

CHAIRMAN'S STATEMENT | 主席報告

Final Results

The Group's turnover for the year ended 31st August, 2004 was approximately HK\$6,773,986,000, representing an increase of 22.13% over last year. Profit for the year was approximately HK\$180,139,000, representing a decrease of 47.62% over last year.

During the year under review, the profit margin of the Group fell considerably, mainly caused by the increase in cost of sales by 34.49% over that of last year. The Group has exercised prudence in the control of other costs, reducing the distribution and administrative expenses from 17.94% of turnover in the last year to 15.38% of turnover for the year. However, this only compensated part of the increase in the cost of sales.

Since the third quarter of 2003, there has been shortage in the supply of cotton. The supply of premium quality cotton and cotton yarn was particularly inadequate, resulting in upsurge of raw material prices. During the period, the Group aggressively pursued increase in selling prices from customers, but it was still unable to completely offset the extent of increase in cotton yarn prices. Thus, the profit margin for the first half of the financial year was affected. In order to reduce the risk in the shortage of premium quality raw materials, as well as to satisfy the demand from production during the peak season in the second half of the financial year, the Group had to keep a considerably high level of inventory even during the period of high raw material prices to ensure smooth production. Nevertheless, the international cotton prices plummeted continuously in the mid-2004, and the cotton price in the PRC also plunged due to the PRC's macro-economic austerity measures, thus creating pressure on the selling price of products. As a result, the Group's higher level of expensive raw material inventory imposed significant negative impact on the profit for the second half of the financial year. The Group's overall planning and sales strategies were also affected. At the same time, other production cost and operation expenses were driven up by the upsurge of oil and coal prices, reducing profit to a further extent.

全年業績

本集團截至二零零四年八月三十一日止年度之營業額約為6,773,986,000港元，與去年比較上升22.13%。本年度盈利約為180,139,000港元，與去年比較下跌47.62%。

在回顧年度內，集團的邊際利潤明顯減少，主要是銷售成本比去年增加34.49%所致。集團已審慎控制其他費用，將銷售及行政費用由去年佔營業額的17.94%減至今年佔營業額的15.38%，可是只能彌補部份上升的銷售成本。

自二零零三年第三季起，棉花供應短缺，優質棉花及棉紗的供應尤其不足，令原料價格大幅攀升。其間，集團已儘量向客戶爭取將售價調高，但仍不足以完全抵銷棉紗價格上升的幅度，因而影響財政年度上半年的邊際利潤。為了減低優質原料短缺的風險及應付財政年度下半年的生產高峰期，集團唯有在原料價格高企的時候相應儲存較多的原料，以保持生產暢順。可是，在二零零四年中，國際棉花價格突然持續急降，而中國棉花價格亦在國內宏觀調控影響下急挫，令產品售價受壓。因此，集團較多的高價原料存貨對財政年度下半年的盈利帶來了重大的沖擊，亦影響集團的整體部署及銷售策略。同時，油價及煤價急升，令集團的其他生產成本及營運費用增加，使利潤進一步下調。



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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 22.37% to approximately HK\$6,259,243,000, and accounted for 92.40% of the total turnover. Its operating results margin was only 4.92%.

During the year under review, growth in turnover of this segment was mainly attributable to operation commencement of the phase one of the production facilities in Jiangyin, Jiangsu Province, the PRC. Moreover, the sharp rise in the prices of raw materials, such as cotton and cotton yarn, also led to the upward adjustment in the selling prices.

Production and Sales of Garments

Turnover from the production and sales of garments for the year increased by 19.31% to approximately HK\$514,743,000, and accounted for 7.60% of the total turnover. This segment recorded losses because the market selling prices of the garments were not adjusted correspondingly with respect to the increase in raw material prices.

Analysis by Customer Geographical Regions

During the year under review, there is no material change to the Group's turnover by customer geographical regions. The Group's major customers were still located in Asia, and the related turnover accounted for approximately 81.56% of the Group's total turnover. The balance of 18.44% were from customers located in Europe and America.

With respect to operating results contribution, except that there is a minimal rise in profit margin of sales to customers located in the PRC, the profit margin of sales to customers located in other regions dropped. The profit margin of sales to customers located in America also witnessed a turnover to losses due to deficit arising from the garment segment.

製造及銷售成衣、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22.37%，達到約6,259,243,000港元，佔營業額總值的92.40%。其營運業績率只有4.92%。

在回顧年度內，此項業務的營業額增長主要來自在中國江蘇省江陰市第一期生產設施的投產，以及棉花和棉紗等原料價格的大幅飆升而把售價調升所致。

製造及銷售成衣

本年度製造及銷售成衣的營業額增加19.31%，達到約514,743,000港元，佔營業額總值的7.60%。由於原料價格上升，但成衣的市場價格未有作出相應調整，故此項業務錄得虧損。

按客戶所屬地域分析

在回顧年度內，集團之營業額如按客戶所屬地域分類並無太大變化，集團之主要客戶仍然位於亞洲，其營業額佔集團營業額總值約81.56%，而餘下的18.44%則來自位於歐洲及美洲的客戶。

在營運業績貢獻方面，除銷往中國地區客戶的邊際利潤輕微上升外，銷往其他地區客戶的邊際利潤皆下跌，而銷往美洲客戶的邊際利潤更因成衣業務的虧損而由盈轉虧。



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Outlook

With the prevailing low bank interest rate in Hong Kong, investment sentiment is boosted. However, the continuous increase in output of the industry may cause oversupply in the market, which in turn will result in intensive competition within the industry. At the same time, the interest rate in the United States is entering a rising cycle. This will probably cause economic recovery to slow down, thus affecting consumer spending. As a result, the coming year will be full of challenges and temporary uncertainties.

On 1st January, 2005, the import quota on textile products between members of the World Trade Organisation will be abolished. As a result, buyers in Europe and America have been planning to increase their proportion of garment sourcing from the Asian regions. However, in accordance with the terms of the World Trade Organisation, the exports from the PRC may still be restricted under the "anti-surge" or "anti-dumping" policies. The uncertainties in outlook of the garment exports from the PRC, with one of the highest productivity in textile products throughout the world, can affect the overall Asian production market of textile products. Some of the customers may postpone placement of orders, putting additional pressure on production and logistics management. Some customers may also delay their plans to increase procurement of garments from the Asian regions, curbing the growth of order volume in the short term. Moreover, the PRC government's recent announcement regarding plans to impose additional tax on export of textile products in 2005 will further affect the competitiveness of the PRC production.

A new season of cotton supply has arrived in the market in October 2004. Global production of cotton increased by over 20% from that of last year, which led to a further drop in the cotton prices, thus creating pressure to cut prices of cotton textile products. Although the international oil price fell from its record high level, it still retains a significant increase from that of last year, pushing up the prices of petroleum by-products such as chemicals and synthetic fiber. Furthermore, there is inflation in the PRC as well as the anticipation of Renminbi appreciation. All these factors raise concerns for the production costs and expenses for the next year.

展望

目前香港銀行利率處於低位，有助增強投資意慾，但業內產量持續增加，可能引致市場出現供過於求的情況，令同業間進入競爭激烈之營商環境。同時，美國進入加息週期，或令經濟復甦步伐減慢，影響消費意慾。故此，來年將會是充滿挑戰及短暫不明朗的一年。

在二零零五年一月一日，世界貿易組織成員國之間將會取消紡織品配額，因此歐美買家現已紛紛計劃增加在亞洲地區的成衣採購比例。但在世界貿易組織的條款下，中國仍然有機會受到「反激增」或「反傾銷」等措施的實行而令出口受到限制。中國作為全球紡織品生產力最強的國家之一，其成衣出口前景的不明朗足以影響整個亞洲地區的紡織品生產市場。部份客戶可能因此延遲落單，對生產及物流管理造成新的壓力。部份客戶可能將亞洲地區的新增成衣採購計劃延期，令短期內的訂單量增長受到限制。此外，中國政府剛宣佈有關於二零零五年加徵紡織品出口關稅的計劃，將會進一步影響國內生產的競爭力。

新季度棉花在二零零四年十月上市，全球的棉產量比去年增加超過20%，令棉花價格進一步下降，為棉紡織品帶來減價的壓力。國際油價雖然已從高位回落，但比去年仍維持不少升幅，亦令化工原料及人造纖維等石油副產物價格提升，加上國內存在通貨膨脹及人民幣升值的壓力，均為來年的生產成本及費用增添隱憂。



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Nevertheless, in the long run, the abolition of the quota system on textile products as well as the development of the PRC retail market on textile products can bring unparalleled business opportunities for development of the PRC textile industry. As such, the Group will continue to proactively develop production facilities in Jiangyin, Jiangsu Province, the PRC to enhance production capacity and efficiency, in preparation for effectively capturing business opportunities at the right time.

Looking forward, the Group will continue to upgrade its operating efficiency and standard of corporate governance in order to enhance competitiveness and strengthen the Group's position in the market.

Financial Review

Liquidity and Financial Information

At 31st August, 2004, the Group's total assets amounted to approximately HK\$6,093,629,000, representing an increase of approximately HK\$632,986,000 over last year. Total assets included non-current assets of approximately HK\$2,389,669,000 and current assets of approximately HK\$3,703,960,000. The above assets were financed by current liabilities of approximately HK\$1,435,503,000, non-current liabilities of approximately HK\$1,777,503,000, minority interests of approximately HK\$193,634,000 and shareholders' funds of approximately HK\$2,686,989,000.

The Group met its funding requirements in its usual course of operation by cash flows from operations, as well as long-term and short-term borrowings. The capital expenditure was mainly financed by long-term borrowings. During the year under review, total bank borrowings increased by approximately HK\$603,210,000.

At 31st August, 2004, the Group's inventory amounts increased by approximately HK\$381,316,000 as compared with that of last year, which was mainly attributable to the needs to increase inventory level upon the facilities in Jiangyin, Jiangsu Province, the PRC commenced operation and the increase of yarn output. The Group's inventory turnover period decreased from the peak of 163 days in February 2004 to 97 days.

但長遠而言，紡織品配額制度的取消及中國零售市場的發展將會為中國紡織業發展帶來前所未有的商機。因此，集團將繼續積極在中國江蘇省江陰市發展生產設施，提升產能及效率，準備在適當時刻捕捉商機。

面對未來的發展，本集團將不斷提升營運效率及企業管治質素，以加強競爭力及鞏固集團在市場的地位。

財務回顧

流動資金及財務資料

於二零零四年八月三十一日，本集團資產總值約為6,093,629,000港元，比去年增加約632,986,000港元。資產總值包括非流動資產約2,389,669,000港元及流動資產約3,703,960,000港元。上述資產由流動負債約1,435,503,000港元、非流動負債約1,777,503,000港元、少數股東權益約193,634,000港元及股東基金約2,686,989,000港元提供融資。

本集團以營運所得現金流量及銀行的長短期貸款應付日常資金需要，而資本開支則主要由長期貸款撥付。於回顧年度內，銀行借貸總值增加約603,210,000港元。

於二零零四年八月三十一日，本集團存貨金額比去年增加了約381,316,000港元。主要是中國江蘇省江陰市生產設施投產及加大紡紗產量而需儲備的存貨。集團的存貨流轉期由二零零四年二月高峰期的163天下降至97天。



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At 31st August, 2004, the total amount of short-term bank deposits, bank balances and cash of the Group was approximately HK\$307,692,000, and the principal financial ratios (after inclusion of proposed final dividend) were as follows:

於二零零四年八月三十一日，本集團的短期銀行存款、銀行結存及現金總值約為307,692,000港元，及主要的財務比率（包括擬付之末期股息在內）如下：

		At 31st August, 2004 於二零零四年 八月三十一日	At 31st August, 2003 於二零零三年 八月三十一日
Gearing ratio	資本負債比率	1.34	1.20
Bank borrowings ratio	銀行借貸比率	0.87	0.67
Net bank borrowings ratio	銀行借貸淨值比率	0.75	0.48

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 mainly charged on a floating rate basis. Hence, the Group's exposure to foreign exchange is immaterial. If necessary, the Group will enter into appropriate hedging arrangements in accordance with the conditions of the capital market.

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。如有需要，集團亦會因應資本市場之情況而作出合適的對沖安排。

Capital Expenditure

For the year ended 31st August, 2004, the Group invested approximately HK\$358,083,000 (2003: HK\$493,420,000) in the addition of property, plant and equipment, of which the investment amount in property, plant and equipment of Jiangyin, Jiangsu Province, the PRC was approximately HK\$170 million. The Group expects that capital expenditure for the next financial year will be approximately HK\$450 million, of which about HK\$300 million will be invested in the development of phase two of production facilities and steam and power co-generation facilities in Jiangyin, Jiangsu Province, the PRC.

資本開支

截至二零零四年八月三十一日止年度，本集團已投資約358,083,000港元（二零零三年度：493,420,000港元）以增添物業、機器及設備。其中在中國江蘇省江陰市之物業、機器及設備投資金額約為一億七千萬港元。集團預期下一個財政年度的資本開支約為四億五千萬港元，其中約三億港元將投資在中國江蘇省江陰市以發展第二期生產設施及熱電聯產設備。

Contingent Liabilities

At 31st August, 2004, the Group had contingent liabilities amounting to approximately HK\$63,456,000 (2003: HK\$58,506,000) in respect of discounted bills with recourse and invoices factored with recourse.

或然負債

於二零零四年八月三十一日，本集團有關附追索權之貼現票據及附追索權之發票讓售之或然負債約為63,456,000港元（二零零三年度：58,506,000港元）。



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Employees and Emolument Policies

At 31st August, 2004, the Group had approximately 22,000 full time employees, increased by approximately 2,000 over last year. 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 distribute 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 over 200 post-secondary and university graduates in Hong Kong, the PRC and overseas to join various divisions.

Dividends

The Board has recommended the payment of a final dividend of HK7.5 cents per share for the year ended 31st August, 2004 payable to shareholders whose names appear on the register of the members on 26th January, 2005. Subject to approval of the shareholders at the forthcoming annual general meeting, the total dividend for the year will be HK11.0 cents per share.

Acknowledgement

Mr. POW Man Kue retired and resigned from being a Director of the Group on 1st September, 2004. The Group would like to express the deepest gratitude towards the contribution and effort made by Mr. POW Man Kue during his term of office. We would also like to express our appreciation to the support from all the associates and our staff for the past 35 years.

On behalf of the Board

HA Chung Fong

Chairman

Hong Kong

16th December, 2004

僱員及酬金政策

本集團於二零零四年八月三十一日之全職僱員人數約為22,000人，比去年增加約2,000人。集團的僱員酬金政策是根據個別僱員的工作表現及各地區薪酬趨勢而定期作出檢討。本集團亦會因應集團之盈利情況，酌情發放花紅予僱員以鼓勵他們對集團之貢獻。

本集團為僱員設有一項認股權計劃，亦會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。在回顧年度內，集團在香港、中國及海外共招聘超過200名大專／大學畢業生加入不同部門工作。

股息

董事會已建議派發截至二零零四年八月三十一日止年度末期股息每股7.5港仙予於二零零五年一月二十六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，全年股息合共為每股11.0港仙。

致謝

鮑文巨先生已於二零零四年九月一日因退休而辭任本集團董事。本集團藉此機會就鮑文巨先生在任期間對集團所作出的貢獻及建樹，深表謝意，並多謝各方友好及僱員三十五年來對本集團的支持。

代董事會

主席

夏松芳

香港

二零零四年十二月十六日

