

Corporate Governance Report 企業管治報告

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

For the year ended 31 March 2006 (the “Year”), the Group has applied the principles of the recently promulgated Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and complied with the code provisions of the CG Code, save for deviation from code provision A.2.1. This report describes our Group’s corporate governance practices and explains the said deviation from the CG Code.

A. BOARD OF DIRECTORS

1. The Board of Directors

1.1 As at 31 March 2006, the Board consisted of eight Directors, including five executive Directors, namely, Mr. Ho Cheuk Fai (Chairman and Chief Executive Officer), Mr. Ho Cheuk Ming (Deputy Chairman and Chief Operating Officer), Mr. Kwok Wing Kin, Francis (Deputy Chairman), Mr. Lee Shu Ki and Mr. Wong Shun Pang, and three independent non-executive Directors, namely, Mr. So Wai Chun, Mr. Chan Sui Sum, Raymond and Mr. Fong Hoi Shing. The Board has the collective responsibility for the leadership and promotion of the success of the Group’s business by directing and supervising the Group’s affairs.

為保障全體股東權益及提升企業價值和問責性，本集團一向承諾恪守奉行最嚴謹之企業管治。

於截至二零零六年三月三十一日止年度（「本年度」）內，本集團已應用最新頒佈並列載於香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四之企業管治常規守則（「企業管治守則」）所規定之原則及遵守所有守則條文（除了偏離守則條文A.2.1條外）。本報告書詳述集團之企業管治慣例，並闡釋企業管治守則之原則應用及偏離企業管治守則的行為。

A. 董事會

1. 董事會

1.1 截至二零零六年三月三十一日，董事會由八名董事組成。包括五名執行董事－何焯輝先生（主席兼行政總裁）、何卓明先生（副主席兼營運總裁）、郭永堅先生（副主席）、李樹琪先生、黃順鵬先生及三名獨立非執行董事－蘇偉俊先生、陳瑞森先生及方海城先生。董事會成員共同負責本集團事務之領導及管治工作，並共同承擔指引及監督本集團事務之責任。

Corporate Governance Report 企業管治報告

1.2 The Board is committed to the Group's objectives of enhancing the shareholder's value and provision of superior products and services. The Board is collectively responsible for formulating the overall objective and strategy of the Group; monitors and evaluates its operating and financial performance and reviews the standard of corporate governance of the Group. It also makes decisions on matters such as approving the annual results, interim and quarterly results, connected transactions, appointment and re-appointment of directors, declaring dividend and adopting accounting policies. The Board has delegated the authority and responsibility for implementing business strategies and management of the daily operations of the Group's businesses to the management.

1.3 The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require.

The Board had met seven times for the year ended 31 March 2006 and considered, reviewed and approved the Group's annual results for the year ended 31 March 2005, quarterly and interim results of the Group for the Year.

1.2 董事會致力實現本集團有關提升股東價值以及提供優越產品與服務之目標。董事會訂立集團之整體目標及策略，並監管及評估集團在營運與財務上之表現，以及檢討集團之企業管治水平。董事會亦須決定各項事宜，其中包括全年、中期及季度業績、關連交易、董事聘任或續聘、股息分派及採納會計政策。董事會已授權管理層負責推行本集團商業策略及管理本集團之日常業務運作。

1.3 董事會每季舉行定期會議，並於情況需要時召開特別會議。

董事會於截至二零零六年三月三十一日止年度內已舉行七次會議，並已考慮、審閱及批准集團截至二零零五年三月三十一日之全年業績及於本年度之季度及中期業績。

Corporate Governance Report 企業管治報告

The attendance records of the Board meetings held during the Year are set out below:

以下是本年度董事會會議的出席紀錄：

Attendance of individual Directors at Board meetings during the Year

本年度董事會會議個別董事的出席率

		No. of attendance/No. of meetings 出席次數／會議次數	Attendance rates 出席率
<i>Executive Directors</i>		<i>執行董事</i>	
Mr. Ho Cheuk Fai	何焯輝先生	4/7	57%
Mr. Ho Cheuk Ming	何卓明先生	7/7	100%
Mr. Kwok Wing Kin, Francis	郭永堅先生	5/7	71%
Mr. Lee Shu Ki	李樹琪先生	7/7	100%
Mr. Wong Shun Pang	黃順鵬先生	6/7	86%
Mr. Tam Wing Hung* (resigned on 13 February 2006)	談永雄先生* (二零零六年二月十三日辭任)	3/5	60%
<i>Independent Non-executive Directors</i>		<i>獨立非執行董事</i>	
Mr. So Wai Chun	蘇偉俊先生	7/7	100%
Mr. Chan Sui Sum, Raymond	陳瑞森先生	6/7	86%
Mr. Fong Hoi Shing	方海城先生	7/7	100%
Average attendance rate	平均出席率		85%

* indicates the number of Board meetings held before the resignation of Mr. Tam Wing Hung.

* 顯示談永雄先生辭任執行董事前的會議出席紀錄

1.4 To maximize the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established an audit committee and a remuneration committee. Detailed descriptions of each of these committees are set out below. All of these committees adopt, as far as practicable, the principles, procedures and arrangements of the Board in relation to the scheduling and proceeding of meetings, notice of meetings and inclusion of agenda items, records and availability of minutes.

1.4 為提高董事會效能以及鼓勵董事會成員積極參與及作出貢獻，董事會已成立審核委員會及薪酬委員會。下文載列各委員會之詳細說明。董事委員會按實際可行情況採納董事會有關擬定會議時間表及會議進行方式、會議通告及載入議程項目、保存及提供會議記錄等之原則、程序及安排。

2. Board Composition

2.1 As at 31 March 2006, the Board comprises of eight Directors: five Executive Directors and three Independent Non-executive Directors. Mr. Ho Cheuk Ming, an Executive Director, is the younger brother of the Chairman, Mr. Ho Cheuk Fai, the Chairman and Chief Executive Officer. The Board has received annual confirmations of independence from each of the Independent Non-executive Directors and believed that all the Independent Non-executive Directors meet with the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

2.2 The attributes, skills and expertise among the existing Directors are considered appropriate to effectively lead and supervise and manage the Group, taking into account the scope and nature of the operations. The Directors have a mix of core competencies in areas such as accounting and finance, business and management, production and quality control techniques, supply chain management, industry knowledge and marketing strategies. Details of the experience and qualifications of Directors and Senior Management are set out in the section headed "Directors and Senior Management" in this Annual Report.

2. 董事會組成

2.1 於二零零六年三月三十一日，董事會由八名董事組成，包括五名執行董事及三名獨立非執行董事。執行董事何焯輝先生為主席兼行政總裁，乃執行董事何卓明先生之兄。董事會已收悉有關各獨立非執行董事之獨立性的確認函並相信全體獨立非執行董事均能符合上市規則第3.13條所載有關獨立非執行董事獨立性評估之指引規定。

2.2 就本集團之業務範疇及性質而言，現任董事所具備之特質、技能及專業知識足以令彼等能有效地引領及監控本集團。董事具有各方面如會計及財務、商業及管理、生產及品質控制技術、供應鍊管理，行業知識及市場策略等實質專才。有關董事及高級管理人員之經驗及資歷資料載於本年報中「董事及高級管理人員」一節。

3. Appointment, Re-election and Removal of Directors

- 3.1 At each annual general meeting (“AGM”), one-third of the Directors are required to retire from office by rotation. The Directors, since his last election or appointment that have been the longest in office shall retire and be eligible for re-election at the AGM. The Chairman and/or the Managing Director of the Group shall not, when holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. With the introduction of the CG Code and to comply with code provision A.4.2 of the CG Code, the Chairman and/or the Managing Director of the Group will voluntarily retire at the AGM at least once every three years.
- 3.2 Independent Non-executive Directors are appointed for a fixed term not exceeding three years and are subject to the requirements of retirement by rotation and re-election by shareholders at AGM in accordance with the Company’s Bye-Laws.
- 3.3 The names and biographical details of the directors who will offer themselves for election or re-election at the forth coming AGM are set out in the circular to shareholders to assist shareholders in making an informed decision on their elections.

3. 董事的委任、重選及罷免

- 3.1 於每屆股東週年大會（「股東週年大會」）上，三分之一董事須輪席退任。每年之退任董事須為彼等自上次獲選或重選以來任期為最長者並合資格於股東週年大會上膺選連任。擔任集團主席及／或行政總裁的董事受制於輪席退任或於釐定股東週年大會上須輪席退任之董事人數時，毋須計及。然而，由於企業管治守則的推出及為遵守企業管治守則守則條文A.4.2，集團主席及行政總裁將至少每三年自願退任。
- 3.2 獨立非執行董事以固定任期委任，惟不超過三年，並須根據公司章程細則於股東週年大會上輪席退任並重選連任。
- 3.3 將於應屆股東週年大會上膺選連任董事之姓名及履歷載於致股東之通函內，以協助彼等於表決時作出知情決定。

3.4 Since the whole Board participates in the appointment of new Directors, the Company does not establish a nomination committee. In evaluating whether an appointee is suitable to act as a Director, the Board will consider the experience and skills of the appointee; as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the appointee is appointed as an Independent Non-executive Director, the Board will also consider his/her independence. During the Year, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the shareholders at the last AGM.

4. Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not separate the roles of its Chairman and Chief Executive Officer and Mr. Ho Cheuk Fai currently holds both positions.

Being the founder of the Group, Mr. Ho has substantial experience in the manufacturing industry. At the same time, Mr. Ho has the appropriate skills and business acumen that are the pre-requisites for assuming the role of Chief Executive Officer. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Group with strong and consistent leadership and allow the Group to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board considers that there is no need to segregate the roles of the Chairman and the Chief Executive Officer and should continue to be performed by Mr. Ho.

3.4 由於新董事之委任是由董事會全體成員參議，故本公司並無成立提名委員會。在評估一名被委任者是否適合出任本公司董事時，董事會會考慮其經驗、專長及其個人操守及誠信，以及其願意付出處理集團事務之時間。當一名董事被委任為公司的獨立非執行董事時，董事會亦會考慮其獨立性。於本年度內董事會亦就上屆股東週年大會通過重新委任退任董事事宜上作出檢討及建議。

4. 主席及行政總裁

企業管治守則條文第A.2.1條規定應區分主席與行政總裁的角色，並不應由一人同時兼任。本公司並無區分主席與行政總裁，何焯輝先生目前兼任該兩個職位。

何先生為本集團的創辦人，於製造業具備豐富經驗。同時，何先生具備擔當行政總裁所需之合適管理技巧及商業觸覺之先決條件。董事會相信，由一人兼任主席與行政總裁的角色為本集團提供強大兼一致的領導，並可讓本集團更有效及有效率地發展長遠業務策略及執行業務計劃，故無須區分主席及行政總裁之角色並由何先生繼續擔任。

B. BOARD COMMITTEE

1. Remuneration Committee ("RC")

1.1 The Board has established the RC in June 2005, comprising a majority of Independent Non-executive Directors, which meets at least once a year. It is chaired by Mr. So Wai Chun and comprises two other members, namely Mr. Chan Sui Sum, Raymond and Mr. Ho Cheuk Ming. All RC members, with the exception of Mr. Ho Cheuk Ming, are Independent Non-executive Directors. The quorum necessary for the transaction of business by the RC is two.

1.2 The principal responsibilities of RC are to formulate remuneration policy of the Group, review and make recommendations to the Board in respect of the remuneration policy and to determine the remuneration of the Executive Directors and the senior management.

1.3 The RC met twice during the Year with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of directors and senior management staff.

2. Audit Committee ("AC")

2.1 The AC consists of three members:

Mr. So Wai Chun (Chairman)
Mr. Chan Sui Sum, Raymond; and
Mr. Fong Hoi Shing

All members are Independent Non-executive Directors. The Board is of the opinion that members of the AC have sufficient accounting and financial management expertise or experience to discharge their duties.

B. 董事委員會

1. 薪酬委員會

1.1 董事會已於二零零五年六月成立薪酬委員會，成員大多數為獨立非執行董事。薪酬委員會最少每年舉行一次會議，由蘇偉俊先生擔任主席，並包括兩位其他成員：陳瑞森先生及何卓明先生。除何卓明先生外，全體薪酬委員會成員均為獨立非執行董事。薪酬委員會處理事務之法定人數為兩人。

1.2 薪酬委員會主要職能包括就本集團董事及高級管理層薪酬之公司政策及架構向董事會作出建議及釐定所有執行董事及高級管理層之薪酬計劃。

1.3 薪酬委員會於本年度已舉行兩次會議，出席率為100%，以審閱其職權範圍、本集團的薪酬政策及董事和高級管理層之薪酬。

2. 審核委員會

2.1 審核委員會由三名成員組成：

蘇偉俊先生(主席)
陳瑞森先生
方海城先生

全為獨立非執行董事。董事會認為，審核委員會成員擁有足夠會計及財務管理專業知識或經驗，以履行彼等之職務。

Corporate Governance Report 企業管治報告

2.2 The operations of the AC are regulated by its terms of reference. The major duties of the AC include:

- to review and supervise the Group's financial reporting process including the review of quarterly, interim and annual results of the Group;
- to review the external auditors' appointment, remuneration and any matters relating to resignation or termination;
- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and
- to realize corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

2.3 The AC met four times during the Year with an attendance rate of 100% and reviewed the quarterly, interim results and the annual results of the Group for the year ended 31 March 2005. The AC had also reviewed the Group's audited annual results of the Year. The Company Secretary of the Company keeps all minutes of the AC.

2.2 審核委員會之運作受職權範圍規管。審核委員會之主要職責包括：

- 檢討及監控本集團之財務報告程序，包括審閱本集團的季度、中期及年度業績；
- 檢討外聘核數師的委任和批准其薪酬及任何有關其辭任或辭退之任何事宜；
- 檢討本集團內部監控之有效性，包括定期檢討各項有關企業及業務的程序；
- 在考慮到潛在風險的性質及迫切性的情況下體現企業目標及策略以確保本集團業務運作有效。該等檢討包括財務、營運、監管規則的遵守及風險管理等範圍。

2.3 審核委員會於本年度舉行四次會議，其出席率為100%，並審閱了集團之季度、中期及截至二零零五年三月三十一日止年度的全年業績。審核委員會亦審閱了本年度本集團的全年業績。審核委員會之詳盡會議記錄由公司的公司秘書存置。

C. SECURITIES TRANSACTIONS BY DIRECTORS

- 1.1 The Company has adopted a Code for Securities Transactions by Directors of the Group (the “Company’s Model Code”) on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in Appendix 10 of the Listing Rules.
- 1.2 Having made specific enquiries to all Directors, they have confirmed that they had complied with the required standards set out in both the Company’s Model Code and the Model Code under the Listing Rules throughout the year ended 31 March 2006.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

- 1.1 The Board acknowledges its responsibility for preparing the Group’s accounts which gives a true and fair view of the state of affairs of the companies and of the Group on a going concern basis, with supporting assumption or qualification as necessary. In preparing the accounts for the year ended 31 March 2006, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable.
- 1.2 The management provides explanation and information to the Board as to enable the board to make informed assessments of the financial and other information put before the board for approval.

C. 董事進行證券交易

- 1.1 本公司已採納本集團董事進行證券交易的標準守則（「守則」），其條款並不較上市規則附錄10所載上市公司董事進行證券交易的標準守則（「標準守則」）之條款寬鬆。
- 1.2 經向全體董事作出具體查詢後，彼等確認已於截至二零零六年三月三十一日止年度期間全面遵守標準守則及守則所載之標準規定。

D. 問責及審核

1 財務匯報

- 1.1 董事會知悉其責任乃編製反映本公司及本集團真實公平財政狀況之賬目（按持續經營基準，並在有需要時以假設及保留意見支援）。於編製截至二零零六年三月三十一日止年度之賬目時，董事已挑選適合之會計政策及貫徹應用，並作出審慎合理之判斷及估計。
- 1.2 管理層向董事會提供該等闡釋及資料，使董事會對其須批准之財務及其他資料能作出知情評估。

1.3 The Board endeavours to ensure the making of balanced, clear and understandable assessments of the Group's position and prospects and extending the coverage of such information to include annual and interim reports, price-sensitive announcements and financial disclosures as required under the Listing Rules, reports to regulators as well as any information that is required to be disclosed pursuant to statutory requirements.

1.4 Since September 2003, the Company publishes its financial results on a quarterly basis in order to enhance transparency about its performance and to give details of the latest development of the Group in a timely manner. The Company announced its annual results within 3 months after each financial year end and announced its interim results within 2 months after the end of the relevant periods.

2. Internal Controls

To maintain sound and effective internal control to safeguard shareholders' investment and the Company's assets, the Internal Audit Department under the supervision of the Board, is in the process of conducting a review on the effectiveness of the internal control system of the Group and an independent evaluation to report on the adequacy and effectiveness of the Company's control, information system and operations. The review covered aspects of financial, operational and compliance and risk management control functions.

1.3 董事會致力確保對本集團之狀況及前景作出客觀、明確及可理解之評估，並將範圍擴大至本集團之年度及中期報告、其他涉及股價敏感資料的公佈、其他根據上市規則須予披露之財務資料、致監管機構之報告書以及法定須予披露之其他資料。

1.4 由二零零三年九月起，本公司按季度刊發其財務業績，以增加其效績之透明度及適時提供本集團最新發展之詳情。本公司於財政年度完結日期後三個月內公佈其全年業績，亦於有關期間完結後兩個月內公佈中期業績。

2 內部監控

為了確保內部監控系統穩健妥善而且有效，以保障股東之投資及本公司的資產，內部審核部門，在董事會的監督下，正就本集團內部監控系統之有效性進行檢討，及進行獨立評估及報告本公司之監控、資訊系統及運作是否足夠及有效。有關檢討涵蓋財務監控、運作監控及合規監控以及風險管理功能。

3. Auditors' Remuneration

During the Year, the fees paid to PricewaterhouseCoopers, the Group's external auditor for audit services of the Group and for non-audit related services, representing mainly taxation services, are set out in Note 7 on page 161 of this annual report.

E. COMMUNICATION WITH SHAREHOLDERS

1. The Company strives to convey to shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and address the shareholders concerned. Their views are communicated to the Board comprehensively.
2. The Company communicates with its shareholders through the publication of annual, interim reports, press announcements and releases. All communications to shareholders are also available on the Company's website at www.karrie.com.hk.
3. The AGM provides a useful platform for shareholders to exchange views with the Board. The chairman of the Board as well as the chairmen of the AC and RC, or in their absence, members of the relevant Board Committees are available to answer shareholders' questions.
4. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors.
5. Details of the voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders, which has been dispatched together with this Annual Report.

3 核數師酬金

於本財政年度，支付予本公司外聘核數師羅兵咸永道會計師事務所為本集團提供核數服務及非核數相關服務（主要為稅務服務）之金額詳情載錄在本年度第一百六十一頁之附註七內。

E. 與股東之溝通

1. 本公司致力向股東傳達明確、詳盡、適時及定期之相關資料，並考慮彼等之意見及建議以及處理股東關注之事宜。彼等之意見會整體向董事會傳達。
2. 本公司透過刊發年報、中期報告、報章公告及新聞發報與股東溝通。所有與股東之通訊亦載於本公司網站 www.karrie.com.hk。
3. 股東週年大會為股東與董事會提供有用之交換意見平台。董事會主席以及審核委員會及薪酬委員會之主席（如彼等缺席，則有關委員會成員）將出席回答股東之問題。
4. 每一個實質上無關連之個別事項（包括選舉個別董事），以獨立決議案提呈於股東大會上。
5. 投票表決程序及股東要求投票表決權力之詳情載於連同本年報寄發予股東之通函內。

F. INVESTOR RELATIONS

1. The Board recognized that effective communication with investors is the key to establish investor confidence and to attract new investors.

2. Quarterly results announcement

The Group has voluntarily adopted quarterly result announcement commencing from September 2003 onwards. This is part of the Group's effort to go beyond the Stock Exchange requirements and to make the Group's financial position as transparent as possible to shareholders, potential investors and the general public. Annual reports and interim reports are prepared and issued to all shareholders within the prescribed period stipulated by the Listing Rules. All press and results announcements and reports are posted on the Company's website.

3. Media and analysts briefings

Briefings for media are held on the same day immediately after the quarterly, interim and annual results released via teletext. Briefing for analysts by way of presentation at luncheons, receptions or telephone conferences are organized thereafter. During the briefing, the Group's management provides an in-depth analysis of the Group's performances in respect of the relevant periods and ensures that the financial performance and accounts of the Group are well understood. There is also ample opportunity for the analysts and media to ask questions and interact with the executive Directors and senior management.

F. 投資者關係

1. 董事會深知與投資者之有效溝通，乃建立投資者信心及吸引新投資者之關鍵。

2. 季度業績公佈

由二零零三年九月起，本集團主動採納季度業績公佈。此乃本集團超出聯交所規定，致力為股東、有意投資者及公眾提高本集團財政狀況透明度。本集團已於上市規則規定的期間內編製年度及中期報告，並刊發予全體股東。所有報章公告、業績公佈及報告均載於本公司網站。

3. 新聞界及分析員簡報會

新聞界簡報會緊隨季度、中期及全年業績發佈於大利市機後的當日舉行。分析員簡報會以午餐會、接待會或電話會議形式於其後進行。於簡報會上，本集團管理層會深入分析本集團於有關期間之業績表現，並確保與會人士充分理解本集團財務表現及帳目。本集團亦提供足夠機會予分析員及新聞界提問及與執行董事和高級管理層溝通。

4. Tea-Break with individual investors

Since the first quarter of 2004/05, the Group arranges tea gathering with individual investors within 1 month after each results announcement conference to build up an interactive and direct communication channel. This allows individual investors talking to the management of the Group. Meanwhile, the Group would give an update about the status of the Group's development and share of their feelings toward the Group.

5. The Group regularly releases corporate information such as awards received, and the latest news of the Group's developments on its Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response.

4. 與個人投資者茶敘

自二零零四／零五年度第一季起，本集團皆於業績公佈後一個月內舉行茶敘，以提供渠道予個人投資者，透過跟管理層直接會面和互動溝通，從而增加對集團之了解，本集團會提供有關集團最新發展的更新資料及分享他們對集團的感受。

5. 本集團定期於本公司網站公佈公司資料，例如其所獲得獎項及本集團發展之最新消息等。本集團歡迎公眾人士透過本公司網站提出意見及查詢，管理層將會迅速跟進。