

BUSINESS REVIEW

The Group's turnover for the year ended 31st August, 2001 was HK\$4,495.2 million, representing an increase of 7.96% as compared with that of the previous year. Knitting, dyeing, printing and sales of dyed fabrics, sewing threads and dyed yarns increased by 10.99% and accounted for 93.29% of the total turnover. Sales of garments decreased by 4.22% and accounted for 5.91% of the total turnover. Trading of yarns substantially decreased by 66.69% and only accounted for 0.80% of the total turnover. The Group's profit for the year was HK\$201.4 million, representing an increase of 7.77% as compared with that of the previous year.

The Group is principally engaged in the knitting, dyeing, printing and sales of dyed fabrics, sewing threads and dyed yarns. The Group is one of the largest manufacturers of cotton knitted fabrics in the world. The products of the Group are mainly supplied to garment manufacturers headquartered in Hong Kong and around the world. These garment manufacturers in turn produce apparel products for the most renowned brands in the world with major markets being the US, Europe and Japan.

During the year under review, there was a decrease in the demand for the products due to weakness in the US economy. This in turn resulted in the decrease in prices of the products and the profit margin was significantly reduced accordingly. Fortunately, material costs also decreased as a result of weaker demand. Energy expenses were under control as the oil price fell to a more comfortable level. These factors have mitigated certain pressure on the reduction in profit margin. In addition, the Group has reduced production lead time through improvements in production capability; and the Group's sales departments adopted a more aggressive sales strategy and flexible pricing scheme and actively developed new overseas markets. Despite the sluggish US economy, fall in selling prices and the more prudent manner in customers' placement of orders, the turnover of the Group's knitting, dyeing, printing and sales of dyed fabrics, sewing threads and dyed yarns business recorded a double-digit growth during the year under review. However, the respective operating profit still decreased by 19.69%.

業務回顧

本集團截至二零零一年八月三十一日止年度之營業額為港幣四十四億九千五百二十萬元，與去年同期比較上升7.96%。針織、染色、印花服務和銷售色布、縫紉線及色紗增加10.99%，佔營業總額93.29%。銷售成衣下跌4.22%，佔營業總額5.91%。棉紗貿易大幅減少66.69%，只佔營業總額0.80%。而本年度盈利為港幣二億零一百四十萬元，與去年同期比較上升7.77%。

集團之主要業務為針織、染色、印花服務和銷售色布、縫紉線及色紗。本集團為全球最大的針織布生產商之一。產品主要供應在本港設總部或其他世界各地的成衣製造商以生產主要銷往美國、歐洲及日本之世界知名品牌成衣。

在回顧年度內，由於美國經濟放緩，導致產品需求下降，產品價格下調，邊際利潤大幅收窄。幸而原料價格亦因市場效應而相對調低，加上能源費用支出亦跟隨燃油價格回順而受到控制，舒緩了邊際利潤收窄的部份壓力。再者，憑藉集團生產力的改進而縮短交貨期；及營業部採取積極進取及靈活價格的營業策略和主動發展海外新市場。故此，儘管美國經濟疲弱，產品價格下調，客戶在採購時又持審慎態度，本集團之針織、染色、印花服務和銷售色布、縫紉線及色紗業務的營業額於回顧年度內能錄得雙位數字的增長。但有關之營業盈利仍下跌了19.69%。

As the Group purchased yarns mainly for its internal use, the sales and contribution related to the trading of yarns during the year were minimal. It is expected that this trend will continue in the future.

On the other hand, the result of the Group's business in the sales of garments, which has been sustaining losses for the past two years, achieved a turnaround this year after the adoption of new business strategies and production structure as well as more stringent cost control. This added significant contribution to the Group's results for the year.

Although the operating profit of the Group decreased slightly for the year under review, the Group's borrowings continued to reduce gradually. This, together with the fall in interest rates that began in early 2001, resulted in the reduction of the Group's interest expenses by about HK\$37 million. In addition, other finance costs also reduced by about HK\$17 million. As a result, the profit of the Group still recorded an increase.

Moreover, during the year under review, the Group persistently dedicated its effort to improving the production flow and enhancing the quality of the products and services, so as to satisfy the requirements of a diverse range of customers. Seven major divisions of the Group have already obtained the ISO quality assurance certificates. In addition, Kai Ping Ping Da Cotton Spinning Enterprises Co. Limited recently obtained the ISO 14001 quality assurance certificate. Other production divisions are currently pursuing the ISO quality assurance system actively.

OUTLOOK

With a slow down in the growth of US economy and its prospects remain uncertain, it is essential to reduce the operating and production costs in the long term so as to sustain profitability through this recession. Therefore, the Group has formulated numerous prudent operating strategies and concentrated in the production cost improvement, with an aim to achieve steady development.

由於集團購買棉紗主要供內部使用，故本年度之棉紗銷售額及盈利的貢獻均非常細小，而此情況仍會繼續下去。

反之，過去兩年持續虧損的銷售成衣業務，在重新部署業務及生產架構和努力控制成本後，業績已能轉虧為盈，對集團本年度之業績作出了重大的貢獻。

雖然集團在回顧年度內的營業盈利比去年遜色，但集團之借貸已逐步下降，加上減息週期在二零零一年初開始了，集團之利息支出因此減少了約港幣三千七百萬元。而其他借貸成本亦減少了約港幣一千七百萬元，令集團之盈利最終仍得以上升。

此外，本集團在回顧年度內仍致力改善生產流程及提高產品品質和服務質素，以適應不同客戶的需要。本集團現在已有七個主要部門取得ISO品質證書，其中開平平達棉紡企業有限公司更取得ISO 14001品質證書，而其他生產部門亦正積極推行ISO品質管理制度。

展望

美國經濟增長放緩，而前景又不明朗。要渡過這個經濟低潮，長遠而言最重要是減低營運及生產成本，以保持利潤。因此，集團已定下多種審慎營運策略及專注生產成本改進，以達致平穩發展。

The Group will continue to replace low efficiency production equipment to reduce production costs and enhance competitiveness. With the completion of the two steam and electricity co-generation facilities in the near future, additional cost savings will be generated to the Group. It will also greatly reduce the risk brought by possible increases in oil price in the future.

Taking into account of the current situation in the US, it is likely that interest rates will reduce further or stay at a relatively low level for a period of time. Whilst the Group's debt level is being reduced, the interest expenses of the Group will further decrease in the coming years.

The PRC has recently joined the World Trade Organisation, causing the markets in the mainland to be gradually opened to the rest of the world. This in turn will bring unlimited business opportunities to the Group. The Group will continue to focus on aggressive marketing and active business strategies. It will upgrade its production equipment so as to enhance production capabilities and flexibility. It will also seek to reduce the production lead time so as to satisfy the different requirements of customers. Under the principle of prudence, the Group's business will move ahead steadily.

LIQUIDITY AND FINANCIAL INFORMATION

At 31st August, 2001, the total assets of the Group amounted to HK\$4,333.4 million. The shareholders' funds and minority interests totally amounted to HK\$2,474.1 million.

During the year under review, the Group entered into new loan agreements with two principal banks for the repayment of old loans so as to reduce the finance costs of the Group and to consolidate the Group's financial position to a further extent. The Group entered into a five-year unsecured loan agreement of HK\$300 million with a bank on 4th May, 2001 for an early repayment of the outstanding amount under an existing HK\$330 million syndicated loan. The Group also entered into another five-year unsecured loan agreement of HK\$100 million with another bank on 9th July, 2001 for an early repayment of the outstanding amount under an existing HK\$450 million syndicated loan.

本集團將會繼續更換高生產效率的生產設備，以減低生產成本及增強競爭力。而快將完成的兩項「熱電聯產」設施，除可為集團進一步節省成本，更可大大減低未來因油價上升而帶來的影響。

環顧美國現時情況，預期利率在未來一段時間仍會下調或處於較低水平，加上集團借貸水平仍在下降中，故本集團來年的利息支出將會進一步減少。

而中國剛加入世界貿易組織，國內市場將逐步對外開放。對集團而言，將會帶來無限商機。集團將繼續採取注重市場推廣及積極進取之營業策略；更新生產設備以增強生產力及靈活度；縮短交貨期以滿足客戶不同要求等政策，在審慎經營之原則下，集團之業務將會穩步向前。

流動資金及財務資料

於二零零一年八月三十一日，本集團資產總值為港幣四十三億三千三百四十萬元。而股東基金及少數股東權益合計為港幣二十四億七千四百一十萬元。

於回顧年度內，本集團與兩間主要銀行簽訂新借款協議以歸還舊貸款，令本集團之借貸成本減少及進一步鞏固集團之財政狀況。於二零零一年五月四日，集團與一銀行簽訂一項五年期港幣三億元之無抵押借款協議以提早償還一項港幣三億三千萬元之現有銀團貸款餘數。而於二零零一年七月九日，集團又與另一銀行簽訂另一項五年期港幣一億元之無抵押借款協議以提早償還一項港幣四億五千萬元之現有銀團貸款餘數。

The Group's operation is sound and is capable of exercising control over the trade receivables and inventory level. The turnover period for the trade receivables improved from 99 days in the previous year to 75 days, and the turnover period for the inventory was also reduced from 93 days in the previous year to 70 days. These improvements further strengthened the financial position of the Group.

The Group's liquidity was maintained at a healthy level. At 31st August, 2001, the total amount of short-term bank deposits, bank balances and cash of the Group was HK\$284.3 million, representing an increase of HK\$79.5 million as compared with that of the previous year. The current ratio was also improved from 1.93 times in the previous year to 2.38 times.

At 31st August, 2001, the gearing ratio was 0.91 times, whilst that of the previous year was 1.10 times. Bank borrowings amounted to HK\$1,436 million at 31st August, 2001, whilst that of the previous year was HK\$1,768.5 million, representing a substantial decrease of HK\$332.5 million. Bank borrowings ratio was down from 0.81 times to 0.62 times. The net bank borrowings ratio (representing the ratio of net amount of bank borrowings after deducting short-term bank deposits, bank balances and cash to shareholders' funds) was only 0.50 times.

The sales of the Group is mainly denominated in Hong Kong dollars and US dollars and the purchase of raw materials is made mainly 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 minimal.

CAPITAL EXPENDITURE

For the year ended 31st August, 2001, the Group invested HK\$204.8 million (2000: HK\$97.6 million) in the addition of property, plant and equipment. In the coming two years, it is expected that the Group will invest about HK\$230 million for the completion of the steam and power co-generation facilities as well as the replacement of production equipment. At 31st August, 2001, the capital commitment outstanding was HK\$103.2 million.

由於集團之營運情況良好及加強對應收賬及存貨量之控制，不單令應收賬之週轉期由去年的99天改善至75天及存貨之週轉期亦由去年的93天縮短至70天，同時更進一步增強集團之財務狀況。

本集團流動資金維持在穩健水平。於二零零一年八月三十一日，本集團之短期銀行存款、銀行結存及現金總額為港幣二億八千四百三十萬元，比去年同期增加港幣七千九百五十萬元。流動比率亦由去年的1.93倍改善至2.38倍。

於二零零一年八月三十一日，資本負債比率為0.91倍，而去年同期則為1.10倍。銀行借貸總額為港幣十四億三千六百萬元，比去年同期的港幣十七億六千八百五十萬元，大幅減少了港幣三億三千二百五十萬元。銀行借貸比率亦由去年的0.81倍下降至0.62倍。而銀行借貸淨值比率（即銀行借貸扣除短期銀行存款、銀行結存及現金後之淨值與股東基金的比率）則只為0.50倍。

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非常輕微。

資本開支

截至二零零一年八月三十一日止年度，本集團投資港幣二億零四百八十萬元（二零零零年度：港幣九千七百六十萬元）以增添物業、機器及設備。本集團預算未來兩年內投資約港幣二億三千元用作完成「熱電聯產」工程及更新生產設備。而於二零零一年八月三十一日的資本承擔為港幣一億零三百二十萬元。

PLEDGE OF ASSETS

During the year, the pledge of a short-term bank deposit of HK\$22 million and certain properties with a bank was released. At 31st August, 2001, properties and plant and machinery at an aggregate carrying value of HK\$575.6 million (2000: HK\$629.7 million) were pledged to certain banks for the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 31st August, 2001, the Group had contingent liabilities amounting to HK\$62.6 million (2000: HK\$38.9 million) in respect of discounted bills with recourse and invoices factored with recourse.

EMPLOYEES AND EMOLUMENT POLICIES

At 31st August, 2001, the Group has a total of 9,863 full time employees. Compared with that of the previous year, the number of full time employees increased by 451, which are mainly attributed to the increased workload arising from an increase in production volume.

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trend in various regions, and will be reviewed regularly every year. Subject to the profit of the Group and the performance of the employees, the Group may also provide discretionary bonus to its employees as an incentive for their contribution. On 30th August, 2001, the Group further granted 9,014,000 share options under the share option scheme of the Company to the employees for the subscription of the shares of the Company at a subscription price of HK\$0.72 per share.

The Group has established its provident fund scheme and medical insurance for over fifteen years, and has also established its mandatory provident fund scheme.

資產抵押

本集團於本年度內已與一銀行解除了一項港幣二千二百萬元短期銀行存款及一批物業的抵押。於二零零一年八月三十一日，本集團已抵押予多間銀行作為該等銀行給予本集團一般銀行貸款之物業和廠房機器賬面總值為港幣五億七千五百六十萬元（二零零零年度：港幣六億二千九百七十萬元）。

或然負債

於二零零一年八月三十一日，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為港幣六千二百六十萬元（二零零零年度：港幣三千八百九十萬元）。

僱員及酬金政策

本集團於二零零一年八月三十一日之全職僱員人數為9,863人，與去年同期比較，增加451人。主要由於產量提升，增加人力資源的需求。

本集團的僱員酬金政策是根據僱員工作表現及各地區人力資源市場薪酬趨勢而定，每年定期作出檢討。集團亦會按本集團之盈利情況及僱員工作表現酌情給予花紅作為鼓勵僱員對集團之貢獻。於二零零一年八月三十日，本集團再次根據本公司之優先認股計劃授出為數9,014,000股認股權給予本集團僱員，僱員可以每股0.72港元之認購價認購本公司股份。

本集團為僱員設立公積金計劃及醫療保險已逾十五年，並已成立強積金計劃。

主席報告

Besides, the Group also provides regular training courses and subsidies for continuing education so as to improve the skills of its employees with respect to selling, production and management. In 2001, the Group recruited about 48 post-secondary and university graduates in Hong Kong and the PRC to join the sales and production divisions.

DIVIDENDS

The Board recommends the payment of a final dividend of HK5.5 cents per share for the year ended 31st August, 2001 payable to shareholders whose names appear on the register of the members on 25th January, 2002. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the total annual dividend for the year will be HK10.0 cents, representing an increase of 42.86% as compared with that of the previous year.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to share with every employee the spirit of "Saving for survival, and Working hard for growth". Also, I would like to extend my full-hearted appreciation to various business partners, banks, customers and suppliers for their enthusiasm and support, and to every employee for their effort.

On behalf of the Board

HA Chung Fong

Chairman

Hong Kong

14th December, 2001

此外，本集團更設有定期培訓課程及資助進修計劃等鼓勵僱員自我增值，以提升僱員之營業、生產及管理技巧。在二零零一年，集團在香港及中國招聘近四十八名大專及大學畢業生加入營業及生產部門。

股息

董事會建議派發截至二零零一年八月三十一日止年度末期股息每股港幣5.5仙予於二零零二年一月二十五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，全年派息合共為港幣10.0仙。與去年比較，全年派息上升42.86%。

致謝

最後，本人謹代表董事會以『節儉求存，勤奮求發展』與各僱員共勉；並對各方業務夥伴、往來銀行、客戶、供應商之鼓勵和支持及各僱員之努力致以深切謝意。

代董事會

主席

夏松芳

香港

二零零一年十二月十四日