

BUSINESS REVIEW

For this financial year ended 31 March 2006, the Group's total turnover increased by 6%, to HK\$7,749 million (2005: HK\$7,303 million). Net profit for the year attributable to the equity holders of the parent was HK\$480 million (2005: HK\$462 million, restated), an increase of 4% over last year. The Board has recommended a final dividend of HK11.0 cents (2005: HK11.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share amounts to HK22.0 cents, an increase of 5% over last year's HK21.0 cents.

Textile business

The fabric business had a turnover of HK\$4,258 million (2005: HK\$4,109 million), a growth of 4% compared with last year. The amount was 55% of the Group's total turnover. Despite the Group had a capacity expansion of about 20% in the year, only slight revenue growth was achieved mainly due to the reduction of the average selling price as a result of the decrease of raw material prices. Business environment was more favourable that operating profit margin increased to 12.1% from last year's 10.3%. However, operating costs increased due to the upsurge of fuel prices, wage inflation, rise in interest expenses and the appreciation of Renminbi. The Group maintained strict control on costs in order to improve the profit margin. Order flow had been stable throughout the year. For the year under review, USA remained our major market and accounted for about 72% of the textile revenue.

業務回顧

截至二零零六年三月三十一日止之本財政年度，本集團之總營業額上升6%至港幣7,749百萬元（二零零五年：港幣7,303百萬元）。母公司普通權益所有者應佔溢利淨額為港幣480百萬元（二零零五年：港幣462百萬元，經修訂），較去年增長4%。董事會建議派發末期股息每股港幣11.0仙（二零零五年：港幣11.0仙）。連同中期股息，每股股息總額為港幣22.0仙，較去年之港幣21.0仙增加5%。

紡織業務

針織布業務營業額為港幣4,258百萬元（二零零五年：港幣4,109百萬元），較去年上升4%。此為本集團總營業額之55%。雖然本集團於年內增加產量約20%，銷售額卻祇錄得輕微增長，主要是由於原料價格回落令平均銷售價格亦同步下調。業務經營環境有所改善令經營溢利由去年之10.3%上升至12.1%。然而，經營成本卻因燃料上揚、工資通漲、利息費用上升與及人民幣升值而增加。本集團已嚴控成本以改善邊際利潤。貨品訂單於全年皆保持穩定。年內本集團之主要市場仍為美國，佔紡織業務銷售額約72%。

Retail and distribution business

Sales of this operation amounted to HK\$3,444 million (2005: HK\$3,146 million), a rise of 9%, and represented 44% of the Group's total turnover. The business made a loss in the year mainly due to the rapid store expansion in the previous year that incurred substantial expenses. The business performance improved in the second half of the fiscal year to resume a small profit. Mainland China remains the focus of our retail operation where shops are existed in over 260 cities. At the year end, the development in different markets was as below :

零售及分銷業務

此業務之銷售額達港幣3,444百萬元(二零零五年：港幣3,146百萬元)，上升9%，佔本集團總營業額44%。此業務於年內錄得虧損主要由於上年店舖擴展迅速帶來龐大之支出。業務表現於本財政年度下半年已有所改善而錄得小額盈利。中國大陸仍為零售業務發展之重心，在超過260個城市設有店舖。於本年度完結時，在各地市場之發展情況如下：

Mainland China

中國大陸

		2006	2005	2004	2003	2002
Net sales (HK\$ million)	銷售淨額(港幣百萬元)	2,219	1,963	1,598	1,432	1,359
Net sales increase	銷售淨額之增加					
in percentage	百分率	13	23	12	5	13
Retail floor area (sq.ft.)**	零售樓面面積(平方呎)**	1,601,473	1,322,547	621,294	411,454	274,280
Number of sales associates*	售貨員數目*	10,119	10,534	6,395	4,770	3,741
Number of outlets* ^Δ	門市數目* ^Δ	3,143	2,837	1,750	1,060	831

Hong Kong and Macau

香港及澳門

		2006	2005	2004	2003	2002
Net sales (HK\$ million)	銷售淨額(港幣百萬元)	496	463	393	330	310
Net sales increase	銷售淨額之增加					
in percentage	百分率	7	18	19	6	5
Retail floor area (sq.ft.)**	零售樓面面積(平方呎)**	78,285	81,442	64,930	55,096	33,627
Number of sales associates*	售貨員數目*	624	536	382	298	212
Number of outlets*	門市數目*	94	85	62	45	37

Taiwan		台灣				
		2006	2005	2004	2003	2002
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	513	557	440	319	282
Net sales increase	銷售淨額之增加					
in percentage	百分率	(8)	27	38	13	50
Retail floor area (sq.ft.)**	零售樓面面積 (平方呎)**	208,925	219,625	150,965	124,649	106,321
Number of sales associates*	售貨員數目*	603	706	614	541	469
Number of outlets*	門市數目*	266	270	196	155	114

Singapore and Malaysia		新加坡及馬來西亞				
		2006	2005	2004	2003	2002
Net sales (HK\$ million)	銷售淨額 (港幣百萬元)	216	163	117	64	43
Net sales increase	銷售淨額之增加					
in percentage	百分率	33	39	83	49	—
Retail floor area (sq.ft.)**	零售樓面面積 (平方呎)**	92,462	49,748	31,289	12,894	11,107
Number of sales associates*	售貨員數目*	563	355	234	119	112
Number of outlets*	門市數目*	76	74	32	17	15

* As at 31 March

For self-managed stores

△ Including self-managed and franchise stores

* 於三月三十一日

自營店

△ 包括自營店及特許經營店

Garment business

Turnover of our garment associate amounted to HK\$979 million (2005: HK\$816 million), a growth of 20%. Net profit contribution to the Group was HK\$54 million (2005: HK\$38 million), a sharp increase of 42%. During the fiscal year, about 55% of the fabric consumed was supplied by our textile business. Sales to the retail division was about 21% of its revenue.

製衣業務

聯營製衣業務營業額為港幣979百萬元(二零零五年：港幣816百萬元)，增長20%。對本集團淨溢利貢獻為港幣54百萬元(二零零五年：港幣38百萬元)，大幅上升42%。於年內約55%使用之布料由本集團之紡織業務供應。銷貨予本集團零售業務則佔其銷售額約21%。

FINANCIAL CONDITION

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the cash and cash equivalents and the total equity were 1.5, HK\$251 million and HK\$2,930 million at the year end respectively. The net cash inflow from operating activities for the year was HK\$51 million. The receivable turnover days increased by 20 days to 41 days over the last year. The receivables turnover days refer to the ratio of the year-end balance of receivables to the turnover of the year in days. The reasons for the increase were twofold. First, the discounted bills of HK\$240 million were not accounted for in the financial statements of last year. Following the adoption of the HKAS 39 this year, the discounted bills of HK\$149 million was included in the trade and bills receivable and interest-bearing bank borrowings in the financial statements in current year. Second, the surge in customer demand in the later part of the year has resulted in the significant increase in the sales and the undue receivable balance at the year end. The inventory turnover days increased by 8 days to 61 days over the last year. The increase in current year was mainly for satisfying the short delivery time of rush orders from customers. During the year, the Group financed its expansion mainly by cash inflow from its operation and bank borrowings. At the year end, the unutilised banking facilities amounted to HK\$2,363 million and the gearing ratio was 0.8. The gearing ratio refers to the ratio of total liabilities to total equity. With ample financial resources, the Group will continue to increase its production capacity to satisfy the increasing customer orders.

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，流動比率、現金及現金等價物及權益分別為1.5、港幣251百萬元及港幣2,930百萬元。本年度之集團經營所得現金流入為港幣51百萬元。應收賬款周轉期較去年上升20天至本年的41天。應收賬款周轉期乃指以天數代表的年結日應收賬款結餘與全年營業額的比率。應收賬款周轉期的上升原因有兩方面，（一）於去年，已貼現票據港幣240百萬元無需於財務報表列賬，但由於本年採納了香港會計準則第39號，已貼現票據港幣149百萬元，則須計入本年度的應收賬款及應收票據及附息銀行貸款中；（二）於本年末，客戶訂單急升，因此銷售及期末未到期應收賬款結餘大幅上升。存貨周轉期較去年上升8天至本年的61天。主要為應付較短交貨期的客戶急單。本集團主要以其營運所得之資金及銀行貸款等不斷擴充。於年結日，未使用之銀行信貸額為港幣2,363百萬元，資本負債比率為0.8。資本負債比率乃指總負債及總權益之比率。由於財務資源充裕，本集團將繼續擴充以滿足不斷增加之客戶訂單。

Contingent liabilities

As at 31 March 2006, the contingent liabilities of the Group amounted to HK\$38 million. These mainly represented (1) the corporate guarantee of HK\$13 million made for the banking facilities of an associated company; (2) the corporate guarantee of HK\$9 million made for the issuance of bank guarantee in lieu of property rental deposits for certain subsidiaries; (3) the contingent liabilities of HK\$12 million related to the claim of business tax against a subsidiary of the Group in Taiwan.

Capital expenditure

Total capital expenditures of the Group for the year amounted to HK\$351 million, of which HK\$148 million was incurred by the textile business for the expansion of its production facilities. On the other hand, HK\$203 million was incurred by the retail and distribution business mainly for the addition of retail outlets.

Pledge of assets

No significant assets were pledged as at 31 March 2006.

或有負債

於二零零六年三月三十一日，本集團之或有負債為港幣38百萬元。這主要包括(一)為聯營公司銀行額度所作之擔保港幣13百萬元；(二)為部份附屬公司以銀行擔保代替物業租金訂金所作之擔保港幣9百萬元；(三)與本集團台灣一附屬公司營業稅索賠有關的或有負債港幣12百萬元。

資本性支出

於本年度，本集團總資本性支出為港幣351百萬元，其中紡織業務之資本性開支為港幣148百萬元，主要用作擴大生產設施。此外，零售業務之資本性支出為港幣203百萬元，主要用作擴大銷售網絡。

資產抵押

於二零零六年三月三十一日，並無重大資產已作抵押。

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within three years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international financial institutions. During the year, the major revenues, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, Yen, EURO and NTD. The Group had entered into forward contracts to reduce its currency exchange risk.

HUMAN RESOURCES

As at 31 March 2006, the Group had about 22,800 employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

Raw material prices have been stable and export disputes on textile products have been temporarily resolved. Interest rates will most likely to decline by early next year. Looking into 2007, the Management expects business environment will continue to improve.

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風險。本集團主要付息銀行貸款為港元，利率以香港銀行同業拆息為基礎計算，並於三年內到期。為減低利息風險，本集團已與國際性金融機構安排金融工具合約。於年內，本集團主要收入、支出及採購皆以港元、美元、人民幣、日元、歐羅及新台幣進行。本集團已安排遠期外滙合約以減低滙率風險。

人力資源

於二零零六年三月三十一日，本集團於中國、新加坡及馬來西亞共有僱員約22,800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

原料價格已趨平穩而紡織品出口爭議已獲初步解決。利率亦似乎會於明年初回落。展望2007年，管理層預料業務環境將繼續改善。

OUTLOOK *(continued)*

The knitted-fabric industry is still under consolidation mainly due to high entry barrier and strict environmental regulations imposed by most countries. The Group will continue to grow its textile capacity to enlarge market shares. Production expansion will still be centralized in our existing Dongguan site where the Group occupies about 10 million sq.ft. of land. The factories at the site are equipped with most advanced production and environmental facilities. The Group also operates an environmentally friendly coal-fired system to supply in house electricity. Ample space adjacent to the site has also been reserved for future capacity expansion.

The garment associate will also expand its capacity by about 20% in the coming year. The business has a good customer base and improved results are still expected in the new year.

The retail operation will slow down its store expansion but to focus on performance acceleration. Many new outlets opened in 2005 are now having mature performance. The business is anticipated to have a significant improvement in the year ahead.

The Management will maintain firm control on costs and will place the greatest effort to improve the Group's business competitiveness. The Management remains optimistic to report positive results in the coming year.

展望 (續)

針織布行業仍在整固中，主要由於入行困難及大部份國家皆實施嚴謹環保條例。本集團將繼續增產以擴大市場佔有率。擴展生產力仍將集中現時擁有約一千萬平方呎之東莞廠地。在此之廠房已配備最先進之生產及環保設施。本集團亦設有環保煤爐發電系統以供廠房用電。在廠地周邊亦儲備龐大土地以供將來擴產用途。

製衣業務於來年仍將擴產約20%。此業務具有良好客戶基礎，預計來年業績仍將再進一步。

零售業務將減慢店舖之開設而專注於表現之提升。許多於二零零五年開設之新店已有成熟之表現。預料此業務於來年將有明顯之進步。

管理層仍將繼續嚴控成本及致力增強本集團之業務競爭能力。管理層對來年取得進步之業績仍具信心。