

## BUSINESS REVIEW

For the fiscal year ended 31 March 2005, total turnover increased by 17%, to HK\$7,303 million (2004: HK\$6,216 million). Net profit from ordinary activities attributable to shareholders was HK\$468 million (2004 : HK\$422 million), an increase of 11% over last year. The Board has recommended a final dividend of HK11.0 cents (2004 : HK12.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share amounts to HK21.0 cents, an increase of 5% over last year's HK20.0 cents.

Turnover of the fabric business grew by 13% to HK\$4,109 million (2004 : HK\$3,627 million). This represented 56% of the Group's total turnover. Revenue growth was mainly driven by the expansion of about 20% production capacity in the period. The slide of cotton prices from the peak level had created a better business environment. The textile quota disputes had no adverse effect on the Group's business and order flow had been stable during the year. Our textile products were still mainly exported from China to various garment subcontracting areas over the world. The U.S.A. remained the major buying market, accounting for about 69% of the fabric revenue. The new in-house yarn spinning factory has been in good operation and has improved the Group's ability in handling rush orders.

## 業務回顧

截至二零零五年三月三十一日止財政年度之總營業額上升17%至港幣7,303百萬元(二零零四年：港幣6,216百萬元)。股東應佔經常業務溢利淨額為港幣468百萬元，較去年增長11%。董事會建議派發末期股息每股港幣11.0仙(二零零四年：港幣12.0仙)。連同中期股息，每股股息總額為港幣21.0仙，較去年之港幣20.0仙增加5%。

針織布業務營業額上升13%至港幣4,109百萬元(二零零四年：港幣3,627百萬元)。此為集團總營業額之56%。銷貨增長主要由於期內生產力增加約20%所致。棉花價格由高位回落令業務環境略為改善。紡織品配額爭議對本集團之業務並沒有影響，貨品訂單於全年皆保持穩定。本集團之紡織產品仍主要由中國出口至世界各製衣加工地。美國仍為最大之採購市場，佔針織布營業額約69%。新置自用之紡紗廠運作良好，改善了本集團接急單之能力。

Sales of the retail business was HK\$3,146 million (2004 : HK\$2,548 million), a rise of 23%, and represented 43% of the Group's total turnover. In order to take greater market share, the Group speeded up its store expansion during the year. Mainland China continued to be the focus of expansion with about 1,000 new outlets added. Higher operating expenses were thus incurred. At the year end, the development in different markets was as below:

零售業務銷售額為港幣3,146百萬元(二零零四年：港幣2,548百萬元)，增長23%，佔本集團總營業額 43%。由於要擴展市場佔有率，本集團於年內加速了店舖之開設。中國大陸仍為發展之重心，增加了約1,000新銷售點。業務開支亦因此而上升。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**

		2005	2004	2003	2002	2001
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	<b>1,963</b>	1,598	1,432	1,359	1,199
Net sales increase in percentage	銷售淨額之增加百分率	<b>23</b>	12	5	13	53
Retail floor area (sq.ft.)**	零售樓面面積 (平方呎)**	<b>1,322,547</b>	621,294	411,454	274,280	204,296
Number of sales associates*	售貨員數目*	<b>10,534</b>	6,395	4,770	3,741	2,732
Number of outlets*	門市數目*	<b>2,837</b>	1,750	1,060	831	637

**Hong Kong and Macau**

**香港及澳門**

		2005	2004	2003	2002	2001
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	<b>463</b>	393	330	310	295
Net sales increase in percentage	銷售淨額之增加百分率	<b>18</b>	19	6	5	65
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) **	<b>81,442</b>	64,930	55,096	33,627	33,684
Number of sales associates*	售貨員數目*	<b>536</b>	382	298	212	251
Number of outlets*	門市數目*	<b>85</b>	62	45	37	39

**Taiwan**

**台灣**

		2005	2004	2003	2002	2001
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	<b>557</b>	440	319	282	188
Net sales increase in percentage	銷售淨額之增加百分率	<b>27</b>	38	13	50	172
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) **	<b>219,625</b>	150,965	124,649	106,321	82,979
Number of sales associates*	售貨員數目*	<b>706</b>	614	541	469	365
Number of outlets*	門市數目*	<b>270</b>	196	155	114	96

Singapore and Malaysia

新加坡及馬來西亞

		2005	2004	2003	2002	2001
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	<b>163</b>	117	64	43	—
Net sales increase in percentage	銷售淨額之增加百分率	<b>39</b>	83	49	—	—
Retail floor area (sq.ft.) <sup>*#</sup>	零售樓面面積 (平方呎) <sup>*#</sup>	<b>49,748</b>	31,289	12,894	11,107	—
Number of sales associates <sup>*</sup>	售貨員數目 <sup>*</sup>	<b>355</b>	234	119	112	—
Number of outlets <sup>*</sup>	門市數目 <sup>*</sup>	<b>74</b>	32	17	15	—

\* As at 31 March

# For self-managed stores

\* 於三月三十一日

# 自營店

Turnover of our garment associate amounted to HK\$816 million (2004 : HK\$713 million), a growth of 14%. Net profit contribution to the Group was HK\$36 million (2004 : HK\$31 million), an increase of 16%. During the year, about 75% of the fabric consumed was supplied by our fabric division. Sales to the retail division was about 26% of the associate's revenue. Production capacity grew by about 20% in the year.

聯營製衣業務之營業額為港幣816百萬元(二零零四年：港幣713百萬元)，上升14%。對集團淨溢利貢獻為港幣36百萬元(二零零四年：港幣31百萬元)，增長16%。於年內約75%使用之布料由本集團針織布廠供應。銷貨至本集團零售部門則佔其銷售額約26%。生產力於年內上升約20%。

## FINANCIAL CONDITION

### Liquidity and financial resources

The financial position of the Group remained strong. The cash and cash equivalents amounted to HK\$682 million at the year end. The net cash inflow from operating activities for the year reached a record high level of HK\$874 million. The accounts receivable turnover was reduced by 10 days from last year to 21 days. Following the stabilization of the cotton price during the year, the Group continued to reduce its inventory to a more healthy level. The stock turnover on sales was 53 days, a reduction of 8 days over last year. The Group financed its expansion mainly by cash inflow from its operation, bank borrowings and a shareholder loan. At the year end, the unutilized banking facilities amounted to HK\$1,716 million and the gear ratio was 0.8. The gearing ratio refers to the ratio of total liabilities and minority interests to shareholders' equity. For the period under review, the interest coverage ratio was 55 times. With ample financial resources and strong financial position, the Group has confidence in taking advantage of any favourable opportunities in the coming years.

### Contingent liabilities

As at 31 March 2005, the contingent liabilities of the Group amounted to HK\$256 million. These mainly represented the discounted export bills of HK\$240 million and the guarantees of HK\$13 million made by the Group in respect of the banking facilities of its associated company.

## 財務狀況

### 流動資金及財務資源

本集團財務狀況維持強勁。於年結日，現金及現金等價物達港幣682百萬元，本年度之集團經營所得現金流入淨額錄得破紀錄之港幣874百萬元。應收賬周轉期較去年減少10天至21天。此外，由於本年內棉花價格趨向穩定，集團繼續將存貨量減低至較健康水平。於年結日，存貨周轉期較去年減少8天至53天。本集團主要以其營運所得之資金、銀行貸款及股東貸款等不斷擴充。於年結日，未使用之銀行信貸額為港幣1,716百萬元，資本負債比率為0.8，而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。本年度之利息保障比率為55倍。由於財務資源非常充裕及財務狀況穩健，本集團對爭取任何有潛質的發展機會充滿信心。

### 或有負債

於二零零五年三月三十一日，本集團之或有負債為港幣256百萬元，這主要包括港幣240百萬元之出口票據貼現，及本集團為聯營公司所作之銀行信貸擔保港幣13百萬元。

### Capital expenditure

Total capital expenditures of the Group for the year amounted to HK\$625 million. HK\$392 million was incurred by the textile business for the establishment of the spinning factory, the acquisition of plant and machinery and the development of the second phase of the heat/electricity generating system. The other HK\$233 million was incurred by the retail business for the expansion of retail networks in the Greater China.

### Pledge of assets

No significant assets were pledged at the year end.

### Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudence policy in managing its interest rate and currency exchange rate risks. The major interest-bearing loans of the Group were HIBOR based Hong Kong dollar loans with maturity due within three years. To reduce the interest rate risk, the Group had arranged financial instruments to reduce its exposure.

During the year, the major revenues, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, Euro and Yen and the Group had arranged foreign exchange forward contracts to reduce its currency exchange rate risk.

### HUMAN RESOURCES

As at 31 March 2005, the Group had about 21,800 (2004: 18,100) employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

### 資本性支出

於本年度，本集團資本性支出為港幣625百萬元，其中紡織業務之資本性支出為港幣392百萬元，主要用作建設紡紗廠、購置廠房及機器設備及發展第二期熱電聯工系統。此外，零售業務之資本性支出為港幣233百萬元，主要用作擴大大中華之銷售網絡。

### 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

本集團維持嚴格及審慎政策管理利率與滙率的風險。本集團主要附息貸款為港元，利率以香港同業拆息為基礎計算，並於三年內到期。為減低利息風險，本集團已安排金融工具以降低利息波動的風險。

於年內，本集團主要收入、支出及採購皆以港元、美元、人民幣、歐羅及日元進行，本集團已安排遠期外滙合約以減低滙率風險。

### 人力資源

於二零零五年三月三十一日，本集團於中國、新加坡及馬來西亞共有僱員約 21,800 人（二零零四年：18,100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。

## OUTLOOK

Cotton prices have stabilized and global economy is improving. The textile export disputes will have no adverse effect on the Group's business. Looking ahead, a more favourable operating environment is expected.

The knitted-fabric industry is still under consolidation and we believe that our market share will increase continuously. The Group will grow about 20% productivity in the coming year. Production expansion will still be centralized in our existing Dongguan site to enhance operating efficiency. The Group occupies about 7 million sq.ft. of land at the site and there is still ample space available for future expansion adjacent to the site.

The garment associate is also expanding its production capacity in Mainland China to cope with increasing demands. The Management will closely monitor the development of textile export disputes and adjust its business strategies as changes arise.

After last year's rapid store expansion in the retail business, the Management will focus on same store performance improvement and cost controls to enhance profit margin advancement. Only about 100 new stores will be opened in the coming fiscal year. As the business has established a strong foundation, a remarkable improved performance is expected in the next year.

The Management has made comprehensive plans for the new fiscal year and is confident to report improved results in the coming year.

## 展望

棉花價格漸趨平穩而全球經濟亦在改善中。紡織品出口爭議將不會對集團業務帶來不利之影響。展望未來，經營環境預料將更理想。

針織布行業仍在整固中，相信本集團之市場佔有率將繼續增加。本集團於來年將擴大約20%之生產力。生產力之擴展仍集中於本集團在東莞之廠房以增取生產效益。本集團在此廠房現佔地約7百萬平方呎，而週邊仍有足夠餘地作未來發展用途。

聯營製衣業務亦在中國大陸擴展生產量以應付需求。管理層將密切注意紡織品出口爭議之發展，若情況有改變時將調整其業務策略。

零售業務經過去年之急速店舖擴展，管理層將專注於改善同店表現及成本控制以增加邊際利潤。來年祇會開設約100間新店。此業務已建立了良好根基，明年表現預計將有明顯之進步。

管理層已為新財政年度製訂週詳之計劃，並對來年取得進步之業績充滿信心。