

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, 2006. The turnover was approximately HK\$7,134,788,000, an increase of 7.5% over last year. The profit attributable to shareholders amounted to approximately HK\$306,772,000, an increase of 87.6% over last year. Profit margin for the year under review was 4.3%, an increase of 1.8 percentage points over last year. Basic earnings per share was HK38.64 cents, compared to HK20.59 cents in 2005.

DIVIDEND

The Board has recommended the payment of a final dividend of HK6.5 cents per share for the year ended 31st August, 2006 payable to shareholders whose names appear on the register of members on 25th January, 2007. 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, compared to HK10.0 cents per share of last year.

BUSINESS OUTLOOK

The global textile industry showed a sign of stability following the signing of the Sino-EU and the Sino-US trade agreements on textile products on 10th July, 2005 and 8th November, 2005 respectively that established a clear and predictable growth path for exports from the PRC. This enabled the Group to better plan its production lines to fulfill the sourcing plans of the garment manufacturing and branded customers. Since the Sino-EU trade agreement and the Sino-US agreement will expire at the end of 2007 and end of 2008 respectively, the Group, like the rest of the industry, is looking forward to the likelihood of further increase in the PRC's export to these markets, which could present a growth opportunity for the Group as well as the PRC's textile industry going forward. The Group will closely monitor the situation as it could significantly influence the future outlook for the US and the EU markets. However, the manufacturing sector in the PRC is expected to continue facing several challenges including the recent increment in local minimum wage, the escalated international fuel and energy prices and the continuous appreciation of Renminbi. As for export-oriented manufacturers in the PRC, the challenges may also include the potential of slowing down in the US economy and the reduction in VAT rebate for export products by the PRC.

致各股東

本人謹代表董事會向各股東匯報本集團截至二零零六年八月三十一日止年度之業績。營業額約為7,134,788,000港元，與去年比較上升7.5%。而股東應佔盈利約為306,772,000港元，與去年比較上升87.6%。回顧年度內的盈利率為4.3%，與去年相比上升1.8個百分點。每股基本盈利為38.64港仙，相對二零零五年的為20.59港仙。

股息

董事會已建議派發截至二零零六年八月三十一日止年度末期股息每股6.5港仙予於二零零七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，全年股息合共為每股11.0港仙，相對去年的為每股10.0港仙。

業務展望

隨著中歐及中美紡織品貿易協議分別於二零零五年七月十日及二零零五年十一月八日正式簽訂，全球紡織行業展現出穩定徵象，並為中國紡織品出口建立清晰及可預測增長的路向。這使得集團能更有效地計劃生產線以滿足成衣製造客戶及品牌客戶的採購計劃。由於中歐及中美貿易協議將分別於二零零七及二零零八年底期滿，因此集團像其他同業一樣，期望中國可以進一步增加在這些市場出口的可能性，能為集團及中國紡織行業帶來增長機會。由於這將顯著影響未來美國及歐盟市場的前景，集團將會密切留意發展情況。然而，中國製造業預期會繼續面對多項挑戰，包括當地近日最低工資的上升、國際油價和能源價格高企及人民幣持續升值。對於在中國以出口為主的製造商，挑戰還包括美國經濟有可能放緩及中國減低出口產品之增值稅退稅。

CHAIRMAN'S STATEMENT • 主席報告

On the other hand, the domestic economy in the PRC is expected to continue growing in the long-term which should result in increase in consumer spending and demand for better quality textile products. Therefore, the two key opportunities for driving future growth for the Group over the next few years continue to be: Firstly, volume increase in demand for the PRC made knitted fabrics from the existing and new clients in the US and the EU as sourcing of textile products in the PRC continues to increase; and secondly, the Group will also continue to strategically target new clients in the PRC as the local consumer preference shift towards better product quality and innovations. The Group has well positioned itself to meet with the potential growth in the future. We are committed to increase market share in the PRC's domestic market by continuous expanding the Shanghai office and increasing product promotions. Last year, the Group launched its first-ever integrated knitted fabric brand name, "fabric by Fountain Set™" and this business strategy aims to create a distinctive edge by highlighting our product attributes to enhance customer recognition and to differentiate the Group's products from those of the competitors. The Group will continue to build this product branding in the future by further featuring the "fabric by Fountain Set™" brand at industry trade shows as well as publicity and marketing activities.

The Group had started migration of its fabric production from Hong Kong to the Southern part of the PRC since 1988 and the current production capacities of the two fabric mills in the Southern part of the PRC have reached their limits. In order to further expand our production capacity in the PRC, the Group has started the development of a third fabric production base in the PRC in Jiangyin, Jiangsu province in the second half of 2002, which has since expanded its production to exceed one-third of the Group's total capacity. With an experienced and dedicated management and operations team, the Group was able to accomplish this remarkable achievement of developing a green field site into such a significant production base in less than three years time. The Jiangyin mill has continued to develop in its second phase and its production has been progressively expanding as planned. It is estimated that the plant alone will achieve approximately half of the Group's total production capacity by the end of 2007. A coal-fired electricity and steam co-generation facilities has been in operation in Jiangyin mill since March 2006 to provide the Group with higher energy reliability and efficiency. It is expected that the Group's overall production efficiency will benefit from economies of scale as well as the more streamlined design of new production lines at Jiangyin mill, thus enhancing the Group's competitiveness in the global market.

另一方面，中國本土經濟在長期可望持續增長，從而增加消費市場及對優質紡織品的需求。因此，集團繼續朝著已確立之兩個推動未來數年業務增長的重要機會發展：第一，來自美國及歐盟的現有及新客戶因增加向中國進行紡織品採購，將有利於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。集團已裝備就緒以迎接未來的潛在增長。集團通過繼續擴充上海代表處及加強產品推廣，以提升中國內銷市場的市場佔有率。去年，集團正式向外發佈其首個綜合針織面料品牌—「紡特適™面料」，這業務策略旨在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。集團在未來將繼續於中國擴展這產品品牌，並在行業展覽會，以及宣傳及推廣活動上進一步地以「紡特適™面料」品牌作為號召。

集團自一九八八年已開始將布料生產從香港遷移至南中國，位於南中國的兩所布料廠房現時的生產能力均已接近極限。為了擴展在國內的生產能力，集團於二零零二年下半年開始在江蘇省江陰市發展在國內的第三所布料廠房，到現在已擴展其生產能力至超越集團總生產能力的三分之一。憑藉豐富經驗及專注的管理和營運團隊，集團能在少於三年的時間將一個新設的廠房發展成重要生產基地，實在是難得的佳績。江陰廠房將繼續其第二期發展，並將按計劃逐步擴充生產。預期於二零零七年底，單是這所廠房將能達到集團約一半的總生產能力。江陰廠房的燒煤熱電聯產設備自二零零六年三月起已投入運作，為集團提供更高的能源可靠性及效益。預期集團整體生產效能將受惠於江陰廠房的規模效益及更精簡的新生產線設計，因而提升集團在環球市場的競爭力。

CHAIRMAN'S STATEMENT • 主席報告

Furthermore, the Group is always forward planning and evaluating investment opportunities to ensure the continuity of long-term growth. In view of the recent move by the PRC government to reduce the volume of effluent discharge of environmentally sensitive industries in Guangdong province and the relatively high cost of operating in the Southern part of the PRC, the Group has been selecting potential locations in the PRC with well developed infrastructure and resources for supporting the partial migration of production from the Southern part of the PRC. Recently, the Group has been actively reviewing potential sites in Jiangsu province as the location for establishing our next manufacturing base. The selected location should not only offer attractive investment environment but must also be able to provide complete infrastructural solutions to the Group similar to those available in Jiangyin, including reliable water, steam and electricity supply as well as effluent treatment based on the national standard.

As a result of our internal restructuring of our garment business since 2004, the turnover of our garment business reduced from approximately HK\$514,743,000 in 2004 to approximately HK\$393,936,000 in 2005. The consolidation has started to show its effect and operation of our garment business has improved since 2006. With the investment in a new garment joint venture unit this year, it is estimated that the overall production capacity of our garment business will significantly increase in the next financial year.

The Group will also extend its scope of business to manufacturing and selling of fabric production machineries and a wholly owned subsidiary of the Group, Jiangyin Jintian Machinery Limited was established in Jiangyin, Jiangsu province, the PRC. The Company is expected to commence operation in the second quarter of 2007. With over 37 years of experience in the textile industry, the Group has accumulated vast knowledge and exposure in the engineering of various machineries. Combining our experience in performing in-house repair and modification to our machineries, the Group is able to develop user-friendly and efficient machineries for the market. In the past few years, the Group has produced numerous machines for internal use with satisfactory performance. During the initial stage of production, majority of the machineries produced will be used to support the growth of our fabric mills while the balance will be sold to external customers. The objectives of this new business are to diversify our source of revenue as well as to reduce our machinery cost.

再者，集團總是預早作出計劃及評估投資機會以確保持續的長遠發展。有鑑於中國政府近日對位於廣東省的環保敏感工業的減低排污量的行動及在南中國之生產成本相對較高，集團已進行挑選國內擁有發展完善基礎設施及資源的具潛力地點以遷移南中國的部份生產線。最近，集團正積極地在江蘇省評估可能作為發展下一個生產基地的地點，而選取的地點需要不單能給予具有吸引力的投資環境，而且亦能為集團提供如江陰般全面的基礎設施方案，包括可靠的水源、蒸氣及電力供應，以及國家標準的污水處理服務等。

由於集團的成衣業務於二零零四年進行內部重整，成衣業務的營業額從二零零四年的約514,743,000港元下降至二零零五年的約393,936,000港元。是次業務重整開始顯示其效果，集團成衣業務之營運自二零零六年已有所改善。加上本年度在新成衣合資公司上的投資，集團預期成衣業務的整體生產能力將於下一財政年度獲得顯著增長。

集團將會拓展其業務至生產及銷售布料生產機械，並已在中國江蘇省江陰成立全資附屬公司—江陰金田機械有限公司。此公司預期在二零零七年第二季開始投產。集團於紡織行業擁有超過37年經驗，並於多種機械的工程上累積大量知識及經驗。結合集團為機械進行內部維修及修改的經驗，集團能為市場開發出容易使用及高效率的機械。於過去數年，集團已生產眾多效果良好的機械供內部使用。在投產初期，大部份生產的機械會用於支持集團布料廠房的增長，而餘下的將會銷售予外部客戶。這新業務的目的是要分散業務收入來源以及降低機械成本。

CHAIRMAN'S STATEMENT • 主席報告

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.

AWARDS

This year, the Group was accredited two recognised awards by the China National Textile and Apparel Council Statistics Center: "No 1 turnover in textile knitting industry in China in 2005-2006" and "No 1 export in textile and garment industry in China in 2005-2006". I am proud of the recognition and would like to extend the credit to all staff in making the Group a leader in the global knitted fabric industry.

ACKNOWLEDGEMENT

Finally, I would like to thank our employees around the world for their dedicated efforts throughout the year. I am grateful to my fellow directors for their countless contribution and support. On behalf of the Group, I express my sincere appreciation to our shareholders, customers and partners for their continuous support.

On behalf of the Board

HA Chung Fong
Chairman

Hong Kong
15th December, 2006

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。

獎項

本年，集團榮獲中國紡織工業協會統計中心兩個獎項——「2005-2006年度中國紡織工業針織行業主營業務收入第一名」及「2005-2006年度中國紡織服裝行業出口第一名」。本人對這方面所獲得的成就感到光榮並多謝所有僱員的貢獻，使得集團能成為全球針織布料行業中的領導者。

鳴謝

最後，本人感謝環球僱員在全年的專注努力。本人感激各位董事的無數貢獻及支持。本人謹代表集團對股東、客戶、供應商及業界友好的長期支持，致以真誠感激。

代董事會

主席
夏松芳

香港
二零零六年十二月十五日