

The garment trading business also achieved satisfactory performance during the period under review. Turnover of this segment which accounted for 34% of the total turnover, achieved a 28% growth to HK\$479 million. Despite the trade disputes and uncertainties arising from the abolition of garment quotas in 2005, our garment trading arm has been well-prepared for these challenges and continued to diversify clientele base as well as product ranges. It is expected that this segment will contribute to both turnover and profit growth for the Group.

To play a pro-active role and to further enhance our competitiveness in the worldwide textile and garment supply chain, the Group has been setting up garment manufacturing facilities strategically in China and other selected offshore countries within this financial year. The Directors have great confidence that this new business segment will play a significant role in our corporate development in the coming years.

It is anticipated that the global trading environment will remain highly competitive. Raw materials and fuel costs are likely to maintain at high level; the upward trend in labour costs is expect to persist; and general operating costs will continue to rise. In view of all these challenges, the Group will maintain its vigilance to further tighten its cost control measures, to further enhance its production efficiency and effectiveness as well as to diversify into selected niche markets, all of which are keys to our continual success. Looking ahead, we will strive to sustain profitability, bearing in mind our commitment of bringing high returns to our shareholders.

There has been no important event affecting the Group which occurred since 30 September 2005.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 30 September 2005, the Group had total assets of HK\$2,930,459,000 (31 March 2005: HK\$2,583,256,000) which were financed by current liabilities of HK\$983,172,000 (31 March 2005: HK\$780,945,000), long term liabilities of HK\$699,625,000 (31 March 2005: HK\$689,884,000) and shareholders' equity of HK\$1,196,019,000 (31 March 2005: HK\$1,074,857,000) The current ratio was approximately 1.7 (31 March 2005: 1.9) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 77% (31 March 2005: 76%). The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

### **Exposure to Fluctuation in Foreign Exchange**

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars. Inasmuch as the Hong Kong dollars is pegged to the US dollars, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and Chinese Renminbi, the Group's exposure to currency exchange risk was minimal.

### Capital Expenditure

During the period, the Group invested approximately HK\$203 million in property, plant and equipment, of which 16% was used for purchase of plant and machinery, 29% for construction of coal-fired facility for producing steam and electricity and 51% for acquisition of property and construction of new factory plants.

As at 30 September 2005, the Group had capital commitments of approximately HK\$22 million in respect of acquisition of property, plant and equipment, which are financed by long-term bank borrowings.

### Charges on Assets

As at 30 September 2005, investment properties and certain property, equipment, plant and machinery of the Group with net book value of approximately HK\$81 million (31 March 2005: approximately HK\$57 million) were pledged to banks to secure banking facilities granted.

### Contingent Liabilities

The Group has no contingent liabilities as at 30 September 2005 (31 March 2005: HK\$189,673,000).

### Employee Information

As at 30 September 2005, total number of employees of the Group were approximately 270 in Hong Kong, approximately 10 in USA and Canada and approximately 4,400 in the People's Republic of China. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 January 2006 to 6 January 2006 both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with Company's branch share registrars in Hong Kong, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 30 December 2005.