

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

BUSINESS REVIEW

The result of the Group for the year under review was significantly better, with an increase in profit attributable to shareholders of 87.6% over last year. The Group has completed the disposal of certain non-core property interests in Hong Kong during the first half of the financial year. The disposal of these property interests resulted in a net gain (after tax) of approximately HK\$128,796,000 which has been adjusted to take into account the effect of the adoption of new accounting standards and the change of accounting policies during the year under review.

If the net gain on disposal of property interests is excluded, the profit attributable to shareholders increased by 8.9% to approximately HK\$177,976,000 and profit margin was 2.5%, similar as last year.

The related net proceeds received of approximately HK\$485,844,000 has been used to reduce bank borrowings and for general working capital purposes. Since all production facilities have been moved away from Hong Kong by late 1990's, there was no impact on the Group's operations due to the disposal of such property interests.

Several adverse effects on the business environment for the manufacturing industry in the PRC affected the Group's financial results of the year under review. The upsurge in the international fuel and energy prices throughout the year under review increased the cost of certain raw materials and electricity generation. Costs increase in the PRC, including the increase in minimum wage, the appreciation of Renminbi against the US dollar and the increases in interest rates, have created pressure on the profit margin of the Group. The finance cost for the year under review increased by approximately HK\$46,771,000 to approximately HK\$103,498,000.

In respect of the excessive effluent discharge notification by the PRC government on the Group's joint venture subsidiary, Dongguan Fuan Textiles Limited ("Fuan") in June 2006, Fuan had immediately reduced the production volume since June 2006 by relocating the workload to other manufacturing locations including the Group's fabric mill in Jiangyin, Jiangsu Province and had paid for the shortfall in effluent discharge fees of approximately RMB11,500,000 in August 2006. Whereas minor increases in additional costs were incurred as a result of these remedial actions, the Group was able to minimise the impact to the shipment schedule of goods between July and September of 2006. Through cooperation and communication with customers and the prompt remedial actions taken, the Group was able to maintain the support and understanding of our long term clients. Despite the occurrence of the incident, the Group was able to maintain its major clients during the year under review and was still able to record an increase in business volume for the second half of the financial year as compared to the same period of the previous year.

業務回顧

集團在回顧年度的業績有明顯改善，與去年比較，股東應佔盈利上升87.6%。於本財政年度的上半年，集團已完成出售若干位於香港的非核心物業權益。出售此等物業權益帶來淨盈利(除稅後)約128,796,000港元，當中調整了在回顧年度內採納新會計準則及會計政策變動的影響。

如扣除出售物業權益所得的淨盈利，股東應佔盈利上升8.9%至約177,976,000港元；盈利率則為2.5%，與去年相約。

有關已收之淨收入約485,844,000港元已用於減低銀行借貸及作為日常營運資金。鑑於所有生產設施已於一九九零年代末期之前已遷出香港，出售此等物業權益對集團之營運並無影響。

在回顧年度內的集團業績受到中國製造業營商環境的數個不利因素影響。整個回顧年度內的國際油價及能源價格急升，令致若干原料及發電成本上升。而中國的成本上升包括最低工資的上調、人民幣兌美元升值、以及利率的上升，均對集團的盈利率帶來壓力。回顧年度的融資成本增加了約46,771,000港元至約103,498,000港元。

關於中國政府於二零零六年六月對集團旗下合資附屬公司—東莞福安紡織印染有限公司(「福安」)發出過量排放污水的通知，福安自二零零六年六月已即時降低生產量，並把工序遷移到其他生產點，包括集團位於江蘇省江陰市的布料廠房，亦已於二零零六年八月補繳約11,500,000人民幣之排污費。儘管是次改善行動引致額外成本輕微增加，集團能儘量縮小在二零零六年七月至九月期間對貨物付運期的影響。通過與客戶的合作及溝通，以及迅速的改善行動，集團能獲得長期客戶的支持及理解。雖然發生是次事件，但集團仍能在回顧年度內保留重要客戶，並在本財政年度的下半年，與去年同期相比，仍能錄得業務增長。

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With construction commenced since mid of 2005, a new effluent treatment unit at Fuan has commenced test operation since late September 2006. The test run is expected to complete during the first half of the financial year of 2007, and the production capacity of Fuan will not be fully recovered during the testing period. Upon the official and complete operation of the facility, the effluent discharge capacity at Fuan will increase by over 30% as compared to that in August 2006.

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\$6,639,230,000, an increase of 6.4% as compared with last year, and accounted for 93.1% of the Group's total turnover. Its operating results margin was 5.0% which was higher than that of last year.

Following the acquisition of the entire minority interests in July 2005, our sewing thread business has continuously shown encouraging improvement both in sales and contribution to the Group.

Production and Sales of Garments

Annual turnover from the production and sales of garments was approximately HK\$495,558,000, an increase of 25.8% as compared with last year, and accounted for 6.9% of the Group's total turnover. Following proactive restructuring and downsizing measures implemented in the previous financial year, the performance of this segment has improved.

Analysis by Customer Geographical Regions

The Group's major customers were garment manufacturers located in Asia and accounted for approximately 87.3% of the Group's total turnover, a slight decrease of 0.9 percentage points when compared with 88.2% of last year. The remaining 12.7% was generated from sales to customers based in America and Europe. A more substantial growth was achieved in business with customers based in Korea and America where the Group has established local liaison/marketing office.

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

自二零零五年中旬開始興建的福安全新污水處理設施已於二零零六年九月底開始進行測試運作。預期測試於二零零七年財政年度上半年內完成，而在測試期間，福安的生產能力並未能完全恢復。當新的污水處理設施正式全面運作後，福安之排污處理能力將較二零零六年八月提升超過30%。

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達到約6,639,230,000港元，與去年相比上升6.4%，佔集團營業額總值的93.1%。其營運業績率為5.0%，較去年高。

隨著於二零零五年七月收購少數股東的全部權益後，集團縫紉線業務的銷售及對集團的貢獻持續顯示出令人鼓舞的改善。

製造及銷售成衣

製造及銷售成衣的全年營業額約為495,558,000港元，比去年增加25.8%，佔集團營業額總值的6.9%。隨著於過去財政年度內實施的積極重組及縮減政策，這業務的表現已得到改善。

客戶所屬地域分析

集團之主要客戶為位於亞洲的成衣製造商，佔集團營業額總值約87.3%，與去年的88.2%相比輕微下跌0.9個百分點。而餘下的12.7%則來自銷售予位於美洲及歐洲的客戶。其中位於韓國及美洲的客戶的業務錄得較為顯著的增長，而集團在當地設有市場推廣辦事處。

在營運業績貢獻方面，銷往位於韓國、其他亞洲地區及美洲的客戶所獲得的盈利率皆較去年上升。

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Liquidity and Financial Information

At 31st August, 2006, the Group's total assets amounted to approximately HK\$6,083,686,000, representing an increase of approximately HK\$61,742,000 over last year. Total assets included non-current assets of approximately HK\$2,263,256,000 and current assets of approximately HK\$3,820,430,000. The above assets were financed by current liabilities of approximately HK\$1,248,522,000, non-current liabilities of approximately HK\$1,835,514,000, minority interests of approximately HK\$201,335,000 and equity attributable to shareholders of approximately HK\$2,798,315,000.

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.

Due to the disposal of certain property interests and tight control on inventories and trade receivables during the year under review, cash position as well as financial ratios of the Group were improved. Bank borrowings, bank overdrafts and obligations under finance leases totally decreased by approximately HK\$46,496,000 and the total amount of short-term bank deposits, bank balances and cash increased by approximately HK\$126,339,000.

At 31st August, 2006, the principal financial ratios (after inclusion of proposed final dividend) were as follows:

		31st August, 2006 二零零六年 八月三十一日	31st August, 2005 二零零五年 八月三十一日 (restated) (重列)
Gearing ratio	資本負債比率	1.21	1.40
Bank borrowings ratio	銀行借貸比率	0.79	0.88
Net bank borrowings ratio	銀行借貸淨值比率	0.55	0.67

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. In addition, the Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Renminbi exposure. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk and interest rate risk, the Group will enter into appropriate hedging arrangements in accordance with the Group's risk management policies.

財務回顧

流動資金及財務資料

於二零零六年八月三十一日，集團資產總值約為6,083,686,000港元，比去年增加約61,742,000港元。資產總值包括非流動資產約2,263,256,000港元及流動資產約3,820,430,000港元。上述資產由流動負債約1,248,522,000港元、非流動負債約1,835,514,000港元、少數股東權益約201,335,000港元及股東應佔權益約2,798,315,000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。

由於在回顧年度內出售部份物業權益及加強管理存貨及營業應收款項，集團之現金情況以及財務比率均有所改善。銀行借貸、銀行透支及財務租賃應付賬款合共減少約46,496,000港元及短期銀行存款、銀行結存及現金上升約126,339,000港元。

於二零零六年八月三十一日，主要的財務比率(包括擬付之末期股息在內)如下：

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。此外，本集團主要於中國經營業務，故涉及人民幣所產生之外匯風險。本集團一直關注美元與人民幣匯率之波動。為降低外匯及利率風險，本集團會依據風險管理政策作出合適的對沖安排。

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Capital Expenditure

For the year ended 31st August, 2006, the Group invested approximately HK\$460,086,000 (2005: HK\$411,832,000) in the addition of property, plant and equipment and prepaid lease payments. The Group expects that capital expenditure for the next financial year will be approximately HK\$420 million.

Contingent Liabilities

At 31st August, 2005, the Group had contingent liabilities amounting to approximately HK\$37,992,000 in respect of trade receivables factored with recourse. At 31st August, 2006, there were no trade receivables factored with recourse.

Charge over Assets

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets. At 31st August, 2006, the carrying value of those leased assets was approximately HK\$63,207,000 (2005: HK\$100,560,000) and the amount of obligations under finance leases was approximately HK\$5,489,000 (2005: HK\$22,158,000).

Employees and Emolument Policies

At 31st August, 2006, the Group had approximately 22,000 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.

資本開支

截至二零零六年八月三十一日止年度，本集團已投資約460,086,000港元(二零零五年度：411,832,000港元)以增加物業、機器及設備和預付租賃款項。集團預期下一財政年度的資本開支約為四億二千萬港元。

或然負債

於二零零五年八月三十一日，集團就附追索權之營業應收款項讓售之或然負債約為37,992,000港元。於二零零六年八月三十一日，並無附追索權之營業應收款項讓售。

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。於二零零六年八月三十一日，該等租賃資產之賬面值約為63,207,000元(二零零五年度：100,560,000港元)及財務租賃應付賬款的金額約為5,489,000港元(二零零五年度：22,158,000港元)。

僱員及酬金政策

集團於二零零六年八月三十一日之全職僱員人數約為22,000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。