

BUSINESS REVIEW

The Group's total turnover for this fiscal year amounted to HK\$6,216 million (2003: HK\$5,199 million), a 20% increase compared to last year. Net profit from ordinary activities attributable to shareholders was HK\$422 million (2003: HK\$591 million), a drop of 29% from the prior year. The Board has recommended a final dividend of HK12.0 cents (2003: HK14.0 cents) per ordinary share. Including interim dividend, total dividend per share amounts to HK 20.0 cents, a decrease of 20% over last year's HK25.0 cents.

Turnover of the fabric business grew by 21% to HK\$3,627 million (2003: HK\$3,005 million). This represented 58% of the Group's total turnover. Cotton prices started to soar unexpectedly from February 2003. They rose more than 100% from April 2003 to their peak in October 2003. At the same time, the global economy remained sluggish. The market conditions were unfavourable that the Group was unable to immediately pass on the increase in raw material costs to its customers. It was until the second half of the year that the Group had stronger pricing power when the business environment was improving. During the year, the Group handled less rush orders which had more handsome margins in view of the volatility of cotton prices. Though faced with difficult environment, the Group was still able to capture an uninterrupted order flow. As planned, fabric manufacturing capacity grew by about 20% in the year. Since early 2004, cotton prices have softened and operating environment has stabilized.

業務回顧

本集團本財政年度之總營業額為港幣6,216百萬元(二零零三年:港幣5,199百萬元),較去年上升20%。股東應佔經常業務溢利淨額為港幣422百萬元(二零零三年:港幣591百萬元),較去年減少29%。董事會建議派發末期股息每股港幣12.0仙(二零零三年:港幣14.0仙)。連同中期股息,每股股息總額為港幣20.0仙,較去年之港幣25.0仙減少20%。

針織布業務之營業額上升21%至港幣3,627百萬元(二零零三年:港幣3,005百萬元),此為集團總營業額之58%。棉花價格意外地於二零零三年二月開始上升,由二零零三年四月至二零零三年十月之高峰期內共上升超過100%。與此同時,全球經濟仍然呆滯不前。在市況不景下,本集團未能即時將原料成本之上升轉嫁與客戶。直至下半年業務環境改善,本集團才有較佳之議價能力。本年內在棉花價格波動情況下,本集團減少處理利潤較高之急單。雖然面對困難環境,本集團仍能取得不斷之單源。在年內針織布生產力仍照計劃增加了約20%。棉花價格於二零零四年初開始回軟,而經營環境亦趨穩定。

Sales of the retail business was HK\$2,548 million (2003: HK\$2,145 million), a rise of 19% and represented 41% of the Group's total turnover. The retail business performance was severely hit by the outbreak of Severe Acute Respiratory Syndrome in the first half of the year. As the retail market recovered in the second half period, the Group speeded up its store expansion to compensate the loss. During the second half of the year, both revenue and operating profit grew significantly. Mainland China remained the focus of business expansion. At the year end, the development in different markets was as below:

零售業務銷售額為港幣2,548百萬元(二零零三年：港幣2,145百萬元)，增長19%，佔本集團總營業額41%。上半年零售業務表現受非典型肺炎擴散嚴重打擊。到下半年零售市場復甦，本集團加速店舖擴張以追回損失。於下半年，銷售額及經營溢利均有明顯增長。中國大陸仍為業務發展之重心。於本年度完結時，在各地市場之發展情況茲列如下：

Mainland China

中國大陸

		2004	2003	2002	2001	2000
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	1,598	1,432	1,359	1,199	783
Net sales increase in percentage	銷售淨額之增加 百分率	12	5	13	53	41
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎)*#	621,294	411,454	274,280	204,296	119,502
Number of sales associates*	售貨員數目*	6,395	4,770	3,741	2,732	1,487
Number of outlets*	門市數目*	1,750	1,060	831	637	377

Hong Kong and Macau

香港及澳門

		2004	2003	2002	2001	2000
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	393	330	310	295	179
Net sales increase in percentage	銷售淨額之增加 百分率	19	6	5	65	13
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	64,930	55,096	33,627	33,684	23,748
Number of sales associates*	售貨員數目*	382	298	212	251	142
Number of outlets*	門市數目*	62	45	37	39	21

Taiwan

台灣

		2004	2003	2002	2001	2000
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	440	319	282	188	69
Net sales increase/ (decrease) in percentage	銷售淨額之增加/ (減少) 百分率	38	13	50	172	(14)
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	150,965	124,649	106,321	82,979	23,273
Number of sales associates*	售貨員數目*	614	541	469	365	98
Number of outlets*	門市數目*	196	155	114	96	39

Singapore and Malaysia

新加坡及馬來西亞

		2004	2003	2002	2001	2000
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	117	64	43	—	—
Net sales increase in percentage	銷售淨額之增加 百分率	83	49	—	—	—
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	31,289	12,894	11,107	—	—
Number of sales associates*	售貨員數目*	234	119	112	—	—
Number of outlets*	門市數目*	32	17	15	—	—

* As at 31 March
For self-managed stores

* 於3月31日
自營店

Net profit contributed by our associated garment manufacturing business was HK\$31 million (2003: HK\$44 million), a decline of 30%. During the year, about 75% of the fabric used was supplied by the fabric division. Sales to the retail division was about 29% of its revenue. During the year, this business was also badly affected by the surge of the raw material prices.

FINANCIAL CONDITION

Liquidity and financial resources

Liquidity of the Group remained strong. The current ratio, cash and cash equivalents and the unutilized banking facilities as at the year end were 1.8, HK\$634 million and HK\$1,179 million respectively. The capital expenditure of the Group was mainly financed by its internal resources and bank loans. New long term bank loans utilized during the year amounted to HK\$322 million with maturity profile ranging from two to three years. At the year end, shareholders' equity increased by HK\$133 million from last year to HK\$2,448 million and the gearing ratio and interest coverage ratio were 0.8 and 130 times respectively. The gearing ratio refers to the ratio of total liabilities and minority interests to shareholders' equities.

Contingent liabilities

At the year end, the major contingent liabilities, not reflected in the financial statements, were HK\$272 million. These mainly represented the discounted export bills of HK\$256 million and the guarantees of HK\$13 million made by the Group in respect of the banking facilities of an associated company.

聯營製衣業務之溢利淨額貢獻為港幣31百萬元（二零零三年：港幣44百萬元），下跌30%。於年內，約75%之布料消耗由針織布部門供應，而零售部門則佔其銷貨額約29%。年內此業務亦受原料價格上升嚴重影響。

財務狀況

流動資金及財務資源

本集團流動資金維持強勁。於年結日，流動比率、現金及現金等價物及未使用的銀行信貸額分別為1.8、港幣634百萬元及港幣1,179百萬元。本集團主要以內部資源及銀行貸款滿足資本性的要求。本年新增的長期銀行貸款為港幣322百萬元，貸款期為二至三年。於年結日，股東權益較去年增加港幣133百萬元至港幣2,448百萬元，而資本負債比率及利息保障比率分別為0.8及130倍。資本負債比率乃指總負債及少數股東權益與股東權益之比率。

或有負債

於年結日，未於財務報表反影的或有負債為港幣272百萬元。該等或有負債主要為港幣256百萬元出口票據貼現，及本集團為一聯營公司銀行信貸作的港幣13百萬元擔保。

Capital expenditure

Total capital expenditure of the Group for the year was HK\$621 million. Capital expenditure of HK\$469 million was incurred by the textile business for:

- the expansion of production capacity;
- the development of the coal-fired power generating plant; and
- the establishment of a spinning factory annexed to the existing textile factories.

Capital expenditure of HK\$150 million was incurred by the retail business for the outlet addition, the acquisition of retail properties in the PRC and the establishment of a commercial mall in Taiwan.

Pledge of assets

No significant assets were pledged at the year end.

Foreign exchange and interest rate risks

The Group has solid policies in managing the foreign exchange and interest rate risks. During the year, the Group's major revenues, expenses and procurements were denominated in HKD, USD, Renminbi, Euro and Yen. To reduce the foreign currency risk, the Group has arranged forward contracts to cover its foreign exchange exposure.

資本性支出

於本年內，本集團資本性支出為港幣621百萬元。紡織業務的資本性支出為港幣469百萬元，主要用作：

- 提升生產量；
- 擴展以煤發動之能源系統；及
- 於現時紡織廠旁建立新的紡紗廠。

零售及分銷業務的資本性支出為港幣150百萬元，主要用於增加零售點、購置國內零售物業及於台灣建立商場。

資產抵押

於年結日，並無重大資產已作抵押。

滙兌及利率風險

本集團擁有穩固的管理外滙及利率風險制度。於年內，本集團的主要收入、支出及採購皆以港元、美元、人民幣、歐元及日元進行。本集團曾安排遠期合約以減低外滙風險。

All the interest bearing borrowings of the Group are mainly HIBOR based. During the year, the interest rate was staying at a low level. The Group will continue to monitor closely the interest rate movements and arrange necessary financial instruments to reduce the risk.

HUMAN RESOURCES

As at 31 March 2004, the Group had about 18,100 (2003: 14,500) employees in the People's Republic of China (the "PRC"), Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

Since early 2004, cotton prices have stabilized with steady downward movements. Such correction in cotton prices has provided a more stable operating environment for the Group. Management looks cotton prices will continue to trend down this year. At the same time, the global economy has shown signs of recovery. Looking into 2005, Management anticipates to have a more favourable business environment and will adopt the following positive measures:

1. Fabric manufacturing capacity will continue to expand by about 20% to capture further market share. Capacity expansion will still be centralized in Dongguan, China to maximize operating efficiency. The location has ample land space, and is equipped with a full in-house coal burning power generation plant and environmentally friendly water treatment facilities.

本集團主要附息借貸均以銀行同業拆息利率為基礎。於本年內，利率維持於低水平。本集團會繼續加強注意利率走勢，並安排財務工具以減低利率風險。

人力資源

於二零零四年三月三十一日，本集團於中華人民共和國（「中國」）、新加坡及馬來西亞共有僱員約18,100人（二零零三年：14,500人）。員工薪酬之釐定主要基於行業之情況及員工個人之表現。

展望

自二零零四年初起，棉花價格開始穩定並有下調趨勢。棉花價格之回順，令本集團之經營環境趨於穩定。管理層認為棉花價格於本年內將繼續下調。同時，全球經濟已顯現復甦徵狀。展望二零零五年，管理層預期業務環境將有改善，並將採取下列正面措施：

1. 針織布產量將增加約20%以繼續爭取市場佔有率。產量擴展仍將集中於中國東莞以盡取營運效益。此處擁有龐大土地，亦裝備了一全自用煤發電之系統與及環保污水處理設施。

2. The Group is setting up an in-house yarn spinning factory at the same Dongguan site. This upward vertically integrated facility is expected to commence production in October 2004. The factory will be equipped with most advanced machinery to improve the Group's ability to produce more high value-added products and handle more rush orders.
 3. The Group will continue its rapid retail expansion in Mainland China by opening about 350 new stores in the coming year. About 50 outlets will open in Hong Kong, Taiwan and Singapore. Management plans to achieve a 20% revenue growth. Management will also focus on margin expansion, mainly by cost savings and operation efficiency enhancement.
 4. Garment manufacturing capacity is expected to grow by about 15%. In case the market conditions are more favourable after the quota elimination, Management will take a more aggressive expansion in this sector.
2. 本集團正在東莞同地興建一自用之紡紗廠。此向上之垂直合縱設施預計將於二零零四年十月投產。此廠房將裝備最先進之機械設備，以提高本集團生產高增值產品之能力與及處理更多急單。
 3. 本集團之零售業務在中國大陸仍將繼續急促擴展，來年將開設約350間新店。在香港、台灣及新加坡則共開設約50間新店。管理層預期營業額將增長約20%。管理層亦將注重改善邊際利潤，主要集中於成本控制及改善經營效益。
 4. 製衣產量預料將增加約15%。如更佳市場情況在配額取消後出現，管理層將於此業務採取更具野心之擴展。

Management is optimistic towards future business outlook and expects improved results in the coming year.

管理層對業務前景樂觀，並預期來年能取得進步之業績。