

CHAIRMAN'S STATEMENT • 主席報告

Fellow shareholders

On behalf of the Board, I would like to report to shareholders the results of the Group for the year ended 31st August, 2005. The turnover was approximately HK\$6,636,298,000, a decrease of 2.03% over last year. Profit amounted to approximately HK\$162,437,000, a decrease of 9.83% over last year. Nevertheless, the profitability of the Group in the last six months of the year has shown improvements over the two preceding half years.

DIVIDEND POLICY

The Group's dividend payout policy is to maintain a long-term, stable dividend payout ratio, providing shareholders with an equitable return. The Board has recommended the payment of a final dividend of HK7.0 cents per share for the year ended 31st August, 2005 payable to shareholders whose names appear on the register of members on 23rd January, 2006. Subject to approval of the shareholders at the forthcoming annual general meeting, the total dividend for the year will be HK10.0 cents per share, which represents a 48.88% payout of the profit for the year.

BUSINESS OUTLOOK

Despite record high oil prices and concerns for outbreak of avian influenza, the major economies in the World continue to show signs of stability, with the PRC expecting to continue its uninterrupted growth pattern. At the same time, the PRC will inevitably remain one of the most important sourcing hubs in the World even though the export growth rate is being restricted by the WTO and other bilateral trade agreements. On the other hand, with the fast-paced growth in the local economy, it is also clear that the PRC will eventually transform into one of the World's major consumer markets in the long run. Therefore, the Group remains committed to the textile supply-chain and is determined to striving growth through expansion in the near future.

The Group has identified two key opportunities for driving future growth over the next few years. Firstly, volume increase in demand for PRC made knitted fabrics is anticipated from existing and new clients in the US and the EU as they relocate more sourcing of textile products to Asia from other regions. Secondly, the Group will strategically target new clients in the PRC as the local consumer preference shift towards better product quality and innovations.

致各股東

本人謹代表董事會向各股東匯報本集團截至二零零五年八月三十一日止年度之業績。營業額約為6,636,298,000港元，與去年比較下跌2.03%。盈利約為162,437,000港元，與去年比較下跌9.83%。然而，集團在下半年的六個月之盈利情況已較過去兩個半年有所改善。

股息政策

集團之股息派發政策乃保持長期及穩定的股息派發率，為股東提供合理回報。董事會已建議派發截至二零零五年八月三十一日止年度末期股息每股7.0港仙予於二零零六年一月二十三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10.0港仙，本年度派發比率為48.88%。

業務展望

雖然原油價格創新高及憂慮禽流感爆發，全球主要經濟體系繼續顯示出穩定的徵象，預期中國能保持不斷增長的往績。同時，縱使中國的出口增長率受制於世界貿易組織及其他雙邊貿易協定，但毫無疑問地，中國乃全球其中一個最重要的採購樞紐。此外，隨著本土經濟的高速發展，中國長遠來說勢必轉型成為全球主要消費者市場之一。故此，集團繼續對紡織供應鏈企業作出承擔，並會通過未來發展以達致持續增長。

集團已確立兩個推動未來數年業務增長的重要機會。第一，位於美國及歐盟的現有及新客戶預期會從其他地區轉往亞洲進行紡織品採購，將會增加對中國製造針織面料的需求量；第二，因應中國本土消費者轉向選擇較優質及創新的產品，集團將策略性地以此等國內新客戶為銷售目標。

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The latest Sino-US and the Sino-EU agreements on the trade of textile products offer steady and definite growth opportunity for export of Chinese textile products and will allow our clients, partners and vendors along the supply chain to map out more definite business and operating strategies and expansion plans for the next two to three years. This is expected to provide more clarity and certainty on the Group's market condition and prospect for business development, especially starting from 2006.

In order to prepare the Group for future opportunities in the PRC domestic and export oriented market and to further strengthen the Group's network in the textile and apparel industry in the PRC, more proactive marketing approaches and collaborations with Chinese textile industry organisations will be employed. The Group co-supported and presented our product innovations at the eleventh's "2005 National Conference on Textiles Development" in October 2005 which was co-organised by China National Textile and Apparel Council, China Textile Development Center and China Textile Information Center. Widely attended by the leading local garment and textile companies the conference is one of the most important annual events for the industry in the PRC. In the same month, the Group adopted a high-profiled approach by launching its first-ever integrated knitted fabric brand name, "fabric by Fountain Set™". This effort aims to create a distinctive competitive advantage by highlighting our product attributes to enhance customer recognition and to differentiate the Group's products from those of the competitors. The Group intends to continue building customer recognition and market share in the PRC with an aim of developing long-term growth opportunity for the future.

The second phase of the Group's textile mill in Jiangyin, Jiangsu province, the PRC has started production since May 2005 and its production has been progressively expanding as planned. With more significant production capacity to be added in the near future, it is projected that the Group's overall production efficiency will benefit from economies of scale as well as the more streamlined design of new production lines to further strengthen the Group's position as the World's leading knitted fabric supplier. In addition, the new electricity and steam co-generation facilities in Jiangyin will provide the Group with higher energy reliability and efficiency, thus enhancing the Group's competitiveness in the global market.

最新的中美及中歐紡織品貿易協議為中國紡織品的出口帶來穩定及明確的增長機會，並讓我們在供應鏈上的客戶、伙伴及供應商能較明確地勾劃出未來兩至三年的業務和營運策略及擴充計劃，預期能令集團特別是自二零零六年起所面對的市場環境及業務發展前景更明朗及確實。

為配合中國本地及出口市場的未來機遇作好準備及進一步強化集團在中國紡織服裝行業的網絡，集團將採納更積極的市場推廣計劃並與中國紡織行業組織緊密合作。集團於二零零五年十月聯合支持由中國紡織工業協會、中國紡織產品開發中心及中國紡織信息中心合辦的第十一屆「2005 全國紡織產品開發工作會議」，並全面展示了我們的創新產品。是項會議是中國行業中最具影響力的年度活動之一，吸引了國內眾多成衣及紡織領導企業的廣泛參與。在同一個月，集團更採取立場明確的推廣策略，正式向外發佈其首個綜合針織面料品牌——紡特適™ 面料，突顯我們產品的特性以提升客戶的認知度，並區分集團與競爭對手產品之分別，從而創建獨特的競爭優勢。集團將繼續於中國建立客戶認知度和市場份額，並以開拓長線增長機會為未來目標。

集團位於中國江蘇省江陰市的紡織廠房的第二期設施已於二零零五年五月開始投產，並將按計劃逐步擴充生產。隨著生產量在不久將來的顯著增加，預期集團整體生產效能將受惠於規模效益及更精簡的新生產線設計，從而加強集團作為世界上領先針織布供應商的地位。再者，位於江陰的新熱電聯產設備將為集團帶來更高的能源穩定性及效率，因此提升集團在環球市場的競爭力。

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The Group acquired all the minority interests in the sewing thread business in July 2005, with the intention to leverage the Group's strength and reputation in expanding this business. This consolidation in ownership will allow the Group to fully integrate the sewing thread business with the core operations of knitted fabric sales and production to achieve more significant synergistic effect. Through the outstanding relationships with a vast number of reputable international brands, retailers and garment manufacturers, the Group is confident in becoming one of the leading sewing thread suppliers in the industry.

Pursuant to several sale and purchase agreements entered into recently, the Group will complete within the year ending 31st August 2006 the disposal of several industrial properties located in Hong Kong, recently utilised as storage and rental purposes by the subsidiaries of the Group, at a total consideration of approximately HK\$500 million. These transactions will enable the Group to reallocate a substantial amount of its investments in Hong Kong industrial properties to the principal businesses. Since these properties are not currently subject to any mortgage arrangements, it is anticipated that the Group's gearing ratio will be reduced by using part of the proceeds for repayment of bank borrowings, thus providing the Group with a more solid foundation for future growth.

The slight revaluation of Renminbi in July 2005 created a minor but direct and immediate impact on the related costs such as wages, local transportation, as well as other local expenses for corporations operating in the PRC, including some of the Group's subsidiaries. Further impact from this factor on the Industry and the Group will depend on the timing and magnitude to possible revaluation in the near future.

In addition, the Group will continue to develop the necessary infrastructure and human resources for supporting future growth. Particular emphasis will be put on further enhancing functions including management information systems, cost and performance management, risk management and corporate governance. Based on the current assessment, the Group maintains a somewhat optimistic view on the Group's performance for the next financial year.

集團於二零零五年七月收購縫紉線業務少數股東的全數權益，希望透過運用集團之實力及聲譽來擴充此業務。是次股權的集中將讓集團充份把縫紉線業務與主業的針織布銷售及生產結合起來以達到更顯著的協同效益。通過集團與眾多著名國際品牌、零售商及製衣廠的良好關係，集團有信心成為行業中領先縫紉線供應商之一。

根據近期訂立的數份買賣協議，集團將於截至二零零六年八月三十一日止年度內完成出售多個位於香港的工業樓宇，代價總值約為五億港元。該等工業樓宇近期用作本集團附屬公司貯物及出租用途。此等交易可讓集團將於香港工業樓宇之大額投資調回主要業務上。由於該等物業現時並沒有任何按揭安排，預期集團之資本負債比率將因部份收入用作償還銀行貸款而下調，從而令集團擁有更鞏固的基礎以發展未來。

人民幣於二零零五年七月的輕微升值令在中國營運的企業包括集團部份附屬公司的相關成本，如薪酬、本地交通運輸、以及其他本土費用，帶來輕微但直接及即時的影响。此因素對行業及集團帶來的進一步影響，將取決於未來可能出現升值的時間表和幅度。

此外，集團將會繼續發展必需的基礎設施及人力資源以支持日後的增長，並會特別著重加強管理資訊系統、成本和績效管理、風險管理及企業管治等功能。按現狀估計，本集團對下一財政年度的集團表現維持稍為樂觀的展望。

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AWARDS

I am proud of the recognition in export marketing achievements that the Group has received in the year under review. The Group was awarded the "Hong Kong Awards for Industry - export marketing grand award" in November 2004. This is the first time that the Group participated in the well-known Hong Kong Awards for Industry and it was our great honor to receive the grand award. In August 2005, one of the Group's subsidiaries, Dongguan Fuan Textiles Limited, was awarded "No. 1 turnover in knitted fabric industry in China in 2004 - 2005". The Group will strive to continue its leadership position in the global knitted fabric industry.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank our shareholders, customers and suppliers as well as industry associates for their continuing support, and to express my sincere appreciation for the unrelenting efforts and loyalty of my fellow directors, the management team and all staff members throughout the past financial year.

On behalf of the Board

HA Chung Fong
Chairman

Hong Kong
15th December, 2005

獎項

本人對集團在回顧年度內在出口市場推廣方面所獲得的成就感到光榮。集團於二零零四年十一月榮獲「香港工業獎——出口市場推廣大獎」，這是集團首次參與是項著名的香港工業獎，並有幸能榮獲大獎。於二零零五年八月，集團其中一間附屬公司——東莞福安紡織印染有限公司榮獲「二零零四至二零零五年中國針織行業銷售收入第一名」。集團將繼續致力保持在全球針織面料行業中的領導地位。

鳴謝

本人謹藉此機會感謝股東、客戶、供應商及業界友好的長期支持，並謹對各位董事、管理層及僱員在過去一個財政年度的不斷努力及忠誠，致以真誠感激。

代董事會

主席
夏松芳

香港
二零零五年十二月十五日