

MANAGEMENT DISCUSSION AND ANALYSIS • 管理層討論及分析

BUSINESS REVIEW

The results of the Group for the second half of the year under review was significantly better, with an increase in profit of 142.40% and an increase in profit margin by 1.92 percentage point to 3.09% over the same period last year and an increase in profit of 101.59% and increase in profit margin by 1.36 percentage point over the first half of the year. The improved results were mainly due to the depletion of relatively higher cost inventory by December 2004 that was accumulated over the fiscal year ended 31st August, 2004. With the clearance of the expensive cotton and cotton yarns as well as a tightened procurement policy, the inventory turnover days was successfully reduced from 97 days to 85 days.

During the year under review, the PRC and the US have held several rounds of negotiations over textile trade issues without reaching any agreement. Although there was finally an agreement reached between the PRC and the EU in July 2005, the rapid implementation of the new trade procedures coupled with the insufficient understanding of such procedures in the supply-chain created confusion and chaos in the market. As a fabric manufacturer, the Group was not directly impacted by the trade disputes as most of our products are being shipped to outside of the US and the EU. However, the uncertainty of textile trade remedies has disrupted the order pattern and lead-time of most US and EU buyers. As a result, the effectiveness of the Group's sales and production planning as well as the factory utilisation rate was impacted.

Moreover, several adverse effects on the business environment for the textile industry should be taken into consideration, such as the higher level of oil and coal prices and continuous increase in interest rate, resulting in an upsurge in the cost of certain raw materials and power generation as well as increase of the finance cost. The relatively lower cotton price prohibited increase in average selling price, thus creating pressure on revenue of the Group. Faced with these unfavourable factors, the Group not only committed in exploring the markets by setting up a new marketing office in Bangalore, India but also continued to strengthen cost control in order to improve the profit margin.

Production and Sales of Dyed Fabrics, Sewing Threads and Yarns

During the year under review, turnover from the production and sales of dyed fabrics, sewing threads and yarns reached approximately HK\$6,242,362,000, similar to that of last year, and accounted for 94.06% of the Group's total turnover. Its operating results margin was 4.64% which was lower than that of last year.

業務回顧

集團在回顧年度內下半年的業績錄得顯著改善，與去年同期比較，盈利上升 142.40%，而盈利率增加了 1.92 個百分點至 3.09%；與本年度的上半年比較，盈利上升 101.59%，而盈利率則增加了 1.36 個百分點。業績改善的主要原因是於二零零四年八月三十一日止年度累計較高成本的存貨已在二零零四年十二月完全消耗。通過消耗高價棉花及棉紗，以及更緊縮的採購政策，存貨週轉期成功地從 97 天減少至 85 天。

在回顧年度內，中美雙方在紡織品貿易問題上展開的多輪談判均未能達成協議。雖然中國與歐盟最終於二零零五年七月落實協議，但急於推行新貿易程序以及供應鏈企業對有關程序的理解不足，令市場出現困惑和混亂。作為面料生產商，產品主要是輸往美國及歐盟以外地區，因此集團並沒有受到貿易糾紛的直接影響。但紡織貿易範疇的不明朗因素擾亂了大部份美國及歐盟買家的訂貨模式及交貨期，最終影響了集團的營銷及生產計劃的效益，以及廠房使用率。

再者，數個對紡織行業營商環境的不利因素亦是原因，如石油及煤的價格處於高位及利率持續上調，導致部份原材料及製造能源的成本劇增，並增加借貸成本。而相對較低的棉花價格阻礙了平均售價的提升，對集團的收入帶來壓力。面對此等負面因素，集團除了通過於印度班加羅爾成立新市場推廣辦事處以致力開拓市場外，更繼續加強成本控制以改善盈利率。

製造及銷售色布、縫紉線及紗

在回顧年度內，製造及銷售色布、縫紉線及紗的營業額與去年相約，達到約 6,242,362,000 港元，佔集團營業額總值的 94.06%。其營運業績率為 4.64%，較去年低。

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Production and Sales of Garments

Annual turnover from the production and sales of garments was approximately HK\$393,936,000, a decrease of 23.47% as compared with last year, and accounted for 5.94% of the Group's total turnover. Due to the anti-surge special safeguard mechanism being imposed on certain textile and garment products from the PRC by the US government, competition in the garment industry continued to be fierce. The Group consolidated this business operation in the previous year, thus resulting in a reduction in turnover when compared with last year.

Analysis by Customer Geographical Regions

The Group's major customers were garment manufacturers located in Asia and accounted for approximately 88.16% of the Group's total turnover, an increase of 6.60% when compared with the 81.56% of last year, reflecting the results of direct marketing through the Group's overseas liaison offices. A more substantial growth was achieved in business with customers based in Korea where the Group has a local liaison/marketing office. The remaining 11.84% was generated from sales to customers based in Europe and America.

With respect to operating results contribution, the profit margin of sales to customers based in the PRC, Korea, Rest of Asia and America increased compared with last year.

FINANCIAL REVIEW

Liquidity and Financial Information

At 31st August, 2005, the Group's total assets amounted to approximately HK\$6,228,462,000, representing an increase of approximately HK\$134,833,000 over last year. Total assets included non-current assets of approximately HK\$2,574,576,000 and current assets of approximately HK\$3,653,886,000. The above assets were financed by current liabilities of approximately HK\$1,298,030,000, non-current liabilities of approximately HK\$1,963,782,000, minority interests of approximately HK\$193,413,000 and shareholders' funds of approximately HK\$2,773,237,000.

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 decreased by approximately HK\$61,071,000.

製造及銷售成衣

製造及銷售成衣的全年營業額比去年減少 23.47%，約為 393,936,000 港元，佔集團營業額總值的 5.94%。由於受到美國政府對某些中國出口紡織品及成衣產品提出反傾銷特別保護措施，使成衣行業之競爭不斷加劇。集團過去年度對成衣之營運進行重整工作，因而導致營業額較去年下跌。

客戶所屬地域分析

集團之主要客戶乃位於亞洲的成衣製造商，其營業額佔集團營業額總值約 88.16%，比去年的 81.56% 上升了 6.60%，反映集團透過海外代辦處直接進行市場推廣的成果。其中位於韓國的客戶的業務增長較為顯著，而集團在當地設有市場推廣辦事處。而餘下的 11.84% 則來自銷售予位於歐洲及美洲的客戶。

在營運業績貢獻方面，銷往中國、韓國、其他亞洲國家及美洲的客戶的邊際利潤皆較去年上升。

財務回顧

流動資金及財務資料

於二零零五年八月三十一日，集團資產總值約為 6,228,462,000 港元，比去年增加約 134,833,000 港元。資產總值包括非流動資產約 2,574,576,000 港元及流動資產約 3,653,886,000 港元。上述資產由流動負債約 1,298,030,000 港元、非流動負債約 1,963,782,000 港元、少數股東權益約 193,413,000 港元及股東基金約 2,773,237,000 港元提供融資。

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，銀行借貸總值減少約 61,071,000 港元。

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At 31st August, 2005, the Group's inventory amounts decreased by approximately HK\$260,604,000 as compared with that of last year. The Group's inventory turnover period is about 85 days, which met our target to keep inventory turnover days within 90 days.

At 31st August, 2005, the total amount of short-term bank deposits, bank balances and cash of the Group was approximately HK\$537,351,000, and the principal financial ratios (after inclusion of proposed final dividend) were as follows:

於二零零五年八月三十一日，集團存貨金額比去年減少約 260,604,000 港元。集團的存貨週轉期約為 85 天，達到集團維持存貨週轉期在 90 天內的目標。

於二零零五年八月三十一日，本集團的短期銀行存款、銀行結存及現金總值約為 537,351,000 港元，而主要的財務比率（包括擬付之末期股息在內）如下：

		At 31st August, 2005 於二零零五年 八月三十一日	At 31st August, 2004 於二零零四年 八月三十一日
Gearing ratio	資本負債比率	1.31	1.34
Bank borrowings ratio	銀行借貸比率	0.82	0.87
Net bank borrowings ratio	銀行借貸淨值比率	0.62	0.75

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，集團會因應資本市場之情況作出合適的對沖安排。

Capital Expenditure

For the year ended 31st August, 2005, the Group invested approximately HK\$411,832,000 (2004: HK\$358,083,000) 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\$280 million. The Group expects that capital expenditure for the next financial year will be approximately HK\$480 million.

資本開支

截至二零零五年八月三十一日止年度，本集團已投資約 411,832,000 港元（二零零四年度：358,083,000 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二億八千萬港元。集團預期下一財政年度的資本開支約為四億八千萬港元。

Contingent Liabilities

At 31st August, 2005, the Group had contingent liabilities amounting to approximately HK\$37,992,000 (2004: HK\$63,456,000) in respect of trade receivables factored with recourse.

或然負債

於二零零五年八月三十一日，集團有關附追索權之應收款項讓售之或然負債約為 37,992,000 港元（二零零四年度：63,456,000 港元）。

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Charge over Assets

The Group's obligations under finance leases are secured by the lessor's charge over the leased asset. At 31 August, 2005, the net book value of those leased assets was approximately HK\$100,560,000 (2004: HK\$138,609,000) and the amount of obligations under finance leases was approximately HK\$22,158,000 (2004: HK\$50,671,000).

EMPLOYEES AND EMOLUMENT POLICIES

At 31st August, 2005, the Group had approximately 23,000 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 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.

資產抵押

本集團之財務租賃應付賬款乃以出租人之租賃資產作抵押。於二零零五年八月三十一日，該等租賃資產之賬面淨值約為 100,560,000 港元（二零零四年度：138,609,000 港元）及財務租賃應付賬款的金額約為 22,158,000 港元（二零零四年度：50,671,000 港元）。

僱員及酬金政策

集團於二零零五年八月三十一日之全職僱員人數約為 23,000 人，而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。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。

集團為僱員設有一項認股權計劃，亦會提供定期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。