



## 事無大小 用心去做 HEARTFELT DEDICATION IN ALL DETAILS

**What is heartfelt dedication: must include the majority of the following**

- always thinking of how to do your job better than before;
- think about it before you go home, no matter whether you are eating or walking;
- think of all sorts of possibilities which may arise like the potential risk or the reality;
- think of the responses of the users/customers to the products/service offered and whether they are satisfied. Think from their angle but not your angle or the 'in theory' angle;
- do not mind about minor inconvenience to yourself. You should not mind taking one step further and perform each task with utmost devotion.

**何謂「用心去做」?需涵蓋以下大部份元素：**

- 能抱著如何每天改善目前工作的態度；
- 無論食飯或逛街時，只要未返回家都會為工作思考；
- 做每樣事情都能先考慮所有的可能性，如潛在風險又或實際臨場情況；
- 嘗試從客戶／用家的角度了解他們對你提供的產品／服務是否滿意，而不是從你的角度又或是「理論」性去理解問題的難度；
- 凡事不應介意多走一步，縱使或會為自己帶來少許不便，盡力完成每項任務。

## Chairman's Statement 主席報告

On behalf of the board (the "Board") of Directors (the "Directors") of Karrie International Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2006.

### PRINCIPAL ACTIVITIES AND RESULTS

The Group is principally engaged in

- Metal and Plastic Business: the manufacture and sales of metal and plastic products including computer casings, office automation products, moulds, plastic and metal parts; and
- Electronic Manufacturing Services Business ("EMS" Business): the manufacture and sales of laser printers, magnetic tape drive, digital photo printers, multi-functional fax machines and other computer peripheral products.

### Teamwork leading to Record Breaking Results

**For the second consecutive year, the performance of the Group surged into new height since public flotation in 1996: Turnover for the 12 months ended 31 March 2006 rose to a record high of HK\$3,592,741,000 (2004/05: HK\$2,563,190,000), while profit attributable to equity holders reached HK\$186,379,000 (2004/05: HK\$146,573,000), representing an increase of 40% and 27% respectively.**

Some of the principal reasons for the impressive performance were as follows:

- **Continued strong demand for computer and office automation products.** As the Group is normally the sole supplier for the particular projects confirmed with customers, any increase in demand of our customers' products will be mostly reflected as increase in the business of the Group;
- **Shipment of new products** (including colour laser printers, digital photo printers and multifunctional fax machines) has commenced by the last quarter of the last financial period. The momentum continued in the current reporting period;

我謹此代表嘉利國際控股有限公司(「公司」)董事(「董事」)會(「董事會」)提交公司及其附屬公司(「集團」)截至二零零六年三月三十一日止的年報。

### 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、模具、塑膠及金屬部件等；及
- 電子專業代工業務－製造及銷售鐳射打印機、磁帶解碼器、數碼相片打印機，多功能傳真機及其他電腦週邊產品。

### 眾志成城，再創佳績

集團連續兩年創下自一九九六年上市掛牌的最佳業績：截至二零零六年三月三十一日止十二個月之營業額創下新記錄至3,592,741,000港元(二零零四／零五年度：2,563,190,000港元)，除稅後股權持有人應佔溢利亦躍升至186,379,000港元(二零零四／零五年度：146,573,000港元)，上升幅度分別為40%及27%。

創出理想業績其中之幾個原因為：

- 電腦及辦公室文儀產品的需求持續增長，而集團一般為客戶個別產品項目之唯一供應商，當市場對客戶產品需求上升時，這些增長便會相對地反映於集團的營業表現上；
- 承接上年度第四季之強勁增長，**新產品持續開始付運**，(包括彩色鐳射打印機，數碼相片打印機及多功能傳真機等)，於報告期內，此動力持續；

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- Under the Group's versatile "Total Transparent Cost Plus Pricing Model" (2004/05 Interim report, P. 24) **most of the raw materials by value other than steel plates are sourced through the customers or through suppliers designated by the customers. A rise in raw material price has only a marginal impact on our bottom line.**

### One Billion Reasons to Celebrate

**For the year ended 31 March 2006, the Group added HK\$1,029,551,000 in turnover.** How did we achieve such outstanding results under such difficult business environment?



Basketball game with a customer: one of our most valuable assets in our long-term relationship with customers.

與客戶的籃球友誼賽：與客戶之長遠關係是我們其中一項寶貴資產

- Firstly we have to thank for the **support from our customers, suppliers and bankers. Your support** has been translated to **Our Momentum** (main theme of our 25th Anniversary);
- Secondly we have to salute to our colleagues for their heartfelt dedication. While we are far from perfect, **our colleagues' relentless quest for continuously improving and enhancing performance has built up a snowball effect in improving the operating efficiency of the Group.** For the benefits of those not versed in manufacturing, the trick in running a factory is not

- 根據集團多變的「全透明成本加利潤報價模式」(二零零四／零五年度中期業績第二十四頁)，除鐵料外，大部份原料均是由客戶負責採購又或是由客戶指定供應商所提供，故此原料價格上升只會對集團帶來輕微影響。

### 十億個令人興奮的理由

截至二零零六年三月三十一日之短短一年間，集團營業額上升了1,029,551,000港元，究竟我們如何於如斯艱難的營商環境下取得此卓越成績呢？

- 首先我們要感謝客戶、供應商及銀行的支持，有「你的支持」才能轉化成為「我的動力」(二十五週年主題)；
- 另外我們必須向所有曾經盡心盡力付出的員工致敬，雖然我們距離達到完美階段尚遠，但員工都無私地為持續改善及提升工作表現而付出，這股力量啟動雪球效應帶領集團之營運效率跨步向前。不熟悉製造業的人可能並不清楚一間工廠要運作暢順，其竅門並不在於每年推行革命性的改變，反

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the implementation of revolutionary changes every year. Incremental improvement, however trivial, will slowly do the job. Our motto is detailed planning, thorough execution and learning from mistakes. Every small improvement in even minor assignments would add up to significant savings/increase in production efficiency that would put us ahead of the competitors. Some examples of such superb management skills:

而一點一滴地積沙成塔更具成效。我們處事的箴言就是周詳計劃、透徹執行及從錯誤中學習，縱使一項細微的任務，每一細節的改善足以為節省成本／提升生產效率帶來明顯效果，長遠而言，這些點滴令我們拋離其他競爭者，此等優質管理的例子比比皆是，例如：



Services delivered by air: Francis, Raymond, Henry flew a combined of more than 350,000 miles in 2005/06 to serve our customers.

移船就壩：Francis, Raymond及Henry於2005/06年度共飛行超過350,000哩為客戶提供服務

- a. **operating efficiency ratio: inventory turnover ratio improved by 46% to 39 days (2004/05: 72 days);**
- b. **even with the commencement of the construction of the Yu Quan Plant, return on fixed asset rose by 8% to 66% (2004/05: 61%).**

- a. **營運效益比率：存貨週轉率改善46%至39天（二零零四／零五年度：72天）；**
- b. **雖然玉泉廠房開始興建，但固定資產回報率仍可上升8%至66%（二零零四／零五年度：61%）。**

### THE THREE EQUILIBRIUMS

To let you understand the challenges and dilemma we were facing at the beginning of the financial year in managing another year of explosive business expansion, we would elaborate the underlying philosophy and actions taken on how Team Karrie dealt with three major areas of conflicting requirements in a simplified manners. (The Three Equilibriums, P. 18 to P. 38, 2004/05 Annual Report)

### 「三大平衡」

為了讓你明白我們於本財政年度開始時所面對之高速業務增長所帶來的各樣挑戰與難題，我們嘗試以簡單的方式去解釋「嘉利團隊」如何解決三項最主要的不能兼容的要求及其背後管理理念。（「三大平衡」見於二零零四／零五年年報第十八至三十八頁）



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### The First Equilibrium: "Risk of Investing" vs "Risk of Not Investing"

The turnover of the Group grew from HK\$661,887,000 in 1999/2000 to HK\$3,592,741,000 in this financial year. A rapidly expanding business always face the dilemma of

- The risk of not investing enough to accommodate customers' requirements vs
- The risk of investing too much and hence laying down the seeds of troubles for the future

Our professional management team has stricken the right balance of such conflicting requirements. For example,

- **Despite the 40% increase in turnover, we were able to control the rate of increase in the distribution and selling expenses & general and administrative expenses at 2% and 13% respectively;**
- **Capital expenditure ("Capex") spending (including both the construction of Phase 1 of the Yu Quan Plant and other items), only slightly exceeded our original budget of HK\$90,000,000. It was easily funded through retained profit in line with the Group's prudent policy of not borrowing money to finance Capex. (Please refer to P. 37-43 on Financial Resources)**

### 第一平衡：「投資的風險」與「不作投資的風險」

集團營業額從一九九九／二零零零年度之661,887,000港元上升至本年度之3,592,741,000港元，在此高速業務增長的過程，往往帶來令人困惑的抉擇：

- 不作投資的話，是否有足夠生產力滿足客戶需要；
- 投資過度的話，會否為日後帶來營運風險。

我們的專業管理團隊，於不能兼容之要求下，務求於兩者之間取得平衡，例子包括：

- 雖然營業額上升40%，分銷及銷售費用與一般及行政費用之上升幅度控制得宜，僅上升2%及13%；
- 固定資產投資(包括興建玉泉廠房第一期及其他項目)祇輕微超出原來預算之90,000,000港元，我們輕易地透過保留溢利支付有關投資，正好符合我們不以借貸作固定資產投資的保守原則。(請參閱第三十七至四十三頁「財務資源」部份)



### — 小故事 1 —

梁耀海1992年進廠時是一名金屬部普工，最初就如大部份的青年人一樣對未來充滿信心，對每項工作都充滿熱情，以為經過磨練熱情會漸漸冷卻，但事實卻不然，他輾轉到過不同的部門工作，每天做著只是一個平凡人，默默耕耘，無問收獲，這就是他的信念。

到了今天，現職為機箱裝配部之高級技工，每天總是將工具管理得井井有條，從工具更新、改良、收發、以致是維修保養，縱使在其他人眼裏看似微不足道，但他卻依然固我認真地堅守其工作崗位，只是說：「工作無需分地位高低，只是分工不同而已，在什麼崗位就要負什麼責任。」——大部份嘉利人雖然並不是天才或絕頂聰明的人，但他們絕對是一群用心投入的員工！



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### The Second Equilibrium: Dividend vs Capex and Working Capital Requirements

Shareholders clamouring for a rate of increase of dividend in line with the 27% increase in profit should note that since 2001, we have paid out a total HK\$451,382,000 in dividend to our shareholders or around 86% of the shareholders' fund as at 31 March 2006. How many other listed companies in Hong Kong are able to match our record?

With the commencement of construction of the huge Yu Quan Plant, a new Capex cycle has begun. Naturally we have to be a little bit cautious in raising the dividend payout.

Let's sum up the dilemma we faced in the beginning of the financial year:

- One of the key features in our business model is the granting of credit to our blue chips customers instead of receiving letters of credits. Thus in a period of rising turnover we would need bank borrowings to finance the working capital requirement;
- At the beginning of the financial year we projected a turnover growth of around 30%. Additional bank borrowings to fund working capital would push up the net gearing of the Group, which had already surged to 56% as at 31 March 2005;
- Funding for capex and the dividend would leave little room from the retained profit front.

### 第二平衡：「股息」與「固定資產投資及流動資金需求」

股東們或會提出應將股息按溢利上升了27%的比例同步提升，但他們應當留意自二零零一年以來，我們已向股東們累計派發451,382,000港元之股息，又或是約佔截至二零零六年三月三十一日的股東權益約86%，試問香港有那些上市公司可以與我們相比？

隨著浩大的玉泉廠房開始興建，意味著投資週期再次啟動，因而對於提高股息派發比率方面會有所保留。

讓我們先重溫於財政年度開始時遇到的難題：

- 我們的經營模式其中一個重要特質是容許客戶以放帳形式找結而非收取客戶之信用狀，因而當營業額上升時，我們必須要以銀行借貸支持流動資金的週轉需要；
- 本財政年度初期預計營業額增長升幅約30%，額外的借貸將會推高集團之淨銀行借貸比率，而截至二零零五年三月三十一日時已急升至56%；
- 同時由於固定資產投資以及股息的支出從保留溢利中提取，導致保留溢利的儲備減少。



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So Team Karrie

- **Firstly, we adopted a pragmatic approach in a capex budget for 2005/06 of HK\$90,000,000 only. We are building factories, not palace;**
- **Secondly, we only modestly raised the dividend level, enough to show our confidence in our prospect but still leaving some cushion behind in order to keep funds for future development (Please refer to P22-23 on Dividend and Dividend Policy);**
- **Thirdly, we initiated a vigorous working capital management program. The result of this program was beyond our expectation as the cash cycle shortened from 79 days in 2004/05 to 51 days in 2005/06. The shorter cash cycle lead to the reduction of bank borrowings and shore up our confidence in managing funds in times of growth. By eliminating this dilemma, we are also more receptive to pay a higher dividend to share the wealth created with our shareholders in due course.**

對於嘉利團隊而言，

- 首先，我們採取實事求是的作風，要興建的是工廠而非皇宮，故二零零五／零六年度固定資產投資需求設上限為90,000,000港元；
- 第二，我們只輕微提升股息派發水平（請參閱第二十二至二十三頁「股息與股息政策」），以顯示出我們對前景的信心，但同時卻可保留資金為將來發展留有空間；
- 第三，我們採取較為嚴格的流動資金管理措施。這措施取得的成效較預期為佳，現金週轉期從二零零四／零五年度的79天縮減至二零零五／零六年度的51天，加速了流動資金的週轉之餘，還可減少銀行借貸，提升我們於增長時管理資金的信心。撇除了此憂慮，我們是非常樂意逐步透過股息與股東們分享財富的。

### Cash Cycle 現金週轉期

No. of Days	日數	2003/04	2004/05	2005/06
A. Inventory Turnover	存貨週轉期	42	72	39
B. Debtors Turnover	應收帳週轉期	63	80	61
C. Creditors Turnover	應付帳週轉期	56	73	49
Cash Cycle*	現金週轉期	49	79	51

\* A + B – C



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### The Third Equilibrium: how to balance the customers' requirement of additional inventory vs the risk profile of the Group

As the sole supplier of the customers for particular projects confirmed, we have no option but to comply with their request for building up a just in time ("JIT") finished goods inventory and raw materials for future production. This could raise the risk profile of the group should the economy tank (this is the asset side of the problem in contrast with the liability side problem in the balance sheet). As at 31 March 2005, inventory value surged to HK\$440,013,000 (as compared to 31 March 2004, the absolute amount of increase was HK\$273,539,000 or 164%).

### 第三平衡：如何於客戶要求提升存貨與集團風險評估之間取得平衡

作為客戶個別項目之唯一供應商，我們別無選擇地只能順應他們的要求提升存貨，包括供應「即時付運」成品及為即將生產的物料準備，倘若經濟出現逆轉時，我們要承受的風險層面將會擴大（即資產負債表上之資產風險，有別於負債風險）。截至二零零五年三月三十一日止，存貨大幅升至440,013,000港元（對比二零零四年三月三十一日升幅達273,539,000港元，或164%）。

#### Inventory Value To Turnover 存貨與營業額比例

(HK\$ million)	(百萬港元)	2003/04	2004/05	2005/06
Turnover	營業額	1,693	2,563	3,593
Inventory	存貨	166	440	340
Inventory to Turnover (Times)	存貨與營業額比例(倍)	10	6	11

To reduce if not eliminate such risk, we re-organize our production setup to reduce production lead-time, practice JIT inventory system with our suppliers and closely monitor the JIT inventory warehouse with customers to keep a smooth production flow. The result speaks for itself as inventory *declined* by 23% as compared to a 40% *increase* in turnover.

為了減低存貨的風險，我們將生產的程序重新調整以縮短生產週期、要求供應商為我們提供「即時付運」的服務、與客戶緊密聯繫確保「即時付運」倉庫的運作暢順，這些措施取得了非凡的成效，相對營業額上升40%，存貨反而下跌了23%。

We have enhanced our processes to manage inventory levels and to analyse and evaluate the nature and extent of inventory provision required. In this connection a write-back of provision for slow moving and obsolete inventory of approximately HK\$18,157,000 was made during the year.

我們已加強管理存貨水平之程序及分析和評估要求存貨準備之性質及程度。因此本年內陳舊及滯銷存貨準備撥回約18,157,000港元。

### Dividend and Dividend Policy

The Directors have recommended a final dividend of HK13 cents per share to shareholders whose names appear on the Register of members of the Company on 4 August 2006. Subjected to the approval of the shareholders, the Directors also propose the payment of a special dividend of HK3 cents per share (2004/

### 股息與股息政策

董事會已建議派發末期股息每股13港仙予所有於二零零六年八月四日當日名列於本公司股東名冊內的股東。倘若獲股東通過，董事會亦建議派發特別股息每股3港仙（二零零四／零五年度：無），以慶祝本集團成立二十五週年。連同中期股息每股9港

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**05: Nil) to commemorate the 25th anniversary of the Group. Together with the interim dividend of HK9 cents per share, total dividends for the year amounts to HK25 cents per share. The final dividend and special dividend will be payable on or about 17 August 2006.**

**Barring any unforeseeable change,**

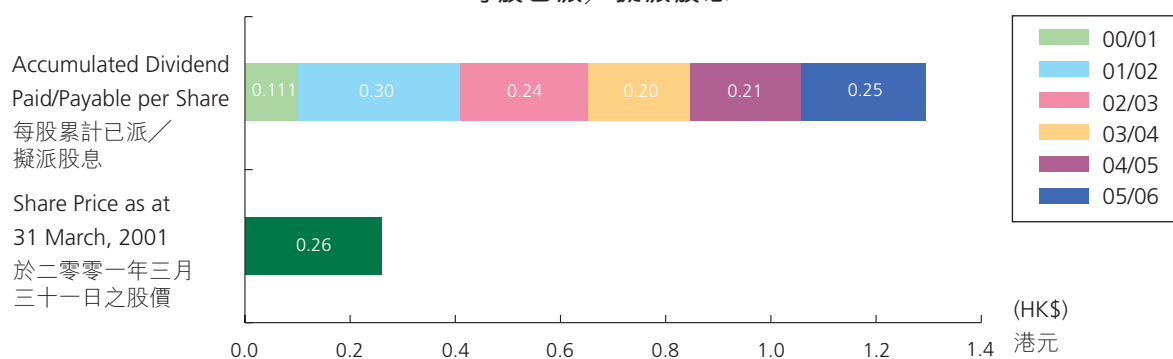
- **We will adhere to our existing policy of paying out 50% or more of the profit attributable to shareholders as dividend and**
- **We will maintain our pledge to our shareholders made in 2003/04 (2003/04 Annual Report P. 35 and the 3 general criteria on possible changes in dividend policy) that should the Directors decide to change the existing dividend policy, we would provide an advance notice in the immediate preceding interim or annual result announcements.**

仙，全年股息共達每股25港仙，末期股息及特別股息將於或接近二零零六年八月十七日派發。

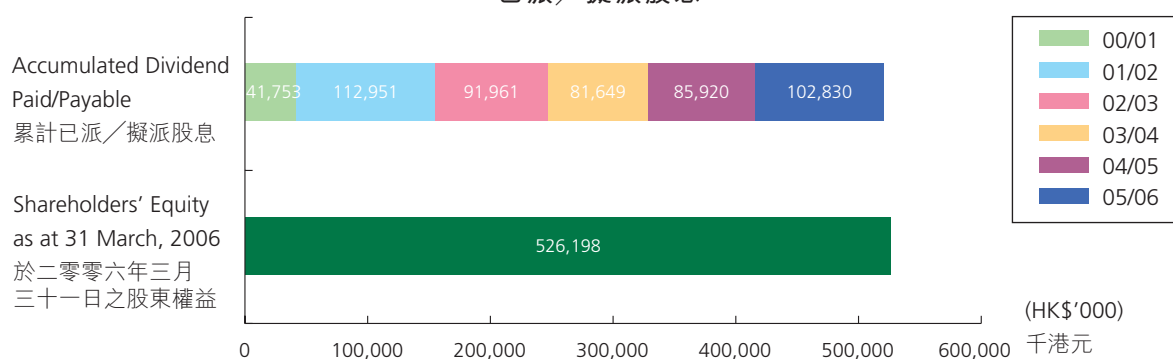
因此，除出現不可預知的轉變外：

- 我們仍然維持現有股息政策，將除稅後溢利50%或以上作為股息；及
- 一如二零零三／零四年對股東所作之承諾（二零零三／零四年年報第三十五頁詳列關於股息政策如作改變需符合之三大原則），董事會倘若對現行股息政策有任何改變，必會於前一次之中期／全年業績公佈時提前通知公眾。

**Dividend Paid/Payable per Share**  
每股已派／擬派股息



**Dividend Paid/Payable**  
已派／擬派股息





Yu Quan Phase 1: the photo captured only around 60% of the Yu Quan Site.  
玉泉第一期：照片只覆蓋了玉泉廠房整體面積之60%左右

### The Yu Quan Plant

In August 2004, the Group purchased the Yu Quan site at Fenggang Town of Dongguan City, Guangdong Province, China at around RMB14,000,000. With continuous expansion of Group's business in the past few years, the Directors carefully reviewed the business prospect of every customer and came to the conclusion that the Group has to prepare itself for the next phase of growth.

**The enormous Yu Quan site is the ideal solution as it can cater for the expansion needs of the Group for the next 5 to 7 years. The site area is approximately 210,000 square metres, much bigger than the combined site areas of the two existing plants in Yantien and Fenggang of around 89,000 square metres.**

### 玉泉廠房

於二零零四年八月，集團以約14,000,000人民幣購入一幅位於中國廣東省東莞市鳳崗鎮之土地。過去幾年集團業務不斷擴展，董事會於對每個客戶之發展前景進行了仔細評估後作出結論：集團必須為下一階段的增長作好準備。

玉泉廠房佔地面積龐大，足以應付集團未來五至七年之發展需要，新址面積約為210,000平方米，比起現有雁田及鳳崗之兩個廠房佔地面積合共約89,000平方米大得多。

## Chairman's Statement 主席報告

Construction of Phase 1 is nearly completed. It is expected that initial production can be started as early as September 2006. The 5 buildings comprising the first phase of the Yu Quan Plant include a plastic injection moulding shop, an assembly lines building, a dormitory, a warehouse and a power plant with a site area of around 34,300 square metres.



Top out ceremony on 24 March 2006: "A Thousand – Mile Journey Starts with A First Step"  
2006年3月24日舉行之封頂儀式：「千里之行，始於足下」

When Phase 1 becomes fully operational, it is expected that the overall production capacity will be raised by around 15%.

**We may be a boring Manufacturer but we are proud of it**

Until recently we are still sometimes mistaken to be a properties company. Fortunately, the market gradually takes notice of this small but energetic outfit.

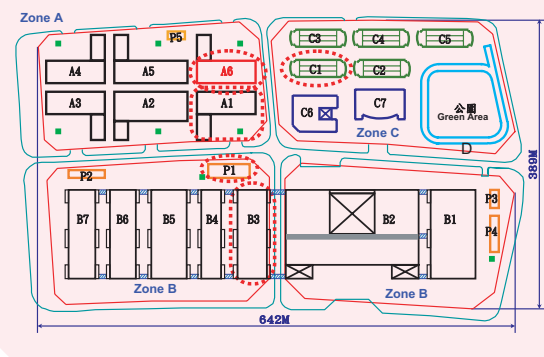
第一期工程已接近竣工，預計最快於二零零六年九月可以正式投入生產，而玉泉廠房第一期包括注塑工場、電子組裝工場、宿舍、貨倉及發電站五棟建築物，佔地面積約為34,300平方米。

當第一期廠房全面投入使用，預計可提升整體產能約15%。

只是一間平凡之代工廠，但我們卻引以為傲

最近我們仍有時會被外界誤會為一所經營地產的公司，可幸的是市場上慢慢地發現到這是一所規模細小但動力十足的公司。

Yu Quan Plant 玉泉廠房



Phase 1 construction (Marked in red circle)  
第一期工程 (紅圈位置)



## Chairman's Statement 主席報告

### IR Magazine Award

In November 2005, institutional investors and research analysts voted the Group as **the first runner-up in the Grand Prix for Best Overall Investor Relationships in Hong Kong – Small/Mid-Cap category (market cap under US\$1 billion) in a poll organized by IR Magazine of the United Kingdom**. This is a remarkable achievement given the fact that the champion and the second runner-up are companies two times larger than the Group in terms of market capitalization. Besides, small caps industrial in Hong Kong were not exactly darlings of the market as compared with retail stocks in the past year.

The Group was also ranked as among the **top ten in the Best Annual Report and other Corporate Literatures Category in the same poll along with 9 other blue chips companies from Hong Kong and Taiwan**. Can you believe that a company of a fraction of the size of the blue chips giants can achieve so much?

### 「投資者關係雜誌」選舉

於二零零五年十一月，英國出版的「投資者關係雜誌」(IR Magazine)之年度選舉中集團獲基金經理／分析員推選為「最佳投資者關係大獎－中小企業組」(市值低於十億美元)之香港區第二名，能取得這成就實在難能可貴，因為其他兩間位列三甲之得獎公司之市值比集團超出兩倍以上。同時，與零售業股相比，香港小型工業股於過去一年並未為市場所欣賞。

另外，集團同時於「最佳年報及企業其他文獻」獎項中位列十強，而其餘九間公司均為來自香港及台灣之大型企業，你能想像一間比藍籌企業小得多的小型工業股能得到這麼多榮譽嗎？



#### Extracted from 2005 HKMA Best Annual Report Judge Report P.14

Karrie International Holdings Ltd produced a report that was very shareholder-oriented. It showed that the company was fully aware of its problems and had a good understanding of anything possibly going wrong. The reader felt like an honoured guest invited into the company parlour to hear management set out what they had been doing with the assets entrusted to them and how they intended to proceed.

#### 節錄自香港管理專業協會2005年度「最佳年報選舉」評審團報告第十四頁(譯本)

嘉利國際之年報以「股東為本」，顯示出集團非常清楚他們所面對的問題與及潛在的困難，讀者們感到如受到貴賓般被邀請到接待室，而管理層則細心地向他們講解如何運用投資者交托的資金與及他們未來的發展計劃。

## Chairman's Statement 主席報告

### Asiamoney Poll 2005

Karrie was again honoured in the prestigious Asiamoney Poll for the third consecutive year. In 2003 and 2004, Karrie was voted by institutional investors and analysts as one of the Best-managed Companies in Hong Kong. It appeared that championship was always beyond our reach as in the 2004 Poll, the Group was only the first runners-up in both the Overall Regional Best-managed Companies (Small Cap Category) and the Overall Best Companies for Corporate Governance in Hong Kong.



The only small cap making its way in the honour list of the Asiamoney Poll for the past three years  
集團是唯一能夠連續三年獲「亞洲貨幣雜誌」推許之小型企業

Blessed with your support, we finally won the **highest honour in the Best-managed Companies in Hong Kong (Small Cap Category) in the Asiamoney Poll 2005.**

We just want to say again: thank you!

### 「亞洲貨幣雜誌」二零零五年度選舉

集團很榮幸連續三年於「亞洲貨幣雜誌」(Asiamoney Magazine)選舉中獲得推許，於二零零三及二零零四年，機構投資者及分析員分別選出集團為香港最佳管理公司之一，惟似乎每次冠軍寶座總是與我們無緣，於二零零四年度選舉中，集團分別獲得「最佳管理公司」(小型企業組)及「香港最佳企業管治表現」第二名。

在你們的支持下，我們終於在「亞洲貨幣雜誌」二零零五年度選舉中獲推許為「香港最佳管理公司」(小型企業組)第一名。

我們只希望再次說聲多謝!

## Chairman's Statement 主席報告



Would you join our 50th anniversary celebration?  
你會否一同來慶祝我們的五十週年紀念？

### 25TH ANNIVERSARY

25 years is a very long period of time: seedlings turn into big trees, babies grow into adults. Similarly despite the various ups and downs in the past two decades, **Karrie Group transforms itself from a family run small factory of less than 50 persons in its payroll and occupying roughly 200 square metres into a listed company employing thousands of workers and with plants occupying production areas of over 210,000 square metres.**

On 21 October 2005, the Group hosted a banquet celebrating its 25th anniversary with enthusiastic participation by numerous customers, government officials, suppliers, bankers and, perhaps the most important of all, our colleagues. Without the persistent efforts of these unsung heroes the Group will not be able to have another record breaking year.

### 二十五週年紀念

二十五年是一段頗長的時間：細小的樹苗成為粗壯的大樹，嬰兒長大成人，同樣地嘉利集團於過去二十年來也是經歷過不少風霜起跌才能從一間少於50位員工，佔地只有約200平方米的家庭式經營的工廠，逐步發展成為今天擁有數千名員工和廠房用地超過210,000平方米的上市公司。

於二零零五年十月二十一日集團舉辦大型晚會招待各界來賓，得到各界熱烈參與包括客戶、政府官員、供應商、銀行，以及也許是最重要的一我們的員工。若然沒有這一群「無名英雄」在背後的默默支持，相信我們無法再打破新紀錄。





### — 小故事 2 —

何謂「潛效反應」?就是何主席建議故意在日常運作過程中混入一些障礙或隱患, 考考員工的警覺性, 雖然似乎是冒險了點, 但這樣才能令員工從錯誤中學習及時刻提高警覺嘛!

稽查組的同事故意在消防栓前擺放一木卡板阻塞通道, 測試員工的安全意識如何? 路過的人超過十個, 但卻沒有一個主動移走這明顯的危險障礙物, 就在稽查組同事焦急以為行動失敗之際, 心想又要回去準備如何提升大家對安全意識的培訓時, 文儀一部運輸工鄭延輝卻突然出現, 並施施然地放下其拉著的一板貨, 並即時用唧車將原先阻擋著通道的木卡板移到合理的擺貨區。

問他為何這樣做? 他只是略帶靦腆地笑著說: 「消防栓前是不可擺貨的, 所以就去拉開。」就這麼一句話讓我理解到其實每位員工都能用心去做, 清楚自己的責任, 就算是「潛效反應」也變得無難度, 考驗也是能跨過的。





## Chairman's Statement 主席報告

### Tea-break with Individual Investors

The Group pioneered this novel and unique concept of direct interface with individual investors through its quarterly "tea-break with individual investors" program. The next "tea-break" will be held on 22 July 2006 at Ching Room, 4/F, Sheraton Hotel, 20 Nathan Road, Tsim Sha Tsui. As part of the Group's social responsibility program participants will be asked to donate HK\$50 directly to charity and we will match the donation dollar for dollar (not exceeding the cap of HK\$10,000). For those who are willing to donate HK\$100 or more, we will:



You need a lot of moral courage to continue to arrange 'tea-break with individual investors'  
你需要擁有很大的氣量才可持續地舉行「與個人投資者茶敘」

- ask the relevant charity to issue a receipt for tax purpose on a best effort basis; and
- confirm seats availability for those top 20 donors without the need of going through the procedure of drawing lots (if required).

Please go directly to our website [www.karrie.com.hk](http://www.karrie.com.hk) to download the application form or call Ms. Ivy Wai at 2437-6835 during office hour for enquiries. Because of the limited seats available, participation in the "tea-break" is strictly by confirmed registration only.

### 「與個人投資者茶敘」

集團開創先河，推出季度「與個人投資者茶敘」的活動，帶出與個人投資者正面接觸的另類概念。接著的「與個人投資者茶敘」將於二零零六年七月二十二日假座尖沙咀彌敦道二十號喜來登酒店四樓清廳舉行，此茶敘亦是集團履行社會責任之一部份，所有到場參與人仕均需直接捐助50港元予慈善機構，而集團亦會捐出同等款項（上限為10,000港元）。任何人仕願意捐出100港元或以上，我們將會

- 盡力向相關慈善機構要求發出收據供退稅用途；及
- 最高捐款之頭二十名人仕可無需通過抽籤程序（如需要），確保座位安排。

歡迎瀏覽本集團網頁 [www.karrie.com.hk](http://www.karrie.com.hk) 下載報名表格或於辦公時間內致電2437-6835向韋秀英小姐查詢。由於場地座位有限，所有出席茶敘之人仕必須事先獲確認登記，方可入座。

# Chairman's Statement 主席報告

## Risk Management

Other than normal operating and financial risks arising out of ordinary course of business, the following factors deserve special attention.

### RMB Appreciation

As our production base is in China, an appreciation of the RMB will definitely have an adverse impact on the Group's performance:

- The impact is mostly limited to the overhead portion as under the Group's business model, most of the materials (other than steel) are either purchased through the customers or designated vendors (Please refer to the appendix 1 on P.52-54);
- For 2005/06, **RMB payments represented less than 10% of our total cost of sales;**
- As most of the Group's competitors are also based in China, in theory over the long run, we could raise price to cover the increase in costs provided that the customers stick to their present sourcing pattern. **Because of the special nature of our industry there are still formidable advantages of having the production based in China. Some customers need strong logistic support while others may require just-in-time ("JIT") inventory system to ensure speedy products delivery. In fact, even our bulky products such as computer servers are sometimes requested by some customers to be delivered by airfreight shipment. We are confident that our customers would not make drastic changes in the business pattern in the foreseeable future.**

## 風險管理

於日常營運過程中，除了一般營運及財務風險要注意外，尚有以下情況需加留意。

### 人民幣匯價

由於集團生產基地位於國內，故此倘若人民幣升值，集團之業績表現必然會受到負面影響：

- 參照集團之經營模式，由於大部份之原料(鐵料除外)均是從客戶或其指定供應商所提供(請參閱第五十二至五十四頁之附錄一)，故相對之影響一般只局限於營運開支上；
- 於二零零五／零六年度中，採用人民幣找結的總額佔整體銷售成本少於10%；
- 由於集團大部份之競爭對手之生產基地亦設於中國，理論上長遠而言，基於客戶仍會按照現有之採購模式，相信大家都會一致向客戶要求加價，以彌補成本上升的。主要因為本行業具有條件限制，部份客戶均需要強大的物流系統支持，或實施「即時付運」，以達致快速交貨的目的。事實上，雖然產品大如伺服器，客戶有時也要求空運交貨，基於此背景下，故相信暫時客戶仍然局限於中國生產以取得優勢，我們有信心客戶於可見將來不會對經營模式作出巨大的轉變。

## Chairman's Statement 主席報告

### Electricity Supply

We do not expect material improvements in respect of electricity supply, as we still need to **use our own electricity generators for around two days a week**. However,

- **The Group has sufficient alternative electricity supply to ensure uninterrupted production;**
- The Group has no difficulty in securing supply of fuel; and
- While the cost of generating own electricity is much more expensive, the overall impact on the Group's performance is not material. **Electricity charges represented less than 2% of the total cost of sales of the Group.**

### Labor

The impact is mainly twofold: availability and cost

1. **On the availability front, our labour turnover ratio is consistent with the historical pattern. We have no troubles in filling up vacancies as**
  - We have a sterling reputation in the local community;
  - The capital intensive nature of the business requires far less workers than other light industries;
  - The heavy-duty nature of some parts of the operation like metal stamping requires a substantial number of male workers.

### 電力供應

我們預計電力供應不會有太大改善，而目前我們仍需每週自行發電兩天，惟：

- 集團有充份的電力來源供應以確保生產不受影響；
- 集團於燃油供應方面沒有遇到困難；及
- 雖然後備發電的成本較為昂貴，但其對集團之整體影響輕微，而電力開支佔集團整體銷售成本少於2%。

### 勞工

影響主要為兩個層面：供應及成本

1. 在供應層面上，工人流失率與過去模式差不多，而我們在填補空缺時並未遇到困難，因為
  - 我們於當地社區擁有良好聲譽；
  - 集團業務性質較為資本密集，比起其他輕工業需要較少勞動力；
  - 由於有些工作如五金沖壓均需要體力勞動，一般由男性工人擔任。

## Chairman's Statement 主席報告

2. Rising labour cost does present serious threat to our future performance. However, **in the short-term, the impact is relatively small as the increase of the minimum wages in the Dongguan areas in mid 2006 should represent less than 0.1% of our total cost of sales.**

### *Middle Management*

It would be simple if spending more on Capex can solve all our production problems. **Because of the engineering and service nature of our business, we need more engineers, procurement officers, production planning experts, assistant marketing managers, cost accountant and so on to cater for increasing complex demands of the customers.** Recruitment is not the panacea as new staff takes time to warm up and to be assimilated into our unique corporate culture.

**Hence we have made staff training as our number one priority in the current year. If we can spend tens of millions dollars in fixed assets, why can't we spend more on the most valuable assets of the Group?** Other than in-house programs, we have seek the assistance of experts in retaining the services of Hong Kong Polytechnic University to implement a series of training sessions. (Please also refer to P.46 on Employment and Remuneration Policies)

### *Steel Price*

While our unique business model shields us from the pitfalls of the fluctuating raw material price, steel is an exception for historical reason, we are responsible for the procurement. Fortunately **the cost of steel represented less than 5% of the total cost of sales.**

2. 勞工成本上漲確實對集團未來業績表現帶來較大衝擊，但短期而言，雖然二零零六年中甸於東莞地區將提高最低工資的標準，該影響僅佔集團總銷售成本少於0.1%。

### *中層管理人員*

倘若純粹增加固定資產投資便可解決所有生產上的問題，我們就無需為此煩惱。由於集團的業務特質以工程及提供服務為主，我們需要更多的工程師、採購主任、生產計劃專才、助理市務經理、成本會計人員等，以應付客戶日益複雜的服務要求，單靠招聘新人並不能完全解決問題，因為新入職人員需要時間適應和融入集團的獨特企業文化。

因此，我們於本年度以人員培訓為首要任務，若然我們能投資過億元於固定資產上，為何我們不能投資多些於集團「最寶貴的資產」上？除了進行內部培訓外，我們亦透過外聘香港理工大學的導師進行一連串培訓活動。（請參閱第四十六頁「僱員及薪酬政策」部份）

### *鐵料價格*

雖然集團之獨特業務經營模式可保障免受一般原料價格波動的風險，但受歷史因素影響，鐵料是一個例外，需自行負責採購，惟鐵料成本僅佔總銷售成本少於5%。



# Chairman's Statement 主席報告

## BUSINESS REVIEW

### Metal & Plastic Business

The Metal & Plastic Business grew by 22% to HK\$1,431,428,000 (2004/05: HK\$1,172,806,000) on account of strong demand for the shipment for computer server casings. The stronger than expected shipment in the second half of the financial year has raised hope for a sustained improvement in this sector.

### EMS Business

Similarly the EMS business was performing stronger than expected. With the commencement of shipment of new products such as colour laser printers, digital photo printers and multi-functional fax machines, turnover was pushed up by 55% to HK\$2,161,313,000 (2004/05: HK\$1,390,384,000). However, due to the low gross profit margin of these business, profit attributed from this division of HK\$52,122,000 (2004/05: HK\$45,157,000) was still much less than the Metal & Plastic division of HK\$161,917,000 (2004/05: HK\$121,262,000).

### Geographical Distribution

Asia (excluding Japan) was still the largest market of the Group with HK\$1,494,003,000 in turnover (2004/05: HK\$1,096,507,000). Western Europe again came as a close second with HK\$1,255,390,000 (2004/05: HK\$808,937,000) while direct shipment to North America represented only 17% (2004/05: 17%) or HK\$600,095,000 in turnover (2004/05: HK\$429,867,000). The shipment pattern of the Group continues to adhere to our usual practice of geographical diversification.

## 業務回顧

### 五金塑膠業務

受到電腦伺服器外殼的強勁需求帶動下，五金塑膠業務增長22%至1,431,428,000港元(二零零四／零五年度：1,172,806,000港元)，而於該財政年度之下半年銷售表現較預期為佳，增強我們對這方面取得持續改善表現的信心。

### 電子專業代工業務

同樣地電子專業代工的業務表現亦較預期為佳，新產品如彩色鐳射打印機、數碼相片打印機及多功能傳真機等均陸續付運，令營業額上升55%至2,161,313,000港元(二零零四／零五年度：1,390,384,000港元)。惟此業務毛利率較低，此業務之溢利貢獻為52,122,000港元(二零零四／零五年度：45,157,000港元)，遠低於五金塑膠業務錄得之161,917,000港元(二零零四／零五年度：121,262,000港元)。

### 地域分佈

亞洲地區(日本除外)仍為集團最大市場，錄得營業額1,494,003,000港元(二零零四／零五年度：1,096,507,000港元)，西歐市場亦相當接近，錄得1,255,390,000港元(二零零四／零五年度：808,937,000港元)，至於直接付運至北美之營業額僅佔17%(二零零四／零五年度：17%)或600,095,000港元(二零零四／零五年度：429,867,000港元)，而付運版圖依然符合地區多元化之一貫模式。

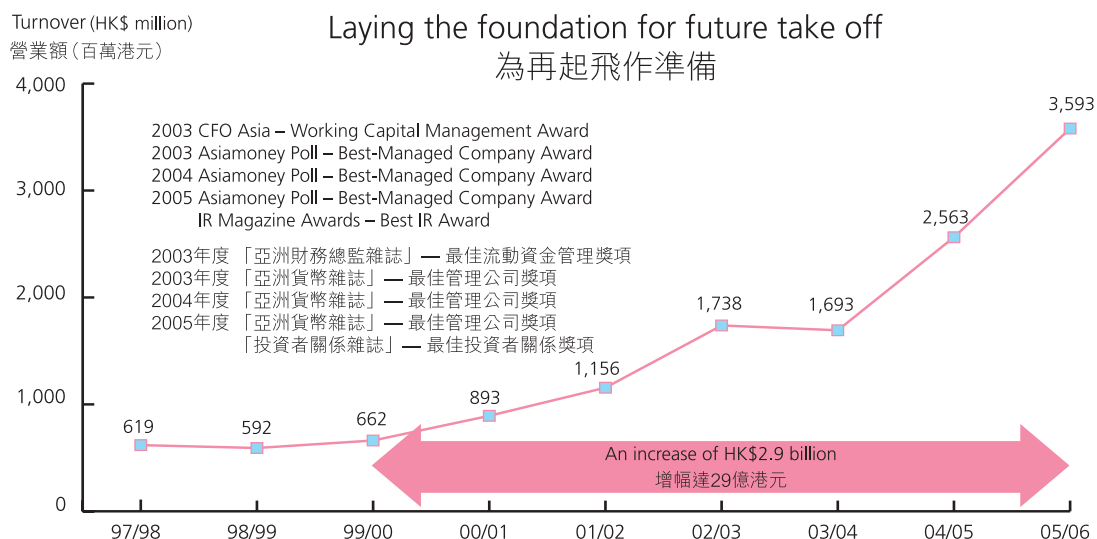
# Chairman's Statement 主席報告

## PROSPECT

- In June 2005, we forecasted that turnover for 2005/06 would reach around HK\$3,320,000,000 (P.41, 2004/05 Annual Report);
  - But to our surprise (Please refer to P.15, 2003/04 Annual Report Point 2 on the relative low short term business visibility of the business model), business was better than expected. This higher than expected turnover HK\$3,592,741,000 for the current financial year has substantially raised the denominator in the projected growth rate for 2006/07;
  - In addition, in early 2006 unfavourable result announcements and corporate re-structuring of some of our major customers had rendered us less than optimistic about future performance in our assessment of the future;

## 展望

- 於二零零五年六月，我們曾經預算二零零五／零六年度之營業額將達至約3,320,000,000港元(二零零四／零五年度年報第四十一頁)；
  - 但令人驚喜的是(請參閱二零零三／零四年年報第十五頁第二點有關業務經營模式中較為缺乏「短線洞悉力」)業務表現較我們預期為佳。由於目前之營業額3,592,741,000港元超出我們本年度預算，因而大大地調高了計算二零零六／零七年度之銷售增長預測之基數；
  - 同時二零零六年初對業務前景進行評估時，受到其中一些主要客戶公佈未如理想的業績及企業重整的消息影響，引致我們當時作出了審慎的估計；



### 2006/07

- Growth from a historical perspective
- The curse of the turnover denominator
- The difficulty in estimating growth in view of the economic uncertainty
- The dilemma of taking up new projects
- The challenge of managing growth with discipline: the side benefit of consolidation
- The possibility of continuous growth of the economy: the delicate position of the sole supplier

### 2006/07

- 從歷史角度看增長
- 營業額基數之負面影響
- 不明朗經濟因素影響難以估計增長速度
- 是否接受新生意項目的兩難局面
- 瞻前顧後的挑戰：減慢增長的好處
- 經濟持續增長的可能性：作為唯一供應商的微妙處境

### Re-starting the engine of Growth from either one or more of the followings:

- Server Casings
- Color laser printers
- System integration business

### 重新啟動增長引擎

從以下任何一種或多於一種途徑帶動：

- 伺服器外殼
- 彩色鐳射打印機
- 系統整合業務

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2. As a result, twice we revised downward the sales forecast for 2006/07 from a growth rate target of 10% to 5% only in Interim Results Announcement (November 2005) and from that again to a decline of 10% in the Third Quarterly Results announcement (March 2006);
  3. However, **recent result announcements of two of our major customers were more encouraging. As a result, we are revising upward from the negative 10% as projected in March to zero growth for 2006/07 as compared to the turnover of 2005/06. Performance in the second half of the current financial year would be able to reflect such trend despite a slow first half;**
  4. **The shipment pattern of Metal & Plastic Business and the EMS Business would remain roughly the same in the proportion of 40:60;**
  5. As most the of the Group's products are sold to the corporate market rather than the consumer markets, we are not worried about the impact of possible slowdown in consumer spending in the USA. Instead we are optimistic that the strong cash flow position of big corporations provides strong ammunition for the next phase of information related capex spending cycle to replace their outdated equipments;
  6. **Capex budget for 2006/07 is around HK\$70,000,000 (2005/06 actual: HK\$92,059,000), mainly for completing the construction of Phase 1 of the Yu Quan Plant and the purchase of machineries.** Decision on the construction of Phase 2 will be made in early 2007. If all conditions remain the same, a delay in the construction of Phase 2 would actually strengthen the cash flow of the Group and hence its dividend payment ability. But no decision has yet been made at the moment;
2. 因此，我們就二零零六／零七年度之營業額預測作出了兩度調整，分別於中期業績公佈(二零零五年十一月)從增長10%下調至5%，之後再次於第三季度業績公佈(二零零六年三月)下調至10%倒退；
  3. 惟最近我們的其中兩個主要客戶之業績表現比較令人感到鼓舞，因此以二零零五／零六年營業額作指標，我們將二零零六／零七年度之營業額增長預測重新調整，從三月的10%倒退調整至零增長，雖然本財政年度之上半年之出貨較為緩慢，但希望下半年之業務表現將會得到反映；
  4. 五金塑膠業務與電子代工業務之付運情況大致將維持於40：60之比例；
  5. 由於集團製造的產品大部份以企業用戶為主，並非一般消費市場，故此對於美國消費者市場可能出現冷卻的情況未有憂慮。考慮到目前大型企業現金充裕，或會形成強大推動力誘使他們步入另一階段的投資期，將目前過時的資訊設備更新，這潛力令我們感到樂觀；
  6. 二零零六／零七年度之固定資產投資預算約為70,000,000港元(二零零五／零六年度實際支出：92,059,000港元)，主要用於完成興建玉泉廠房第一期工程與及購置機器。於二零零七年年初時我們會定出興建玉泉廠房第二期的決定。倘若所有狀況維持不變，延後興建第二期工程可增強集團的現金流與及派息能力。惟到目前階段仍未有定案；

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7. **The unaudited turnover of the Group for the two months ended 31 May 2006 was HK\$455,600,000 (2005/06: HK\$510,000,000).** As the unaudited turnover for those two months may not represent the final results for the year ended 31 March 2007, investors and shareholders are advised to exercise extreme caution when dealing with the shares of the Company;
8. Since 1999/2000, the Group added a total of HK\$2,930,854,000 in turnover in six years. While the number may be impressive, **we are convinced the pressures have built up all along the production chain. For the interests of all stakeholders, we must temporarily slow down to consolidate in order to tackle the challenges for 2006/07. In the long term, we remain optimistic given the strength of our business model, the high level of corporate governance and our dedicated professional management team. The new engines of growth will be either one or more of the followings:**
- server casings
  - color laser printers
  - system integration business
7. 集團截至二零零六年五月三十一日止兩個月未經審核之營業額為455,600,000港元(二零零五/零六年度：510,000,000港元)。因這兩個月之未經審核營業額未必能反映截至二零零七年三月三十一日止之最後業績，懇請各投資者及股東在買賣本公司股份時務須審慎行事；
8. 自一九九九/二零零零年度以來，集團之營業額於六年間增長了2,930,854,000港元，雖然我們無不為此而感到驚嘆，但我們亦明白到這高度增長背後令生產環節帶來不少壓力，為了相關利益團體的利益著想，我們必須暫時放慢步伐趁機整固，以迎接二零零六/零七年度的挑戰。長遠而言，憑著經營模式上之優勢、高度落實企業管治與及一群盡心盡力的管理團隊，我們對未來前景依舊樂觀。而集團之增長動力將來自以下其中一項/多項：
- 伺服器外殼
  - 彩色鐳射打印機
  - 系統整合業務

### FINANCIAL RESOURCES

#### Comparing apples with apples

Value investors were surprised when we reported a huge jump in the net gearing ratio from 2% as at 31 March 2004 to 56% as at 31 March 2005.

### 財務資源

#### 蘋果與蘋果作比較

當我們公佈截至二零零五年三月三十一日的淨銀行借貸比率從截至二零零四年三月三十一日的2%急升至56%時，很多價值投資者都感到非常驚訝。



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Like our bankers, we were not too worried about the increase in net gearing per se. When most OEM manufacturers sell their goods to overseas customers under letter of credits, the Group historically sells goods on open account terms because of superb credibility of our blue chips customers.

- Thus in a rapidly rising turnover situation, the Group needs bank borrowings to finance the rising account receivables (assuming inventory will be financed by suppliers credit).
- However, to put the Group's financial situation in the right perspective, we have to put the Group's situation same as its peer group.
  - a. That is assuming the Group needs only to finance 15 days of credit (instead of 60 days credit period).
  - b. This can be achieved **if the Group sells its accounts receivables to banks in a process called factoring on a non-recourse basis (normally banks or factoring house will advance 80% of the receivables initially and pay the rest on final receipt from the ultimate customers). As at 31 March 2006, the account receivables was HK\$605,098,000 while net bank borrowings was only HK\$111,576,000, meaning that the bank borrowings of the Group could easily be repaid.**

但是如我們的銀行夥伴一樣，我們對於淨銀行借貸比率的大幅上升並沒有太大的擔憂，香港大部份的廠家均以收取信用狀形式出售產品予海外的客戶，惟我們的客戶均是一些信譽良好的藍籌企業，故一直以來皆以放帳形式找結。

- 在營業額高速增長的情況下，集團需要依賴銀行借貸支持未變現前的應收帳，作為臨時資金上週轉（假設存貨會由供應商提供放帳所融資）；
- 但若若要將集團的財務狀況正確地評估，就應該以相同狀況與同業競爭者相比；
  - a. 假設集團只需融資十五天之應收帳（而不是六十天的放帳期）；
  - b. 集團可以透過發票貼現的不可追討的方式將應收帳售予銀行套取現金（一般銀行或提供發票貼現的機構可以提前將80%的應收帳款項付予廠商，至於其餘款項則可待至客戶最後找結時付清）。截至二零零六年三月三十一日止，集團之應收帳及淨銀行借貸分別為605,098,000港元及111,576,000港元，顯示出集團能輕易地清還所有銀行債務；

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### Hypothetical Factoring of Trade Receivables 假設貿易應收帳以發票貼現形式套現

(As at 31 March)  
(截至三月三十一日止)

HK\$'000	千港元	2004	2005	2006
Trade Receivables	貿易應收帳	291,743	560,081	605,098
80% of Trade Receivables in a Hypothetical Factoring Process	假定將80%之貿易 應收帳以發票貼 現形式變現	233,394	448,065	484,078
Actual Net Bank Borrowings	實際淨銀行借貸	6,287	233,630	111,576

\* Based on the assumption that factoring house will agree to factor the existing trade receivables

\* 假定發票貼現機構同意以發票貼現形式購入集團之貿易應收帳作融資

c. From this angle, the Group's financial situation is much stronger than expected and the nominal net gearing ratio should not be the sole criteria in judging the financial health of the Group.

c. 從這角度了解集團之財務狀況遠較原來估計穩健，由此可見淨銀行借貸比率並不是唯一用以評估集團財務狀況健全與否的標準。

### Robust Cash Generating Ability

Still the rising interest cost is a matter of concern. So we have taken a group-wide effort to improve the cash cycle. **The result is a net cash inflow from operating activities of HK\$287,236,000 as compared to last year's net cash outflow from operating activities of HK\$87,955,000 despite a 40% increase in turnover. Net Gearing Ratio and Net Bank Borrowings fell to 21% and HK\$111,576,000 respectively (31 March 2005: 56% and HK\$233,630,000).**

### 充裕的變現能力

固然目前上升中的息率走勢值得令人關注，我們透過集團整體努力達至改善現金回轉週期的目標，雖然營業額上升幅度達40%，但最後「經營活動之淨現金流入」為287,236,000港元，對比上年度之淨現金流出則為87,955,000港元。淨銀行借貸比率及淨銀行負債分別下跌至21%及111,576,000港元（二零零五年三月三十一日：56%及233,630,000港元）。

### NON-CURRENT ASSETS TO SHAREHOLDERS' FUND RATIO STAYING BELOW 1

The Non-current assets to Shareholders' Fund Ratio stayed at a healthy 53% (2004/05: 58%). This means the Group is using long term shareholders fund to finance non-current assets like plants and machinery. The sole purpose of the existing bank borrowings is the financing of working capital (or more specifically, the accounts receivables).

### 非流動資產與股東資金比率維持於1 以下

非流動資產與股東資金比率繼續維持於53%之健康水平（二零零四／零五年度：58%），代表集團之「非流動資產」如廠房及機器，皆以穩定之長期股東資金所支持，目前銀行借貸唯一作用為流動資金週轉用途（具體而言即應收帳）。

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In theory, if the Group's business suffered a minor setback, then the decrease in working capital requirements would reduce the bank borrowings requirements, assuming no deterioration in current assets quality. The inherent beauty of this self-adjusting mechanism of our business model is one of the key pillars of our confidence of the future of the Group.

理論上，倘若集團之業務表現遇到輕微挫折，屆時流動資金需求下跌，假設流動資產「質素」不變，這將會減低對銀行借貸的需求。集團經營模式中包含著這個自動調節的機制，是我們對未來充滿信心的其中一項主要支柱。

### Financing Options 融資方案



### Bank Borrowings 銀行借貸

#### Three Principles

1. Profit Attributable to Shareholders + Depreciation = Capex + Dividend
2. Non-Current Assets to Shareholders Fund Ratio < 1
3. Interest Coverage > 5

#### 三大原則

1. 股東應佔溢利 + 折舊 = 固定資產投資 + 股息
2. 非流動資產與股東資金比率 < 1
3. 利息涵蓋率 > 5





### — 小故事 3 —

每每到月結的日子，總會見到會計部的同為著「死線」而努力工作至深夜。但在眾多人員當中，最令人印象深刻的，總要提到入職超過十二年的林美珍，不要看她外表弱不禁風，但總是聲音響亮、笑面迎人和彬彬有禮的，給人平易近人的感覺。

究竟她有什麼個人之處？當然是她全心全意工作的態度，身邊的同事都說這麼多年來甚少見她告病假的，縱使是大感冒也是看過醫生便繼續堅持上班，其實也不知她這份堅持是否恰當，但無可置疑的是身邊的同事也曾經被她這份堅持所感染呢！

每到臨近公佈業績的時候更是不得了，責任心重的核數師們每天不斷向會計部同事取資料。有晚美珍已工作至晚上十一時多，核數師們仍在埋頭努力應付「死線」，美珍正想下班之際，其中一位核數師來向她取資料，她也明白到大家只是各盡其責而已，故只懇求核數師們能讓她能趕上尾班巴士回到遙遠的家，並打趣說不然便得帶睡袋回公司度宿了。

過去幾年公司急速發展，員工們要承受突如其來增添的工作壓力是無可避免的，當然公司並不鼓勵員工工作至深夜更莫說是留宿，但倘若大家都能像美珍一樣從沒抱怨，秉承一貫有禮的態度用心完成每項的工作，這正是每位員工值得借鏡的。





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### Financing Capex by Profit 以溢利作為固定資產投資之資金來源

HK\$ million	百萬港元	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Profit After Tax	除稅後溢利	20	26	78	120	90	147	186
Depreciation	折舊	32	39	34	32	34	38	50
		52	65	112	152	124	185	236
Less:	減去：							
CAPEX	固定資產投資	57	65	15	24	59	62	92
Dividend	股息	16	42*	113*	92*	82	86	103*
(Deficit )/Surplus	(虧欠)／盈餘	(21)	(42)	(16)	36	(17)	37	41
(Net Bank Borrowings)/ Net Cash	(淨銀行借貸)／ 淨現金	(23)	(51)	64	34	(6)	(234)	(112)
(Net Gearing Ratio)/ Net Cash Ratio	(淨銀行借貸比率) ／淨現金比率	(7%)	(16%)	18%	9%	(1%)	(56%)	(21%)

\* Including special dividend 包括特別股息

#### Financing for Growth

For 2006/07, the financing task will be much easier than the last financial year because

- the Capex expenditure is much lower than the last financial year (HK\$70,000,000 budgeted for 2006/07 vs actual HK\$92,059,000 for 2005/06);
- The projected zero growth in turnover was lower than that of 40% in the last financial year;
- Also from the experience of last year, even with a higher turnover growth rate, a vigorous working capital management program would moderate the burden on cash flow resulted from financing receivables and inventories.

#### 為增長提供資金週轉

二零零六／零七年度的融資安排遠較去年度為輕鬆，因為

- 固定資產投資總預算較去年度為低（二零零六／零七年度預算為70,000,000港元，而二零零五／零六年度實際支出為92,059,000港元）；
- 營業額增長預測為零增長，較去年度之40%為低；
- 根據去年經驗所得，縱然營業額增長幅度較大，透過嚴謹的流動資金管理可適度減輕應收帳及存貨對流動資金週轉的壓力。

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As such, **we expect the net gearing ratio will stay at a level below 30%. We are also following our house rule of using our profit after tax to finance "capital items" like:**

- Dividend
- Capex

As a prudent manufacturer, we never entertain the idea of borrowing money to finance Capex, as this would expose the Group to danger should the economy take a sudden turn.

### Resources Available

**The Directors are confident that with the cash holdings of HK\$323,466,000 and banking facilities of HK\$1,058,000,000, the Group is able to meet its current operational and capital expenditure requirements.**

As at 31 March 2006, part of the Group's banking facilities were secured by mortgages over certain of the Group's land and buildings in the mainland China with a net book value of approximately HK\$7,204,000 (2004/05: HK\$9,979,000).

### EXCHANGE RATE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or Renminbi. As the exchange rate of the Hong Kong dollar and US dollar were relatively stable during the period, the Group was not exposed to material exchange risk at the moment. As to the Renminbi, the Group always maintains a surplus of assets over liabilities in that currency. (Please refer to "Risk Management" in P. 31)

鑒此，我們預計淨銀行借貸比率可維持低於30%之水平，同時亦堅持既有之原則，以除稅後溢利支持資本性開支的資金需要，如：

- 股息
- 固定資產投資

作為一個保守的工業家，我們從未想過以銀行借貸支付固定資產投資的資金需要，因為倘若經濟環境突然出現逆轉時，集團便會陷入危機。

### 可動用資源

以集團現時分別擁有手頭現金323,466,000港元與及銀行借貸額約1,058,000,000港元，集團有信心足夠應付現時營運與及資本性開支的需要。

截至二零零六年三月三十一日，集團部份銀行借貸額是以集團於國內樓房資產作為抵押的，而有關資產淨帳面值約7,204,000港元(二零零四／零五年度：9,979,000港元)。

### 匯兌風險

集團所有資產、負債及交易均以港元、美元或人民幣計算，由於年內港元及美元之匯率一直維持穩定，故此集團現時並無任何重大的匯兌風險。至於人民幣方面，集團一向所持有之人民幣資產比人民幣負債為多。(請參閱第三十一頁「風險管理」)

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## CORPORATE SOCIAL RESPONSIBILITY

### Corporate Citizen

As a responsible corporate citizen, we continue to promote social responsibility programs. In May 2005, our colleagues in Hong Kong formed a new volunteer group for charitable works focusing on the elderly, children and education as part of our effort for the welfare of the society. The Group was awarded the "Caring Company" logo by the Hong Kong Council of Social Services in February 2006.



Donation to the Hong Kong Polytechnic University: Part of the commemoration-program for 25th anniversary  
捐款予香港理工大學：慶祝成立二十五週年活動之一

### Joint Project with the St. Christopher's Home: Project of Venture Capital

We participated in a special project in providing a 6-months on the job and entrepreneurship training program for 15 youths from the St. Christopher's Home. This program included the sponsorship of a retail stall in the Lunar New Year Fair. The practical experience in running a business would help the youths in preparing for their eventual entry to the society. In addition to financial support, we also provided venue for training and assigned our colleagues to act as instructors.

## 企業社會責任

### 企業公民

作為一個有社會責任的企業公民，集團熱心推動關於社會責任的項目。於二零零五年五月，香港員工組成了「社會公益活動小組」，為社會公益事務出一分力，並以長者、兒童及教育為主要的目標對象舉辦各類活動。集團更於二零零六年二月獲香港社會服務聯會頒發「商界展關懷」標誌。

### 合作計劃－聖基道「嘉利創業自強計劃」

贊助聖公會聖基道兒童院合辦「嘉利創業自強計劃」，該計劃為15名將要離開兒童院的青少年提供為期六個月的在職及創業訓練，再輔以經營年宵攤位作為實習課，以預備日後踏足社會，自力更生。企業除支持所需支出外，亦提供課場及派出員工作義務導師。



Caring Company: We try hard to live by this name  
商界展關懷：我們盡力達致實至名歸

## Chairman's Statement 主席報告

### Donation

We also made donation to The Evangelical Lutheran Church of Hong Kong in financing a one-year medical check-up program for the needy elderly and provided financial assistance for festival celebration. The active participation of our volunteer group has provided some happy moments for senior citizens.



Social responsibility programs: giving our staff other ways to find the values of life  
社會公益活動：讓員工從其他途徑找尋人生意義

### Education

To support Hong Kong Baptist University for the training of directors and to promote corporate governance, we set up scholarship for the Master Degree in Science of Corporate Governance and Directorship. We also donated money to the Hong Kong Polytechnic University for its Faculty of Industrial and System Engineering. We hope our modest contribution would help to train up more talent in the industry.

### 捐款捐贈

捐款予基督教香港信義會，贊助長者進行為期一年的保健計劃；同時多次贊助節日慶祝會活動，義工員工亦參與在其中，為長者增添節日歡樂。

### 教育事項

捐款予香港浸會大學設立「公司管治與董事學理學碩士課程獎學金」，支持浸大培養公司管治與董事學的人才。另外，捐款予香港理工大學支持其「工業及系統工程學系」的學術研究及獎學金，為業界培育人才出一分力。

## Chairman's Statement 主席報告

Since 2001, some of our staffs initiated to provide assistance to help those students from poor and far away rural districts. The Group supported such program enthusiastically. In July 2005, we organized a summer camp for these students so that they could meet with their sponsors and gain experiences.

### EMPLOYMENT AND REMUNERATION POLICIES

#### Equipping our Staff with the Best Weapons

**Actually most of our colleagues welcome a period of consolidation after years of double-digit growth. They need a "rest" and do some housekeeping matters. New recruits have to be indoctrinated into our unique "nothing is impossible" culture. Besides, our long-serving colleagues would have to learn new skills to accommodate the increasingly tough demands of our customer, as such we implemented a comprehensive training and talent development program:**

#### A. Senior Management

- We have arranged with the Hong Kong Polytechnic University and other training professionals to organize a series of training sessions of team building and other training sessions;
- We have organized internal training sessions with senior management staff sharing their managerial experience with our colleagues.

自二零零一年員工自發推動「助學工程」讓國內偏遠山區之貧困學生受惠，集團積極響應。於二零零五年七月舉辦了「助學工程夏令營」活動，讓受助學生與贊助者親身見面及體驗生活。

### 僱員及薪酬政策

#### 讓員工以最佳裝備上陣

經過數年持續地以雙位數字急速增長，相信大部份員工都歡迎整固期的出現，好讓他們有機會「歇息」和作內部調整。新招聘的人員都需要慢慢學習我們「凡事皆可能」的文化，至於服務年資較長的員工亦要他們學習新技巧，以應付客戶日漸嚴格的服務要求，因此我們推行全方位培訓及人才開發方針：

#### A. 管理層

- 我們透過與香港理工大學及其他培訓機構安排一連串有關建立團隊及其他主題的培訓；
- 內部培訓方面則安排高級管理層與其他職員分享管理經驗。



## Chairman's Statement 主席報告



No star, but only Team Karrie  
沒有明星，只有嘉利團隊

### B. *Mid/Low Management*

- Training for back up personnel and job re-location program to reduce the impact of drain of mid/low management;
- Promoting the "mentor program for the elite" with the senior managers personally taking the lead in training for those with strong potentials.

### B. 中層及基層管理人員

- 後備人才培訓、內部調配聘用等政策為減低人才流失所帶來的壓力；
- 推行「師父領袖精英培訓計劃」，由高層管理人員親自帶領具潛質之中層人員作貼身指導。

## Chairman's Statement 主席報告



Selfless sharing of the secrets of management: do you want a copy of these management tricks not covered by professors?  
無私地分享管理秘訣：你會否也想得到這些非教授講義所能涵蓋的管理精要？

### C. *New Recruits*

- Continuing the “graduate training program” in view of the success of last year;
- Planning joint research program with universities through sponsoring engineers participating in system and products development. We will also provide financial support for engineers studying for master degree to speed up products design, development and analytical ability.

### D. *Frontline Workers*

- Through discussion of actual examples in seminar with workers to promote the awareness of quality and safety;
- Introducing ‘all round training’ scheme to ensure workers can be easily shift to other departments as replacement.

As at 31 March 2006, the Group employed approximately 7,000 employees during the period.

### Rewards for Performance

The standard 13th month pay was abolished in 2002. A new performance based bonus system and a more objective system of performance evaluation were introduced. Employees with superior performance now received higher bonus when compared with that under the previous system.

### C. *新力軍*

- 去年推行「應屆大學生培養計劃」成效顯著，為集團帶來新動力，今年將繼續進行；
- 計劃與大學合作研究計劃，透過資助工程師參與系統產品研發工作，同時保送及資助工程師攻讀大學碩士課程，以加快建立產品設計、開發及分析能力。



Discussion forum for frontline workers: learning from mistakes  
前線人員的論壇：從錯誤中學習

### D. *前線工人*

- 透過實例辯論，提升員工對品質及工業安全的意識；
- 推出「全能工培訓計劃」，加快因員工流失崗位的補給能力。

截至二零零六年三月三十一日集團於期內聘有僱員約7,000名。

### 多勞多得

於二零零二年取消固有的第十三個月薪金，取而代之推出與表現掛勾的獎金制及較客觀的表現評估，有超卓表現的員工則會獲發比以往制度下更為可觀的獎金。





#### — 小故事 4 —

集團對於產品精度的準確性非常嚴格，偶一失誤可令集團之商譽盡毀，而樣辦測試等前期工作更不容忽視，就在三天內要完成一個涉及三百多件零件之樣辦批核報告過程中，讓我們發掘了一個小人物如何發揮她的力量，縱使看似微不足道，但她的主動卻感動著組內每一位人員。

品質部陳雙雙雖然只是一名驗貨員，看到主管正在煩惱分配人手處理當前急務時，便主動提出幫忙負責抄寫測量數據的工作更自願留下來加班，在她的帶動下，更推動了其他組員齊心協力下完成緊迫的貨期。



# Chairman's Statement 主席報告

## We Care

With the shortage of mid-level management in the local employment market, the Group follows the general trend in using a softer, gentler approach. Besides, this has the added benefit of creating a better environment for better productivity:

- Due to the limitation of the manufacturing nature of business, we are still moving toward full application of alternate weeks of attendance;
- Organizing welcoming session to newcomers to ensure these new employees settling down as soon as possible;
- Organizing social activities after office hours like ball games and variety shows so that employees would be able to relax and enjoy good health;
- Designing various incentive schemes for staff and departments with superior performance;
- Staging various campaigns like 'smiling faces' and 'heartfelt dedication in all details' to promote a new corporate culture;

After all our staff are our greatest assets. **Today corporate supremacy is determined not by the quality of machines, but by the quality of staff.** We want them to be in their best positions in the interest of the long-term benefits to our shareholders.

## 對員工之關懷

因應勞工市場依然較為缺乏中層管理人員，集團採取一個較為柔性、溫馨的策略，同時亦可營造出一個較佳的工作環境氣氛，令生產力得以提升：

- 由於集團製造業運作模式的規限，但仍會朝著週六長短週模式邁進；
- 為新入職人員安排迎新會，讓他們加快適應環境；
- 舉辦各類工餘活動，如球類及文藝表演等，讓員工舒緩工作壓力及鍛鍊強健體魄；
- 設立不同類型的獎勵方案對有優秀表現的員工及部門作出表揚；
- 舉辦「微笑行動」、「事無大小，用心去做」比賽，凝造新企業文化。

員工是我們最寶貴的資產，今時今日我們並不是「鬥設備」，而是「鬥人才」，我們應讓每位員工處於最佳崗位上，發揮所長為股東們之長遠利益努力。



Why Chairman Ho stood aside quietly? (Please refer to P.55)  
何主席為何靜悄悄地站在一旁？（請參閱第五十五頁）

# Chairman's Statement 主席報告

## Heartfelt Dedication in all details

Last year the Group celebrated its 25 years in business. I have always been asked on the secret of our success. Yes, we are still far from perfect. But if you really need one single most important fact explaining the rise of the Group from having a turnover of HK\$661,887,000 in 1999/2000 to HK\$3,592,741,000, then I would say that it is our heartfelt dedication in all details.

**A manufacturing company is not a parade of machines. It is an organization of people.** So long as our colleagues are doing their job with their hearts, then we will be able to make incremental improvements, however small. From the macro prospect of the Company, such incremental improvements would be reflected in the confidence/satisfaction of the customers. This in turn would be translated into our competitive edges. And it is such spirit leading us to complete the “thousand mile journey”.

## 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*

## 事無大小，用心去做

去年集團慶祝成立二十五週年時我常被人問及「我們」成功的秘訣，雖然我們距離完美的旅程尚遠，但若然要點出一個單一理由解釋集團如何從一九九九／二零零零年度之661,887,000港元營業額逐步攀升至3,592,741,000港元，惟一能夠解釋的就是「事無大小，用心去做」。

一家工廠並不只是一堆機器，這是由一群人組織合作的機構。只要我們每一位員工都能用心對待每一樣工作，就能帶出或許是微不足道的改善，從公司的宏觀角度看，這一點一滴的改善將可累積成明顯的進步，反映於客戶對我們的信心／滿意程度，最後轉化為我們的競爭優勢，就是這股精神帶領著我們繼續完成「千里之行」。

## 感謝

本人謹向一直鼎力支持集團的所有客戶、供應商、銀行家、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。

主席

何焯輝



## APPENDIX 1

### Special Characteristics of Our Business Model

#### A Hypothetical Example (Simplified and generalized for easy understanding)

##### 1. Quotation Phase

- 12 months prior to shipment, Customer A sends out Request for Quotation (RFQ) for a project to all “qualified suppliers”.

##### 2. Project Confirmation Phase

- Customer A confirms the placement of the project to us;
- Customer A also provides shipment forecast for the next 18 to 24 months, which is the normal life cycle of a project.

##### 3. Moulds and Prototype Making Phase

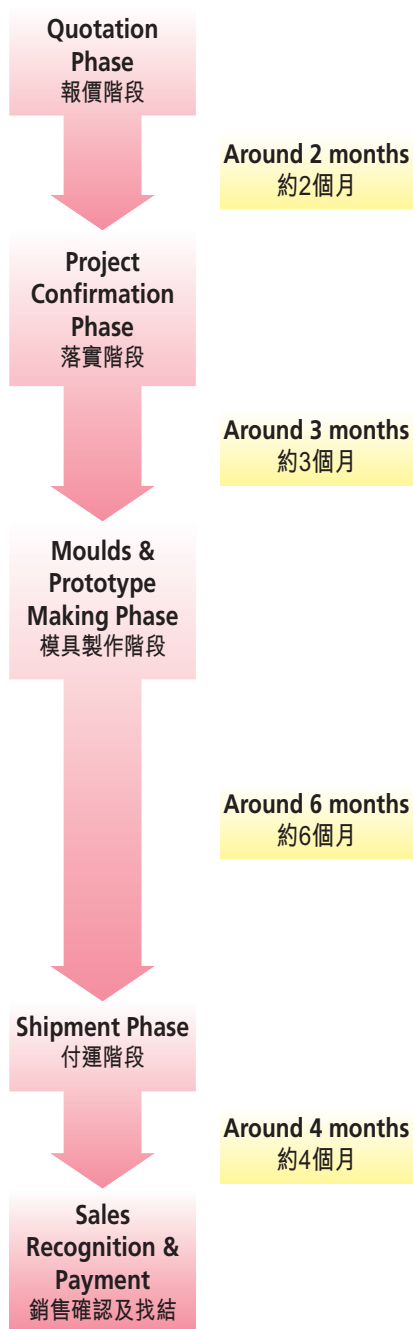
- According to Customer A specification, we start to perform the design works, make the moulds and prototype;
- This process would take around 6 to 12 months;
- Customer A would also work with our purchasing department on electronics components and the list of qualified suppliers for such components.

##### 4. Shipment Phase

- Customer A finalizes and revises the final shipment schedule;
- We start manufacturing and ship goods to just-in-time (JIT) inventory warehouses.

##### 5. Sales Recognition and Payment

- Customer A takes goods from JIT warehouses;
- We get paid after the normal credit period (generally 60 days).



## 附錄一

### 經營模式之特色

假設舉例(為方便大家容易理解，下列之過程以簡化形式表達)

##### 1. 報價階段

- A客戶就某一產品之項目，於付運前約12至15個月向所有「合格供應商」要求報價，包括集團在內。

##### 2. 落實階段

- A客戶確認將有關產品項目交予集團負責；
- 我們得到該產品未來18至24個月的落貨預測，此亦是一般產品壽命週期。

##### 3. 模具製作階段

- 集團按照客戶所提供的規格要求進行設計工作，並製作生產模具及首辦；
- 此工序大概需時6至12個月；
- A客戶亦會就產品所需之電子零件，與採購部門商討指定供應商及相關審批程序。

##### 4. 付運階段

- A客戶發出修訂付運時間表；
- 完成生產及將成品付運至「即時付運」系統中轉貨倉。

##### 5. 銷售確認及找結

- A客戶從「即時付運」系統中轉貨倉提取成品；
- 客戶按照相關找結方式(一般為60天)付款。

## APPENDIX 1 (Cont'd)

### Special Characteristics of Our Business Model (Cont'd)

As the related engineering works have largely been completed and in most cases the Group is the sole supplier for the confirmed project, our problem is therefore one of production, and not of marketing (2003/04 Annual Report, P.26).

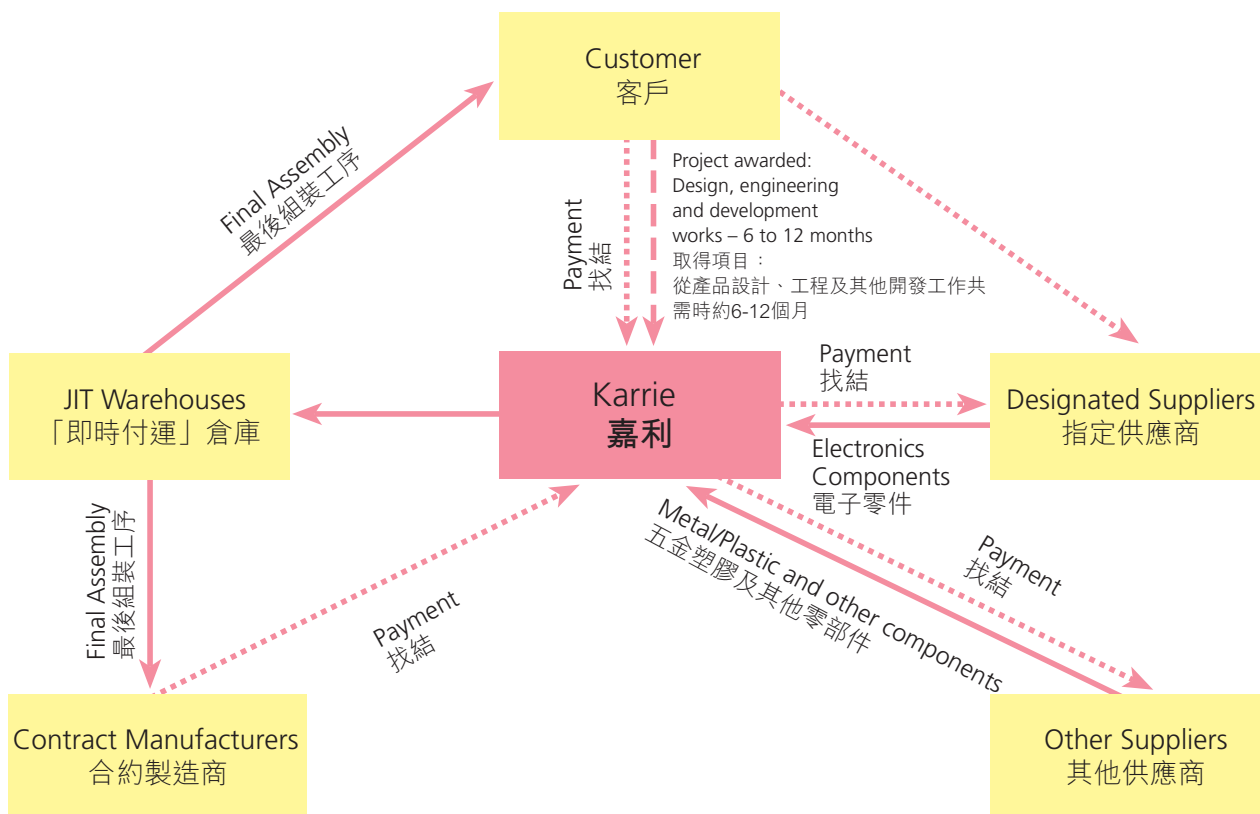
## 附錄一 (續)

### 經營模式之特色 (續)

由於集團通常是客戶個別產品項目之唯一供應商，而有關項目經已與新舊客戶取得落實，相關之工程準備工作亦大致完成，故現時所要關注的是如何完成生產任務，而非訂單(二零零三／零四年度年報第二十六頁)。

### Generalised Flow Chart of the Supply Chain Management System

#### 供應鏈管理系統一般運作流程圖



## APPENDIX 1 (Cont'd)

### Special Characteristics of Our Business Model

Some or all of the following characteristics apply in our dealing with customers. Such characteristics have been generalized/simplified to enable easy understanding:

1. We deal with projects, which can take one year of development and engineering works from initial project confirmation to final shipment of goods. A project's shipment cycle can run for 18 to 24 months.
2. We do not normally have a large orders backlog because the customers' adoption of either the just-in-time inventory (JIT), rolling forecast, Electronic Data Interexchange (EDI) or a combination of the above methods.
3. Usually we are the sole supplier for a particular project and therefore have the obligation to ship goods to customers even if the sales volume is much higher than the initial projection.
4. Most of our customers are not retailers, but manufacturers themselves. Some of them even have factories in China. Most of the electronic components are either sourced through the customers or their designated suppliers.
5. While the metal and plastic enclosures business is an integral part of the computer and computer peripheral sector, the industry thrives only in Taiwan but not in Hong Kong.
6. Our customers are mostly multi-national companies. Thus we frequently have the situation likes project originated in Japan, components assembled in China while the final products shipped to Asia or Europe. Our definition of breakdown by market is by shipment destination but not country of origin of the customers.

## 附錄一 (續)

### 經營模式之特色

以下的幾點經營特色或多或少是我們與客戶之間生意上交往時會遇到的，方便大家理解，已將下列之特色簡化表達：

1. 我們接回來的生意一般是以項目形式進行，而每個項目從開發，工程設計到起辦，至成品付運，整個過程為時約一年，而項目本身之週期為18至24個月。
2. 一般我們並無大量的實單在手，因為客戶落單以即時付運(JIT)，滾動式的預算表又或以電子信息交換系統(EDI)進行。
3. 很多時我們所負責的項目都是客戶該項目的唯一供應商，因此就算客戶突然將訂單數量增加，我們亦有責任準時付運。
4. 我們的客戶大多是廠家，而非零售商，有些更於中國設有廠房，大部份的電子零件都是客戶指定供應商又或是他們自己提供的。
5. 雖然五金塑膠外殼業務乃電腦及其週邊產品的核心部份，但這行業於台灣遠比香港盛行。
6. 我們的客戶大部份屬國際知名品牌，故很多時會出現如下情況：客戶之項目源自日本，但在中國生產，成品最終付運到亞洲及歐洲等地。而我們對於市場分佈之界定則以成品付運終點站為準，而非客戶來自那個國家。

# Chairman's Statement 主席報告

## APPENDIX 2

### Corporate Governance

1. Establishment of an Executive Committee to improve decision-making efficiency. The Group is now being run on an operational basis by a group of professional managers;



**S K Lee 李樹琪**  
Accounting 會計  
Investor Relations 投資者關係



**Alfred Chow 周國雄**  
Finance 財務  
Strategic Planning & Risk Management 策略規劃及風險管理  
Investor Relations 投資者關係

**Stephen Wong 黃順鵬**  
Production 生產管理



**Ho Cheuk Ming 何卓明**  
Policy & Major Decision Making 政策及重要決定  
Conflicts Resolution 平衡部門分歧  
Capex 固定資產投資



## 附錄二

### 企業管治

1. 成立執行委員會加快決策效率，集團日常營運交由一群專業管理人員處理；



**Francis Kwok 郭永堅**  
Marketing 市務



**Silvia Chan 陳名妹**  
Personnel & Administration 人事及行政  
EDP 電腦資訊管理  
Internal Audit 內部審計

Chairman Ho: One of the principal duties of an entrepreneur is to build up a professional management team  
何主席：一間企業掌舵人其中一項最重要的職責是要為企業建立專業管理梯隊



# Chairman's Statement 主席報告

## APPENDIX 2 (Cont'd)

### Corporate Governance (Cont'd)

2. Efforts to improve transparency
  - in annual report, made detailed explanation of corporate strategies and the rationale behind;
  - meeting with individual shareholders periodically through a new “tea-break” program.
3. Clearly defined dividend policy of payment of 50% or more of the profit attributable to shareholders;
4. Clearly defined ROE objective of 20%;
5. Clearly defined future turnover targets;
6. Announcing quarterly results;
7. Increasing the number of audit committee meetings to 4 times a year;
8. Encouraging executive directors to hold at least 500,000 shares of the Group;
9. Willingness to share wealth created with all shareholders through dividend. Since 2000/01, the Group's accumulated dividends paid/payable is around HK\$517,064,000 or around 98% of the shareholders' fund.

## 附錄二 (續)

### 企業管治 (續)

2. 致力提高透明度
  - 於年報中詳細解釋集團策略與其背後之理念；
  - 定期舉行「茶敘」活動與個人投資者會面
3. 將股東應佔溢利之50%或以上用作派息作為集團之派息政策；
4. 清晰釐定股東權益回報率目標為20%；
5. 清晰釐定集團未來銷售目標；
6. 公佈季度業績；
7. 增加召開審核委員會會議之次數至每年4次；
8. 鼓勵各執行董事持有不少於500,000股集團股份；
9. 願意透過派發股息與各股東一同分享財富；自二零零零／零一年度開始，集團已派發／擬派發現金股息約517,064,000港元，或約佔股東資金98%。

## APPENDIX 3

## 附錄三

### Dividend and Dividend Policy:

股息及股息政策：

**An unbroken 9 years record of dividend payment**

9年以來派息從未間斷

**Group's policy to distribute 50% or more of its profits attributable to shareholders as dividend**

集團既定股息政策為股東應佔溢利50%或以上用作派息

**All dividend paid shown below is in HK cents per share**

下列每股派發之股息全以港仙計算

	Interim 中期	Final 末期	Subtotal 小計	Interim	Final	Special	Total 合計	Dividend Payout Ratio 股息 派發比率	
				Special 中期 特別股息	Special 末期 特別股息	Special 特別股息 小計		(Excluding)* (不包括在內)*	(Including)# (包括在內)#
1997/98	Nil 無	1.00	<b>1.00</b>	Nil 無	Nil 無	<b>Nil 無</b>	<b>1.00</b>	13%	N/A 不適用
1998/99	2.00	2.00	<b>4.00</b>	Nil 無	Nil 無	<b>Nil 無</b>	<b>4.00</b>	58%	N/A 不適用
1999/00	2.20	2.20	<b>4.40</b>	Nil 無	Nil 無	<b>Nil 無</b>	<b>4.40</b>	77%	N/A 不適用
2000/01	1.10	3.80	<b>4.90</b>	Nil 無	6.20	<b>6.20</b>	<b>11.10</b>	69%	156%
2001/02	5.00	5.90	<b>10.90</b>	5.00	14.10	<b>19.10</b>	<b>30.00</b>	50%	138%
2002/03	8.00	11.00	<b>19.00</b>	Nil 無	5.00	<b>5.00</b>	<b>24.00</b>	60%	75%
2003/04	8.00	12.00	<b>20.00</b>	Nil 無	Nil 無	<b>Nil 無</b>	<b>20.00</b>	87%	N/A 不適用
2004/05	8.50	12.50	<b>21.00</b>	Nil 無	Nil 無	<b>Nil 無</b>	<b>21.00</b>	58%	N/A 不適用
2005/06	9.00	13.00	<b>22.00</b>	Nil 無	3.00	<b>3.00</b>	<b>25.00</b>	48%	55%

Remarks: \* Excluding special dividend

備註：\*不包括特別股息

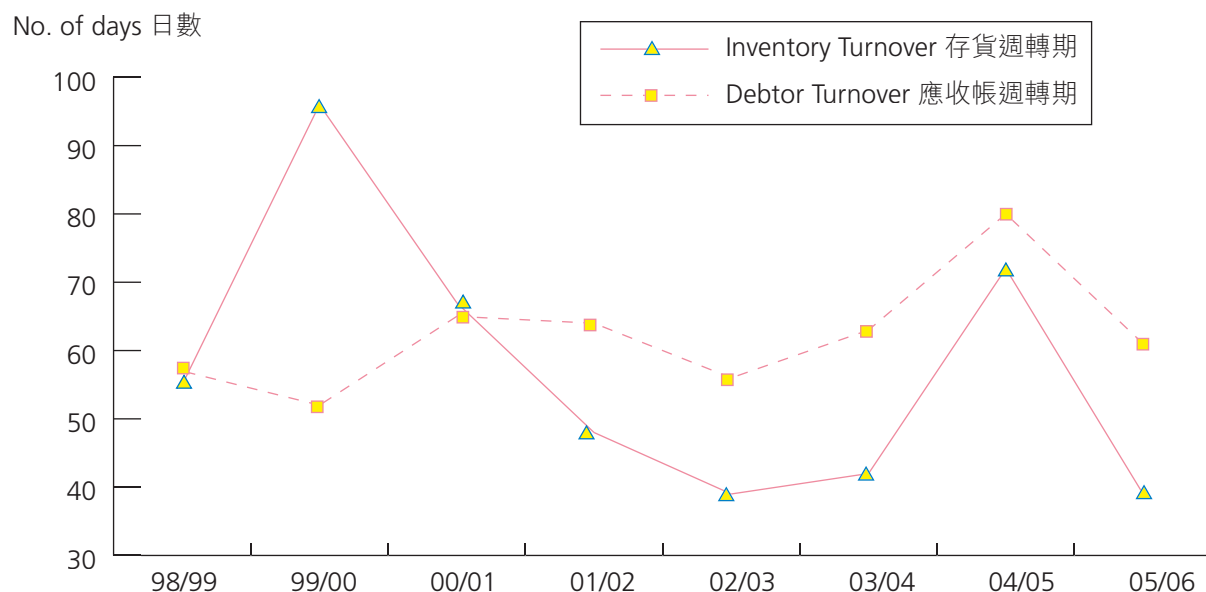
# Including special dividend

#包括特別股息

APPENDIX 4

附錄四

Inventory & Debtor Turnover  
存貨及應收帳週轉期



(no. of days)(日數)	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Inventory Turnover 存貨週轉期	55	96	67	48	39	42	72	39
Debtor Turnover 應收帳週轉期	57	52	65	64	56	63	80	61

Inventory turnover (Base on year end stock value/Cost of Sales) x 365 days  
Debtor turnover (Base on year end debtors/Turnover) x 365 days

存貨週轉期(以年終存貨值/銷售成本)x 365日  
應收帳週轉期(以年終應收帳/營業額)x 365日

Inventory Turnover Days 存貨週轉期

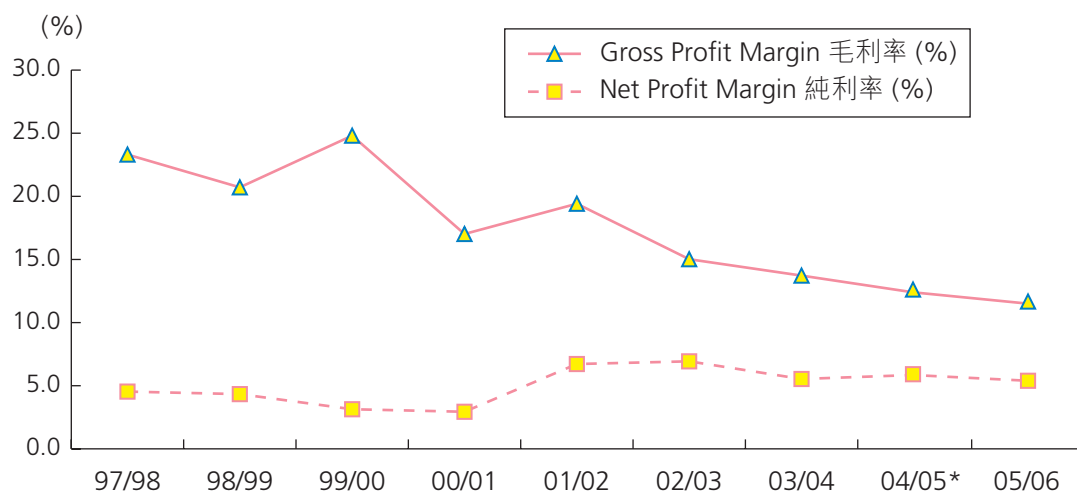
(no. of days)(日數)	04/05	05/06	Change 變幅
Raw Material 原料	33	18	-15
WIP 半製品	5	6	+1
Finished Goods 成品	34	15	-19
Total 合計	72	39	-33

## APPENDIX 5

## 附錄五

### Gross Profit Margin & Net Profit Margin

毛利率與純利率走勢圖



(%)	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05*	05/06
Gross Profit Margin 毛利率	23.3	20.7	24.8	17.0	19.4	15.0	13.7	12.4	10.6
Net Profit Margin 純利率	4.5	4.3	3.1	2.9	6.8	6.9	5.3	5.7	5.2
<i>HK\$(million)</i> (百萬港元)									
Turnover 營業額	619	592	662	893	1,156	1,738	1,693	2,563	3,593
Profit attributable to Shareholder 股東應佔溢利	28	25	21	26	78	120	90	147	186

\* Restate  
重列



## APPENDIX 6

### FAQ

#### BUSINESS

1. What is so special about Karrie's business model?
  - Normally we deal with projects, which can take one year of development and engineering works from initial project confirmation to final shipment of goods. A project shipment cycle can run for 18 to 24 months.
  - Usually we are the only vendor for a particular project confirmed. Combined with the 18 to 24 months shipment cycle, we are bestowed with relatively long-term business visibility. (2004/05 Annual Report, P. 60)
2. Would rising cost of raw material affect the performance of the Group?

Under the Group's versatile 'Total Transparent Cost Plus Pricing Mechanism' most of the raw materials other than electro-galvanized steel plates are sourced through the customers or through suppliers designated by the customers. A rise of raw material price (other than steel) has only a marginal impact on the bottom line. (2004/05 Annual Report, P. 18)
3. Experts say RMB is going to appreciate more in the coming two years. What is the impact on the Group?
  - RMB payments represented less than 10% of the total cost of sales
  - As most of our competitors are also based in China, in theory in the long run we could raise price to cover the increase in cost provided that the customers stick to their present sourcing pattern of buying from China.
4. Whom do Karrie sell to?

Our products, including computer server casings, laser printers, magnetic tape drive, are mainly sold to multi-national customers.

## 附錄六

### 常見問題

#### 業務

1. 嘉利之經營模式有何特別？
  - 我們接回來的生意一般是以項目形式進行，而每個項目從開發，工程設計到起辦，至成品付運，整個過程為時約一年，而項目本身之週期為十八至二十四個月。
  - 通常我們所負責的項目都是客戶該項目的唯一供應商，加上一般產品之壽命週期為十八至二十四個月，因而我們對生意前景有相對較長線的洞悉力。(二零零四／零五年度年報第六十頁)
2. 原料成本不斷上漲會否對集團的表現有所影響？

根據集團多變的「全透明成本加利潤報價模式」，除鐵料外，大部份原料均是由客戶負責採購又或是由客戶指定供應商所提供，故此原料價格（鐵料除外）上升只會對集團帶來輕微影響。(二零零四／零五年度年報第十八頁)
3. 有專家指出未來兩年人民幣仍然會持續升值，這對集團有何影響？
  - 採用人民幣找結的總額佔整體銷售成本少於10%。
  - 由於集團大部份之競爭對手之生產基地亦設於中國，理論上長遠而言，基於客戶仍會按照現有之採購模式於中國採購，相信大家都會一致向客戶要求加價，以彌補成本上升的。
4. 嘉利所制的產品銷售對象是誰？

我們製造的產品包括電腦伺服器外殼、鐳射打印機、磁帶解碼機等，大部份均是售予一些國際性知名的客戶。

# Chairman's Statement 主席報告

## CAPEX, DIVIDEND AND FINANCE

5. Are you worried about a high level of bank borrowings?

- The Group's shareholders fund was much higher than the non-current assets meaning that the Group was financing its non-current assets through stable shareholders' fund rather than bank borrowings;
- Any increase in net bank borrowings could therefore be attributed to the increased working capital requirement due to an increase in turnover. This is positive news but not otherwise.

6. What is the status of new Yu Quan Plants?

- The site area is approximately 210,000 square metres as compared to the combined site area of 89,000 square metres of the existing Yantien Plant and Fenggang Plant;
- We will build the Yu Quan Plants through various phases depending on the economic conditions. Phase I is expected to be completed in September 2006.

7. Is Karrie going to change its dividend policy because of the capex and working capital requirements?

- Our dividend policy is to pay out 50% or more of the profit attributable to shareholders;
- In 2005/06, we paid out a total of HK25 cents as dividend (payout ratio: 55%), making the 9th year of unbroken dividend payment record;
- We are not yet convinced that we should change our dividend policy at the moment (2004/05 Annual Report, P. 34) as our profit can adequately finance both the dividend plus capex;
- Should the Directors decide to change the existing dividend policy, we would provide an advance notice in the immediate preceding interim or annual result announcement.

## 固定資產投資、股息及財務方面

5. 你們有否擔心過高借貸情況？

- 集團股東資金比「非流動資產」為高，代表著集團之「非流動資產」是以穩定的股東資金所支持的，而非經由銀行借貸；
- 任何淨銀行借貸之上升乃由銷售額增長帶動流動資金需求增加的，這是正常不過的現象，絕無不妥當。

6. 目前新的玉泉廠房興建進度如何？

- 目前的雁田及鳳崗廠房兩者相加之佔地面積只有89,000平方米，至於玉泉廠房之佔地面積約210,000平方米；
- 我們將會根據經濟狀況將玉泉廠房劃數個階段興建，而第一期預計將於二零零六年九月完成。

7. 因應目前之固定資產投資及流動資金的需求，嘉利會否改變股息政策？

- 我們的股息政策是將股東應佔溢利的50%或以上作為股息；
- 於二零零五／零六年度我們每股派發25港仙作為股息（派發比率為55%），並連續九年保持派息記錄；
- 我們認為現階段無需要改變股息政策（二零零四／零五年度年報第三十四頁），因為我們的溢利足以支持股息與及固定資產投資；
- 倘若董事會對現行股息政策有任何改變，必會於前一次之中期／全年業績公佈時提前通知公眾。

## CORPORATE GOVERNANCE AND OTHERS

8. Should you worry about the corporate governance standard of Karrie?

- For three consecutive years, fund managers and research analysts voted Karrie as one of the best-managed companies in Hong Kong in the Asiamoney Polls. In the 2004 Poll, Karrie was voted as the second best in Corporate Governance in Hong Kong. In 2005 Karrie was voted as the best small cap in the same poll;
- Since 2001 Karrie has been managed in an operational basis by a group of professional managers. With the exception of the COO, the management team is not related to the controlling shareholder;
- Karrie is also willing to share with shareholders the wealth created through distribution of dividend. Since 2000/01, the Group's accumulated dividends paid is around HK\$517,064,000 or around 98% of the shareholders' fund as at 31 March 2006;
- To increase its transparency, Karrie
  - a. Voluntary announces quarterly result;
  - b. Arranges quarterly "tea-breaks" with individual shareholders;
  - c. Publishes an easy-to-read annual reports with graphs, tables and other useful information.

9. Who are the major shareholders?

- As at 31 May 2006, the Ho's family/Pearl Court Company Limited held around 54%;
- Value Partners Limited held around 10%.

## 企業管治及其他

8. 我們應否擔憂嘉利的企業管治水平?

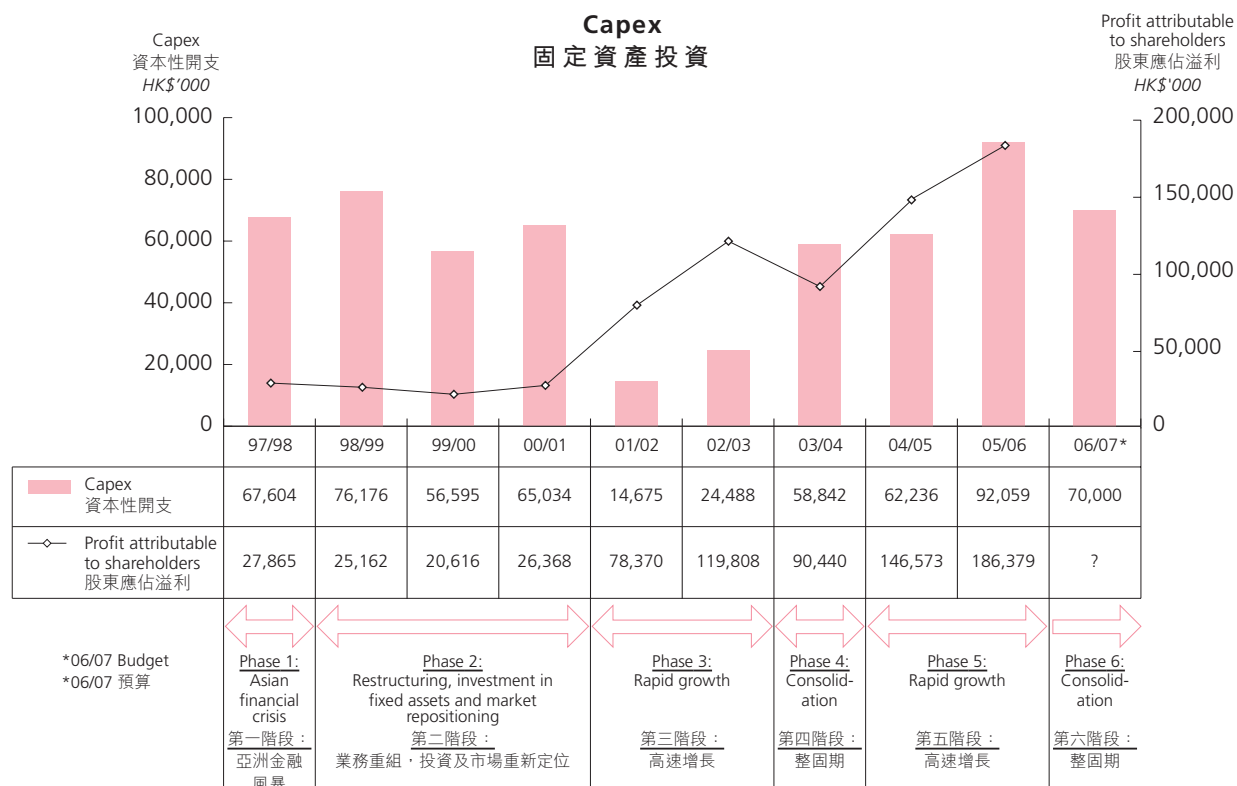
- 嘉利連續三年於「亞洲貨幣雜誌」選舉中被機構投資者及證券分析員推許為優秀企業。於「二零零四年度選舉」中，嘉利被選為「香港最佳企業管治表現」第二名。於「二零零五年度選舉」更獲選為「香港最佳管理公司—小型企業」第一名；
- 嘉利自二零零一年開始交由一班專業管理人仕負責日常營運工作，除營運總裁外，其餘成員均與控股股東無親屬關係；
- 嘉利亦願意透過派發股息與股東們分享財富，自二零零零／零一年度開始，截至二零零六年三月三十一日集團合共已派發之現金股息約517,064,000港元，佔股東資金的98%；
- 為了提高透明度，嘉利
  - a. 自願公佈季度業績；
  - b. 每季度為個人投資者舉行茶敘活動；
  - c. 年報制作考慮「用者為先」，透過簡淺的圖畫、圖表及其他有用資料加以表達。

9. 誰是集團的主要股東?

- 截至二零零六年五月三十一日止，何氏家族／Pearl Court Company Limited持有股份為54%；
- 惠理基金持有約10%股份。

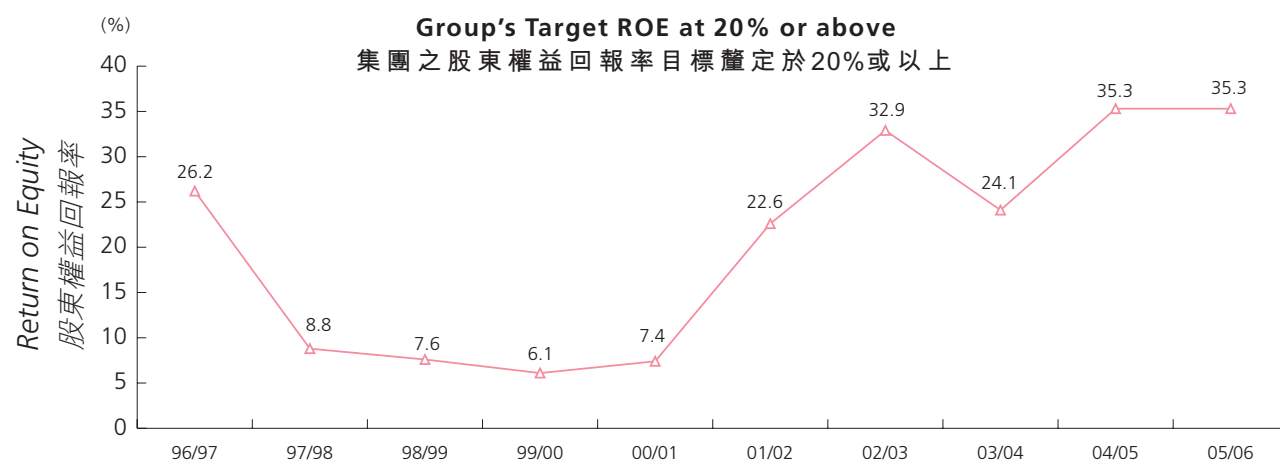
## APPENDIX 7

## 附錄七



## APPENDIX 8

## 附錄八



HK\$ million  
百萬港元

		96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Profit after Tax	除稅後溢利	81	28	25	21	26	78	120	90	147	186
Shareholders' Equity	股東權益	310	318	332	339	356	347	364	375	416	527
<b>Return on Equity (%)</b>	<b>股東權益回報率(%)</b>	<b>26.2</b>	<b>8.8</b>	<b>7.6</b>	<b>6.1</b>	<b>7.4</b>	<b>22.6</b>	<b>32.9</b>	<b>24.1</b>	<b>35.3</b>	<b>35.3</b>



APPENDIX 9

附錄九

Potential Dilutive Effect of share Options

購股權潛在攤薄影響

(As at 15 June 2006, total number of issued share capital is 411,622,000 shares)

(截至二零零六年六月十五日已發行股本總數為411,622,000股)

Exercisable during or after the period 於期內或之後可行使之年度	Number of exercisable outstanding share options 未行使購股權數目			Percentage over total number of issued share capital 佔已發行股本 之百分比
	Directors 董事	Other Participants 其他參與者	Total 總數	
01/04/2006 - 31/03/2007	5,130,000	17,418,000	22,548,000	5.47%
01/04/2007 - 31/03/2008	1,760,000	3,716,000	5,476,000	1.33%
01/04/2008 - 31/03/2009	1,760,000	1,760,000	3,520,000	0.86%
<b>Cumulative total 累計</b>	<b>8,650,000</b>	<b>22,894,000</b>	<b>31,544,000</b>	<b>7.66%</b>