

Management Discussion and Analysis 管理層之論述及分析

Business Review

The Group's turnover for this year was HK\$4,720 million, a 10% increase compared to last year. Net profit from ordinary activities attributable to shareholders was HK\$530 million, an increase of 14% over last year. Gross profit margin increased by 3% from last year. The Board has recommended a final dividend of HK12 cents (2001: HK9 cents) per share. Including interim dividend, total dividend per share will be HK20 cents, an increase of 33% over last year's HK15 cents.

Turnover for the fabric business increased slightly by 4% to HK\$2,688 million. This represented 57% of the total turnover. During the year, 19% of its sales was to the associate garment manufacturing business. Product prices had fallen sharply following the US September 11 incident, consequently our profit margin was affected. Prices eventually stabilised in March this year. To counter the situation, the Management strove to control costs and to increase productivity. From February this year, our new 700,000 sq.ft. factory in Dongguan has commenced production. Although production had been affected for a short period due to the relocation of equipment, since then capacity has been increased significantly. The Group's manufacturing activities are still concentrated in Ma Chong, Dongguan. The factory measures about 6 million sq.ft., and employs about 7,000 workers.

業務回顧

本集團本年度之營業額為47億2千萬港元，較去年增長10%。股東應佔經常業務溢利淨額為5億3千萬港元，較去年上升14%。邊際毛利與去年比較增加3%。董事會建議派發末期股息每股港幣12仙（二零零一年：港幣9仙）。連同中期股息，每股股息總額為港幣20仙，較去年之港幣15仙增加33%。

針織布業務營業額為26億8千8百萬港元，微增4%，佔總營業額57%。期內售予聯營之製衣業務佔銷售額19%。美國911事件後貨價曾急促下調令邊際利潤受壓，至本年三月才穩定下來。於此期間，管理層嚴控成本開支，亦加強生產力以爭取效益。本年二月，在東莞新一期面積約70萬平方呎之廠房開始投產。期間因生產設施重新調配短暫影響了生產力，但產量卻大為提高。生產廠房仍集中於東莞麻涌，現佔地約6百萬平方呎，僱用員工約7,000人。

Management Discussion and Analysis 管理層之論述及分析 *(continued 續)*

Sales for the retail business was HK\$1,994 million, a rise of 19%, and represented 42% of total turnover. Our focus for development remained to be Mainland China. At the year end, there were 831 retail outlets in Mainland China, about 40% of them were self-owned. In order to cater to a broader spectrum of customers, we have maintained our multi-brand strategy in this market. Already well known in China, 'Baleno' remains our major brandname. Our other brandnames, 'S&K', 'I.P. Zone', 'Bambini', 'Baleno Attitude' and 'ebase' have all found their own niches, and cater to different types of customers. At the year end, the development in Mainland China, Hong Kong, Taiwan and Singapore was as below:

零售業務銷售額為19億9千4百萬港元，上升19%，佔總營業額42%。中國大陸仍為發展之重心。於本年度完結時，在中國大陸共有831個銷售點，其中約40%為自營店。於此地仍用多牌子策略，以爭取多層面之顧客。BALENO 仍為主力牌子，已取得極佳之知名度，其他牌子 S&K、I.P. Zone、Bambini、Baleno Attitude 及 ebase 均有不同定位，以迎合不同之顧客。於本年度完結時，中國大陸、香港、台灣及新加坡之發展情況茲列如下：

Mainland China

中國大陸

		2002	2001	2000	1999	1998
Net sales (HK\$ million)	銷售淨額(百萬港元)	1,359	1,199	783	557	522
Net sales increase in percentage	銷售淨額之增加百分率	13%	53%	41%	7%	281%
Retail floor area (sq.ft.)*#	零售樓面面積(平方呎)* #	274,280	204,296	119,502	85,084	92,340
Number of sales associates*	售貨員數目*	3,741	2,732	1,487	1,291	1,155
Number of outlets*	門市數目*	831	637	377	232	193

Management Discussion and Analysis 管理層之論述及分析 *(continued 續)*

Hong Kong

香港

		2002	2001	2000	1999	1998
Net sales (HK\$ million)	銷售淨額 (百萬港元)	310	295	179	159	166
Net sales increase/(decrease) in percentage	銷售淨額之增加／ (減少) 百分率	5%	65%	13%	(4%)	181%
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) * #	33,627	33,684	23,748	16,448	13,306
Number of sales associates*	售貨員數目 *	212	251	142	124	117
Number of outlets*	門市數目 *	37	39	21	18	19

Taiwan

台灣

		2002	2001	2000	1999	1998
Net sales (HK\$ million)	銷售淨額 (百萬港元)	282	188	69	80	64
Net sales increase/(decrease) in percentage	銷售淨額之增加／ (減少) 百分率	50%	172%	(14%)	25%	0
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	106,321	82,979	23,273	26,060	27,409
Number of sales associates*	售貨員數目 *	469	365	98	105	120
Number of outlets*	門市數目 *	114	96	39	39	37

Singapore

新加坡

		2002	2001	2000	1999	1998
Net sales (HK\$ million)	銷售淨額 (百萬港元)	43	—	—	—	—
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	11,107	—	—	—	—
Number of sales associates*	售貨員數目 *	112	—	—	—	—
Number of outlets*	門市數目 *	15	—	—	—	—

* As at 31 March
For Self-managed Stores

* 於3月31日
自營店

Profit contributed by our associated garment manufacturing business was HK\$62 million, an increase of 10%. During the period, about 87% of the fabric used was supplied within the group. Sales to the retail business was about 16% of its sales. Products prices were also temporarily affected by the US September 11 incident, hence affecting profit margin. As quotas were not required for exports from Vietnam to the US, our Vietnam factory supplied mainly to American brandnames, while our factory in China serviced mostly Asian brandnames. At the year end, production area in Mainland China and Vietnam totalled roughly 1.1 million sq.ft. and employed about 13,000 workers.

FINANCIAL CONDITION

Liquidity & Financial Resources

Liquidity of the Group remained sound. The net cash inflow from operating activities reached a record of HK\$778 million for the year (2001: HK\$567 million). As at 31 March 2002, improvement was achieved in the following liquidity indicators:

- (a) the cash and cash equivalents was HK\$557 million (2001: HK\$355 million);
- (b) the total liabilities to shareholders' equity ratio and the current ratio at the year end were 0.4 (2001: 0.5) and 2.3 (2001: 1.9) respectively;
- (c) the interest coverage ratio for the year was 103 times, compared with 86 times of 2001.

聯營製衣業務本年度之盈利貢獻為6千2百萬港元，增加10%。期間約87%之布料由集團針織布業務供應。而本集團之零售業務則佔其銷貨額約16%。美國911事件後貨價受壓，邊際利潤因而受到短暫之影響。由於越南出口至美國之成衣並無配額限制，越南廠房顧客以美國品牌為主，中國廠房則以亞洲品牌為主。於本年度完結時，中國及越南廠房共佔生產面積約110萬平方呎，共僱用工人約13,000人。

財務狀況

流動現金及財務資源

本集團之流動現金仍處於良好水平。經營所得現金流入淨額達創新高之7億7千8百萬港元（二零零一年：5億6千7百萬港元）。於2002年3月31日，下列流動現金指標均有改善：

- (a) 現金及現金等同結餘為5億5千7百萬港元（二零零一年：3億5千5百萬港元）；
- (b) 總負債與股東資金比率及流動比率分別為0.4（二零零一年：0.5）及2.3（二零零一年：1.9）；
- (c) 利息比率於本年為103倍，而二零零一年則為86倍。

As the cash inflow from operating activities remained strong during the year, funds required for daily operation and capital expenditure were mainly financed by internal cash flows.

The Group remained prudent in managing its financial resources. At the year end, the unutilised banking facilities were HK\$775 million (2001: HK\$803 million). The Group's contingent liabilities were HK\$100 million (2001: HK\$112 million), which were mainly related to discounted export bills.

Foreign Exchange and Interest Rate Risks

During the year, the revenue and procurement of the Group were mainly denominated in US dollar, HK dollar and Renminbi. The Group had entered into forward foreign exchange contracts and other financial instruments to reduce foreign exchange risks.

At 31 March, 2002, the only outstanding HKD bank borrowing of HK\$59 million with maturity in April 2005 was of HIBOR based loan. Since the US economic recovery remains unclear, so drastic increase in interest rate is not expected.

Pledge of Assets

At the year end, total assets of HK\$2 million (2001: HK\$79 million) were pledged for the arrangement of credit facilities.

期內由於經營所得現金流入強勁，日常經營支出及資本開支主要均由內部現金支付。

本集團於處理財務資源仍趨審慎，於本年度完結時未運用之銀行信貸額為7億7千5百萬港元（二零零一年：8億3百萬港元）。本集團之或有負債為1億港元（二零零一年：1億1千2百萬港元），其主要為出口票據貼現。

匯兌及利率風險

營運收入及貨款支出以美元、港元及人民幣為主。於本年度，本集團曾訂立外匯期貨合約及其他財務工具以減低匯兌風險。

於二零零二年三月三十一日，將於二零零五年四月到期之唯一銀行長期港元貸款5千9百萬港元其利率以香港銀行同業拆息為基礎。由於美國經濟復甦並不明朗，因而並不預期有利率急升之風險。

資產的抵押

於年結日，共有2百萬港元（二零零一年：7千9百萬港元）資產已抵押予銀行用作融資的安排。

HUMAN RESOURCES

As at 31 March 2002, the Group had about 11,500 (2001: 10,100) employees in The PRC and Singapore. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

The Management remains optimistic about all the businesses of the Group.

The Group is one of the largest suppliers of knitted fabric in the world. As brandname retailers have tightened their requirements when choosing suppliers, a large proportion of their orders have gone to the more established manufacturers. Unable to meet the demand for fast delivery, the smaller suppliers are gradually being crowded out. When the quota system for garments is abolished after the year 2004, more orders will further be centralised with the larger suppliers. We believe that our market share will increase continuously, so we expect to expand our productivity by 15% to 20% each year. To cope with our expansion, 2.5 million sq.ft. of land will be added to our existing 6 million sq.ft. in Dongguan shortly. As there is still ample space available for expansion adjacent to our factory site, there is no plan for development in other places. The new eco-friendly coal-fired generator system will be completed in September this year, we expect fuel costs to be significantly reduced when this is in use.

人力資源

於二零零二年三月三十一日，本集團於中國及新加坡共有僱員約11,500人（二零零一年：10,100人）。員工薪酬之厘定主要基於行業之情況及員工個人之表現。

展望

管理層認為本集團各項業務均有極佳之前景。

本集團為全球最大針織布供應商之一。由於零售品牌對供應商選擇日益嚴格，採購漸集中於具規模之供應商。加上近年交貨期日短，更令小規模之供應商備受壓力。二零零四年後全球成衣配額取消後，零售商之採購將更形集中。管理層相信本集團之市場佔有率將不斷提升，已準備未來每年增加生產力15%至20%。為應付擴展之需要，東莞現有之約600萬平方呎廠房將於短期內再增大250萬平方呎。由於現有廠址毗鄰仍有龐大空地以供發展，故暫無計劃於其他地方擴建廠房。全新以煤發電之環保系統將於本年九月左右完成，預計使用後可大量節省燃油費用。

Same as for the knitted fabric business, the market share of the garment manufacturing business is expected to be on the rise. After the abolishment of the quota system, we foresee business from global retailers to rise significantly. For the coming year, we expect to increase productivity by 25%.

The focus of the retail business will continue to be Mainland China. Development in other parts of Asia will depend on their respective economic conditions. Our major brandname 'Baleno' has become very well known in Mainland China. In the coming year we will put more effort into developing 'S&K' which is targeted at younger customers. Compared with 'Baleno', 'S&K' is a less familiar brand. In the coming year we plan to promote 'S&K' in a new light, and we expect to open 100 to 150 new retail outlets solely for this brand. For the other brands, 'Baleno', 'I.P. Zone', 'Baleno Attitude', 'Bambini' and 'ebase', steady development is planned for the coming year. As the retail business has established itself firmly in the market, we expect its performance to grow steadily in the future.

The Management has made comprehensive development plans for the future, and has progressed accordingly. No major obstacles or difficulties ahead are foreseen, hence we are confident about the results for the coming year.

一如針織布業務，製衣業務之市場佔有率亦將不斷提升。成衣配額制度取消後，零售商之訂單預計將進一步增多。展望來年，生產力將增大約25%。

零售業務來年仍以中國大陸為發展重心。其他亞洲地方之發展將視乎當地經濟情況而定。主力品牌 Baleno 在中國大陸已有良好之知名度，來年將會重點發展 S&K。S&K 以年青時尚顧客為對象，與 Baleno 比較，S&K 現在稍欠知名度。來年會將 S&K 重新推廣包裝，預計可開新店 100 至 150 間。其餘品牌 Baleno、I.P. Zone、Baleno Attitude、Bambini 及 ebase 亦將各有穩定之發展。零售業務已有良好之根基，預期其未來之業績表現將更趨穩定。

管理層對未來之業務發展已制訂極週詳之計劃，並積極全力進行。管理層並不察覺於未來發展中有任何嚴重之困難及阻礙，對來年之業績亦充滿信心。