ideas. In the past few years, we have recruited various top managers, some of them have worked in the Group in the past, as heads of the Minolta Production Business Unit, the NEC Production Business Unit, Logistic Department and other senior management positions. We are still looking for new talents to join our team.
- 集團於一九九九年開始向員工授予認股權，並於二零零二年五月，集團向更多員工授予認股權；
- 於二零零二年一月，集團決定取消第十三個月薪金，而相應地推出了與表現掛勾的獎金制。過往的制度太過死板且對有好表現的員工是不公平的，現在新制度能按照員工功勞發放獎金才能真正獎勵一些表現出色的員工；
- 於二零零二年六月，集團發動了一項企業新口號，名為「主動、服務、承諾」，經過一連串的會議討論後，集團希望各員工能快速學習到如何於新紀元中迎接各項挑戰；
- 現已逐漸棄用由上而下的溝通模式，現在所採取的是透過中層管理人員搜集意見，令所作之決定更具透明度。企業目標與及管理哲學均清楚地討論以達到共識，而管理者的表現則以這些準則來評定。當然這些只是一些管理上基本技巧，但如集團要將管理提升向前，這些卻是不可缺少的第一步；
- 集團向外招聘管理人才以帶來新的推動力及新的思維。這數年間，集團慶幸有猛將回巢及高手加盟，並分別執掌美能達業務專組、NEC業務專組、物流部及其它部門，現在集團仍然繼續招攬頂級人才加盟。

I appreciate that the days of entrepreneur are numbered and professional managers would take over management responsibility sooner or later. As I do not speak English, it is simply impossible for me to communicate with our customers like my colleagues in the marketing department. This new generation of dedicated managers, with their notebook computers and never-turned-off portable phone, has achieved the near impossible in the breakthrough in the sales front. In fact out of the 7 directors at the time when the Group was listed in year 1996, four of them have departed the Group or left the Board. From now on, I will concentrate in planning the future direction of the Group, supervising the operation of Executive Committee and taking care of important external relationships. I do hope that I would, with my decades of experience, lead the Group to a new era.

Sailing into Uncertain Future with Confidence

We believe what constitutes a “good company” is not only its quantitative performance or quality of its assets. Business risk is always there and the Group has encountered and will continue to face numerous challenges ahead to complete its next cycle of growth. We are confident in sustaining good performance due to our management capability to:

- anticipate crisis
- deal with crisis

本人深深明白創業者年代必須過渡至專業管理年代，以本人小學生之學歷及不懂英語，實不能與市場部全人之專業作比較，他們以一部手提電腦及永遠啟動之手提電話，不眠不休，南征北討，立下顯赫成績。事實上，於一九九六年上市時合共有7位董事，其中4位已分別離任或退下第一線。此後，本人會專注於制定公司之大方向，監察執行委員會之運作及處理重要之對外關係，希望以本人數十年之經驗，能夠帶領集團進入另一新紀元。

面對不明朗的未來仍然充滿信心

集團深信一間「好質素的公司」不單只將其表現量化又或將資產評定質素，商業風險是無時無刻存在的，集團曾經遭遇過甚多困難，並預期會於下一個增長週期繼續面臨更多的挑戰。無疑集團於過往受到幸運之神所眷顧，但對集團對將良好業績持續性充滿信心，是因為深信管理階層：

- 有能力預測危機
- 有能力解決危機





Among many other instances, the Group has proved itself in:

- anticipating the slowdown of the US economy in late year 2000 and reduction of inventory from the high level of HK\$214,000,000 as at 30th September, 2000 to HK\$132,000,000 as at 31st March, 2001, thus reducing the risk of write-off and enhancing liquidity of the Group;
- Building up the EMS Business from scratch to more than 34% of the total turnover, which is no easy task considering the difficult business climate throughout year 2001.

And these are the real reasons why I am willing to take a step back. I am proud of our colleagues and the new management team. And I do hope that one day all our staff will, if not already, be proud to be part of the New Karrie.

FINANCIAL RESOURCES

Since the Asian Financial Crisis, it has always been the Group's policy of not placing undue reliance on any single source of fund. At present, the Group secures bank financing from the following separate sources:

- commercial banks in Hong Kong, especially from those banks which have deep roots in Hong Kong
- banks in China
- non-bank financial institutions

在多個例子中，集團證明了這能力，例如：

- 於二零零零年末預測到美國經濟出現放緩，於二零零零年九月三十日將存貨由港幣214,000,000元銳減至二零零一年三月三十一日之港幣132,000,000元，從而減低了撇除呆貨的風險，並且改善了集團資金的靈活性；
- 建立電子專業代工業務，並從微不足道的金額上升至佔總銷售額的34%，在2001年的艱苦經營環境是十分難得的。

這些正是本人願意退後一步的真正原因。本人以各員工及新管理隊伍為傲，本人亦希望所有嘉利員工有一天能以作為新嘉利的一份子而感到驕傲。

財政資源

自從亞洲金融風暴以來，集團政策是不會過份依賴單一財政來源，現在集團的銀行借貸分別來自以下三方面：

- 香港的商業銀行，尤其是一些扎根香港的銀行
- 國內銀行
- 非銀行之金融機構



Chairman's Statement

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We also actively manage our relationship with our financiers to ensure all our financiers earn their fair share of revenue and are kept informed of the Group's situation and future business plan.

The Group has received informal solicitation for arranging a syndication loan but fails to see any urgency in the matter given the current high liquidity and huge cash generating ability of the existing business. However, our position may change by the end of 2002 if:

- the payment of special dividend is approved by the shareholders;
- the EMS business continues to grow in its breakneck pace;
- there exists a need to improve the current ratio as a result of either increased trading and/or new capex programme.

Then the Group will seriously consider the feasibility of arranging a syndicated loan.

As at 31st March, 2002, the Group's cash holding was approximately HK\$228,118,000 and had banking facilities of approximately HK\$503,405,000. The Group's gearing ratio was 47% as at 31st March, 2002.

EXCHANGE RATE EXPOSURE

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

集團積極與信貸機構保持良好之客戶關係，確保所有信貸機構獲取合理生意之餘，對集團的狀況及未來業務發展計劃得到詳細的了解。

集團收到一些銀行非正式的邀請，表示可安排銀團貸款，但集團於現時流動現金充裕及現有業務可提供足夠現金的情況下，暫未有此需要。但到二零零二年尾時情況或有改變，倘若：

- 股東通過派發特別股息；
- 電子專業代工業務繼續按現有高速度增長；
- 因銷售增加又或是有新的資本性投資項目，令集團有需要改善其現金流動比率。

集團將積極探討銀團貸款之可行性。

於二零零二年三月三十一日，集團手持現金為港幣228,118,000元，而可動用銀行融資借貸額約為港幣503,405,000元。於二零零二年三月三十一日，本集團之銀行負債比率約為47%。

匯兌風險

本集團所有資產、負債及交易均以港元、美元及人民幣計算，由於年內港元、美元及人民幣之匯率維持穩定，故此本集團並無任何重大之匯兌風險。

Chairman's Statement

CONTINGENT LIABILITIES

As at 31st March, 2002 there were a trade receivables factored with recourse of approximately HK\$5,200,000, and the Group did not have other significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2002 the Group employed approximately 4,168 staffs and workers. Employees' remuneration is determined in accordance with their performance, experience and prevailing industry practice. Discretionary bonus will be awarded to employees who demonstrated good performance under a reward evaluation policy and linked up with the Group's audited result. Other staff benefits include medical insurance and MPF. Besides, a Share Option Scheme was adopted in 1996 under which share options were/will be granted to certain employees as incentive and award for their contribution to the Group.

APPRECIATION

I would like to thank our customers, suppliers, bankers, shareholders and others who have extended their invaluable support to the Group, and my fellow directors, managers and all staff for their considerable contributions to the Group.

Ho Cheuk Fai
Chairman

Hong Kong, 15th July, 2002

或然負債

本集團於二零零二年三月三十一日除附有追索權之已讓售應收帳款約港幣5,200,000元外，並無其他重大之或然負債。

僱員及薪酬政策資料

於二零零二年三月三十一日，本集團共聘有僱員總數約4,168名。僱員薪酬一般參考市場標準及僱員表現釐定，集團並會根據公司已審核之業績透過獎賞評核政策，對有良好表現之員工發放花紅。其它員工福利包括醫療保險及強制性公積金。此外，本集團設有於一九九六年採納之僱員購股權計劃，並選定若干優秀表現及貢獻之僱員授予購股權。

致謝

本人謹向一直鼎力支持本集團的所有客戶、供應商、往來銀行、股東、以及所有給予本公司支持者致以衷心致謝。此外更感謝一直為集團作出寶貴貢獻之董事、經理及員工們。

何焯輝
主席

香港，二零零二年七月十五日

