

ANNUAL RESULTS

The Group's turnover for the year ended 31st August, 2003 was approximately HK\$5,546,447,000, representing an increase of 13.00% over last year. Profit for the year was approximately HK\$350,539,000, representing an increase of 29.18% over last year. The profit margin for the year improved from last year's 5.53% to 6.32%, representing an increase of 14.29%.

During the year under review, the results for the first half of the year was relatively more satisfactory, with an increase in turnover of 19.83% and an increase in profit of 89.50% over the corresponding period of last year. It was mainly due to the proactive and aggressive measures adopted by the Group during the past years which managed to lower costs and improve profit margin. However, the results for the second half of the year was less favourable than that of the first half of the year due to several negative factors, where turnover increased by 7.78% but the profit decreased by 8.78% over the corresponding period of last year.

During the second half of the year under review, the US economy remained sluggish as the Iraq war continued. Even the European markets failed to demonstrate any signs of recovery. As a result, the downward trend still dominated the product prices. At the same time, the war also caused an increase in fuel prices that affected the Group's production costs. During March to June 2003, the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong and a number of regions brought about significant changes to the business environment. Some buyers cancelled their business trips to Asia and did not participate in trade fairs of the region. They even shifted to purchase from other regions or postponed their orders. The Group minimised the effect of SARS on its business by utilising the overseas offices to maintain close communication with the buyers. During the same period, cotton price began to rise and led to an increase in selling prices of raw materials. Although the Group had adequate inventories at the beginning of the second half of the year under review, it still had to face the pressure brought about by the increase in prices of raw materials when replenishing the inventory later then, where increase in costs was recorded. During the outbreak of SARS, the PRC Government had adopted measures to control the flow of people to avoid the spread of SARS. As a result, there was delay in the completion of phase one of the plant and installation of machinery and facilities in Jiangyin, Jiangsu Province. The schedule of production and overall operation deployment of the Group were therefore affected. Sales and development plans failed to proceed as scheduled, thus affecting the growth of the Group.

全年業績

本集團截至二零零三年八月三十一日止年度之營業額約為5,546,447,000港元，與去年比較上升13.00%。而本年度盈利約為350,539,000港元，與去年比較上升29.18%。而本年度的盈利率亦由去年的5.53%改善至6.32%，增長14.29%。

在回顧年度內，上半年的業績比較理想，營業額與去年同期比較上升19.83%，盈利比去年同期增加89.50%。主因集團在過去數年採取多項積極進取的措施，令生產成本下降及改善邊際利潤。但與上半年比較，下半年業績因受數個不利因素所影響而較為遜色，營業額與去年同期比較上升7.78%，但盈利卻比去年同期下跌8.78%。

在回顧年度內的下半年，伊拉克戰事之持續令美國市道持續疲弱，而歐洲市場亦未見起色，產品售價因而仍處於下調軌道。同時，戰事亦令燃料價格上升，影響集團的生產成本。在二零零三年三月至六月期間，本港及多個地區爆發非典型肺炎疫症，導致營商環境產生極大變化。部份買家取消到亞洲洽商業務及參加展銷會，甚至轉往其它地區採購或延期落單。集團儘量通過海外辦事處與買家保持緊密聯繫，將疫症對營運的影響減至最低。在同一期間，棉花價格開始上揚而帶動原料售價上漲。雖然集團在回顧期內的下半年初期有充裕存貨，但在後期補充存貨時，仍需面對原料價格進一步向上的壓力，成本亦因而增加。此外，於非典型肺炎疫症爆發期間，中國政府曾採取控制人口流動的措施以避免疫症傳播，令致集團於江蘇省江陰市之第一期廠房及機器設施安裝需要延期完成。因而影響集團之生產編排及整體營運部署，亦對集團既定的銷售及發展計劃造成阻礙，影響增長的步伐。

BUSINESS REVIEW

Production and Sales of Dyed Fabrics, Sewing Threads and Yarns

Turnover from the production and sales of dyed fabrics, sewing threads and yarns for the year increased by 9.53% to approximately HK\$5,115,017,000, and accounted for 92.22% of the total turnover. Its operating results margin was 9.53% which was similar to that of last year.

During the year under review, satisfactory results was achieved by this segment because the Group adopted a number of proactive and aggressive measures, such as development of new products, improvement in productivity and energy utilisation. The effect was particularly obvious in the first half of the year. The originally planned strategy for business development during the second half of the year was changed because of the Iraq war and the outbreak of SARS. This, together with the increase in selling prices of raw materials, caused the Group to adopt a more prudent manner towards accepting orders. Pace of growth was therefore slowed down.

Production and Sales of Garments

Turnover from the production and sales of garments for the year increased by 81.01% to approximately HK\$431,430,000, and accounted for 7.78% of the total turnover. Its operating results became positive.

In order to expand the garment business and strengthen its production management, the Group acquired from Mr Ha Kam On, Victor, the son of Mr Ha Chung Fong, the Chairman of the Group, all of his companies and plants engaged in garment manufacturing business at HK\$12,000,000 in cash in December 2002. This investment enlarged the production capacity of the Group's garment business in the PRC, and further enhanced its competitiveness in the infant wear market. However, the outbreak of SARS caused overseas buyers to postpone their visits to the plants in the PRC, as well as the decline in the retail market in Asia. Thus, the results of this segment had not achieved a significant improvement.

業務回顧

製造及銷售色布、縫紉線及紗

本年度製造及銷售色布、縫紉線及紗的營業額增加9.53%，達到約5,115,017,000港元，佔營業額總值92.22%，其營運業績率為9.53%，與去年相約。

在回顧年度內因集團採取多項積極進取措施，包括開發新產品、加強生產力及改善能源運用等，令集團在此項業務取得良好的成果。上半年尤見其效，下半年則因伊拉克戰事及非典型肺炎疫症而改變了先前定下的營業發展策略。加上原料售價飆升，接單時採取了更謹慎的態度，故此亦減慢了增長的速度。

製造及銷售成衣

本年度製造及銷售成衣的營業額增加81.01%，達到約431,430,000港元，佔營業額總值7.78%。其營運業績則由虧轉盈。

集團為了擴充成衣業務及強化此業務的生產管理，在二零零二年十二月以現金12,000,000港元向集團主席夏松芳先生之兒子夏錦安先生全面購入其從事製衣業務的公司及廠房設備。此項投資除加強了集團在國內的成衣生產力，從而進一步提高集團在嬰兒服裝市場的競爭力。然而，非典型肺炎疫症的爆發導致海外買家延遲到國內廠房考察，亦令亞洲地區零售市場萎縮。因此，此項目之業績仍未有重大改善。

OUTLOOK

Lack of clear direction in the global economy, intense competition within the industry, together with the significant fluctuations in the prices of cotton and other raw materials resulted from unsteady supply, have brought about severe challenges to the textile industry.

The cotton price in the international market (including the PRC) showed a huge jump this year which brought about adverse effects to production costs in the textile industry. However, it has also accelerated the rate of further restructuring of textile enterprises in the PRC and their adjustment of selling prices, which will in turn create additional room for development for the Group in the PRC. At the same time, the Group has already started increasing the selling prices of products in order to reducing the effect of increase in material prices. In addition, in order to mitigate the impact on unsteady supply of raw materials, the Group has increased its production facilities of cotton yarn from 127,000 spindles to approximately 196,000 spindles.

In November 2003, the Department of Commerce of the United States announced a protection policy. According to such policy, import quotas will be imposed on three kinds of textile products (including knitted fabrics) produced in the PRC and directly exported to the United States, and the annual increase in import quotas shall not exceed 7.5%. This policy does not result in a material effect on the Group since the knitted fabrics directly exported to the United States by the Group has been less than 0.2%.

The construction work of phase one of the knitting and dyeing mill under Jiangyin Fuhui Textiles Limited, a subsidiary of the Group, in Jiangyin, Jiangsu Province was completed and commenced operation. Preparation for the construction work of phase two had commenced. It is expected that the output will gradually increase and will create a synergy effect between production facilities in Southern and Eastern China. This will also improve the production capacity and shorten the production cycle, thus enhancing the competitiveness of the Group as a whole.

The Group is cautiously optimistic towards future business outlook. Efforts will be continuously devoted to the development of new products. The overseas sales network will be strengthened so as to explore new markets. Production capacity and efficiency will also be enhanced through the application of new production equipment and techniques.

展望

當前全球經濟前景並不明朗，同行競爭激烈，加上原料供應不穩定令棉花及其它原料價格大幅波動，均為紡織業帶來嚴峻的挑戰。

今年國際棉花價格(包括中國)大幅攀升，對紡織業生產成本帶來負面影響。但這亦加快了中國紡織企業進行新一輪整合的速度及將售價調整，將有助增加集團日後在國內市場發展的空間。同時，集團亦已開始提高產品售價以減低原料價格上升帶來的影響。此外，集團為減輕原料供應不穩定之衝擊，已將自產棉紗的生產設備由127,000錠子增加至約196,000錠子。

美國商務部在二零零三年十一月份宣佈向中國生產及直接出口往美國的三類紡織品(包括針織布)實施進口配額限制，及每年進口配額增長不能高於7.5%的保護政策。由於集團直接出口往美國的針織布少於0.2%，此政策對集團並沒有構成重大影響。

集團子公司江陰福匯紡織有限公司在江蘇省江陰市發展之織染廠第一期工程已完成並投入生產，集團亦已籌備展開第二期工程。預期產量會逐步提升並發揮華南及華東廠房互相協調效應，增強生產力及縮短生產週期，令集團整體競爭力提高。

集團對業務發展前景保持審慎樂觀，將繼續致力開發新產品，增強海外銷售網絡以開拓新市場，並透過應用新生產設備及技術以提升生產力和生產效率。

FINANCIAL REVIEW

Liquidity and Financial Information

At 31st August, 2003, the Group's total assets amounted to approximately HK\$5,447,433,000, representing an increase of HK\$926,594,000 over last year. The shareholders' funds and minority interests totalled approximately HK\$2,800,196,000.

The operation of the Group is sound and the turnover period for trade receivables was reduced from 64 days of last year to 58 days. With the relatively low borrowing interest rate, the Group has been purchasing raw materials relatively earlier to mitigate the risk of increasing prices, in anticipation of the continuous increase in the prices of raw materials. Moreover, it was necessary to stock additional raw materials for the commencement of production in the new factory in Jiangyin. Therefore, the Group's inventory at 31st August, 2003 increased by approximately HK\$415,127,000 over last year. The management will continue to closely monitor the fluctuation in the pricing of raw materials and revise its inventory policy.

During the year under review, the Group rearranged and entered into three unsecured loan agreements with two principal bankers at an aggregate amount of HK\$450 million for a term of five years so as to reduce the interest rate and increase the amount of working capital for the Group.

At 31st August, 2003, the total amount of short-term bank deposits, bank balances and cash of the Group was approximately HK\$473,295,000, representing an increase of HK\$66,700,000 over last year. At 31st August, 2003, the principal financial ratios (after inclusion of proposed final dividend) were as follows:

Gearing ratio	資本負債比率
Bank borrowings ratio	銀行借貸比率
Net bank borrowings ratio	銀行借貸淨值比率

財務回顧

流動資金及財務資料

於二零零三年八月三十一日，本集團資產總值約為5,447,433,000港元，比去年增加926,594,000港元。而股東基金及少數股東權益合計約為2,800,196,000港元。

集團之營運情況良好，應收賬的週轉期由去年的64天縮短至58天。由於預期原料價格仍然反覆上漲，在借貸利率偏低的情況下，集團已提早購買原料以減低成本上揚之風險。加上需要為江陰新廠投產而儲備額外原料，集團於二零零三年八月三十一日之存貨比去年上升約415,127,000港元。管理層將繼續密切留意原料價格之波幅及修改存貨政策。

於回顧年度內，集團與兩間主要銀行重新安排及簽署三項五年期合共四億五千萬港元之無抵押貸款協議，以減低息率及增大集團的流動資金。

於二零零三年八月三十一日，本集團之短期銀行存款、銀行結存及現金總值約為473,295,000港元，較去年增加約66,700,000港元。而於二零零三年八月三十一日，主要財務比率(已包括擬付之末期股息在內)如下：

At 31st August, 2003	At 31st August, 2002
於二零零三年 八月三十一日	於二零零二年 八月三十一日
1.17	0.95
0.66	0.48
0.48	0.31

The sales of the Group are mainly denominated in Hong Kong dollars and US dollars and the purchase of raw materials is mainly made in Hong Kong dollars, US dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars and US dollars and interests are charged on a floating rate basis. Hence, the Group's exposure to foreign exchange risk is immaterial.

Capital Expenditure

For the year ended 31st August, 2003, the Group invested approximately HK\$493,420,000 (2002: HK\$269,968,000) in the addition of property, plant and equipment of which the investment in property, plant and equipment of Jiangyin Fuhui Textiles Limited was approximately HK\$250 million. The Group expects that the capital expenditure for the next financial year will be approximately HK\$400 million.

Contingent Liabilities

At 31st August, 2003, the Group had contingent liabilities amounting to approximately HK\$58,506,000 (2002: HK\$79,139,000) in respect of discounted bills with recourse and invoices factored with recourse.

EMPLOYEES AND EMOLUMENT POLICIES

At 31st August, 2003, the Group had approximately 20,000 full time employees. The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in the various regions, and will be reviewed regularly. Subject to the Group's profitability, the Group may also provide discretionary bonus to its employees as an incentive for their contribution to the Group.

The Group has established a share option scheme for its employees, and also provides regular training courses and subsidies for continuing education so as to improve the skills of its employees with respect to production, selling and management. During the year under review, the Group recruited approximately 260 post-secondary and university graduates in Hong Kong, the PRC and overseas to join various divisions.

本集團之銷售以港元及美元為主，原料採購則以港元、美元及人民幣為主。銀行借貸亦以港元及美元為單位，利息主要以浮動利率計算，故集團所承受之外匯風險並不重大。

資本開支

截至二零零三年八月三十一日止年度，本集團投資約493,420,000港元(二零零二年度：269,968,000港元)以增添物業、機器及設備。其中在江陰福匯紡織有限公司之物業、機器及設備投資數約為二億五千萬港元。集團估計下一個財政年度的資本開支約為四億港元。

或然負債

於二零零三年八月三十一日，本集團有關附追索權之出口貼現票據及附追索權之發票讓售之或然負債約為58,506,000港元(二零零二年度：79,139,000港元)。

僱員及酬金政策

本集團於二零零三年八月三十一日之全職僱員人數約為20,000人。集團的僱員酬金政策是根據僱員工作表現及各地區薪酬趨勢而定期作出檢討。集團亦會因應集團之盈利情況，酌情分發花紅予僱員以鼓勵他們對集團之貢獻。

本集團設有一項僱員認股權計劃，亦為僱員提供在職培訓課程及資助進修計劃，以提高僱員之生產、銷售及管理技能。在回顧期內，集團在香港、國內及海外招聘約260名大專／大學畢業生加入不同部門工作。

DIVIDENDS

The Board recommends the payment of a final dividend of HK10.0 cents per share for the year ended 31st August, 2003 payable to shareholders whose names appear on the register of the members on 5th February, 2004. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the total annual dividend for the year will be HK22.0 cents, representing an increase of 29.41% over last year.

ACKNOWLEDGEMENT

Finally, on behalf of the Board of Directors, I would like to express my sincerest gratitude to the incessant efforts made by our staff and to all the associates who have always been supporting the Group.

On behalf of the Board

HA Chung Fong
Chairman

Hong Kong
18th December, 2003

股息

董事會建議派發截至二零零三年八月三十一日止年度末期股息每股10.0港仙予於二零零四年二月五日名列股東名冊內之股東，倘此建議獲即將舉行之股東週年大會通過，全年股息合共22.0港仙。與去年比較上升29.41%。

致謝

最後，本人謹代表董事會對努力不懈的僱員及一直支持本集團的友好人士致以衷心謝意。

代董事會

主席
夏松芳

香港
二零零三年十二月十八日