

## BUSINESS REVIEW

For the fiscal year ended March 31, 2003, total turnover increased by 10%, to HK\$5,199 million (2002: HK\$4,720 million). Net profit from ordinary activities attributable to shareholders was HK\$591 million, an increase of 11% over last year. Gross profit amounted to HK\$1,684 million (2002: HK\$1,475 million), which represented a 14% growth from the previous year. Gross profit margin expanded to 32% (2002: 31%). The Board has recommended a final dividend of HK14.0 cents (2002: HK12.0 cents) per ordinary share. Including interim dividend, total dividend per share amounts to HK25.0 cents, an increase of 25% over last year's HK20.0 cents.

Turnover of the fabric business grew by 12% to HK\$3,005 million (2002: HK\$2,688 million). This represented 58% of the Group's total turnover. Amid a deflationary environment, product selling prices dropped by about 10% in the year. Revenue growth was mainly brought about by the expansion of approximately 20% of our production capacity. Business environment became more difficult in the second half year when raw material prices soared. However, order flow had been stable during the year. The USA remained the major market, accounting for about 62% of the total fabric revenue. To counter the adverse situation, the management imposed strict cost control measures in order to improve profit margin. With the commencement of the operation of the coal-fired electricity system in the second half year, energy costs were greatly reduced.

## 業務回顧

截至二零零三年三月三十一日止財政年度之總營業額上升10%至5,199百萬港元(二零零二年: 4,720百萬港元)。股東應佔經常業務溢利淨額為591百萬港元,較去年增加11%。毛利為1,684百萬港元(二零零二年: 1,475百萬港元),較去年增長14%。毛利率則增加至32%(二零零二年: 31%)。董事會建議派發末期股息每股港幣14.0仙(二零零二年: 12.0仙)。連同中期股息,每股股息總額為港幣25.0仙,較去年之港幣20.0仙增加25%。

針織布業務之營業額上升12%至3,005百萬港元(二零零二年: 2,688百萬港元),此為集團總營業額之58%。在通縮環境下,貨品售價在年內下跌約10%。銷貨增長主要由於生產力增大約20%所致。在原料價格上升情況下,下半年之經營環境變得更為困難。然而,貨品定單在期內一直保持平穩。美國仍為最主要市場,佔針織布銷貨約62%。對抗此等逆境,管理層採取嚴控成本措施以改善利潤。以煤發電之系統已於下半年啟用,能源成本得以大為節省。

Sales of the retail business amounted to HK\$2,145 million, a growth of 8% (2002: HK\$1,994 million) and represented 41% of the Group's total turnover. All markets experienced year-on-year sales improvement. Profit margin slipped due to the outbreak of SARS near the end of the fiscal year. Mainland China remained the major profit centre. At the year end, there were about 1,060 retail outlets in the Mainland, of which about 650 were "Baleno" stores and about 240 were "S&K" stores. 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2,145百萬港元，增長8%（二零零二年：1,994百萬港元），佔集團總營業額41%。各市場之銷售額比去年同期均有增長。邊際利潤下滑主要由於在本財政年度之末期受非典型肺炎爆發所影響。中國大陸仍為最主要之利潤中心。於本年度完結時，在中國大陸共有約1,060銷售點，其中約650間為「Baleno」店及約240間為「S&K」店。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

		2003	2002	2001	2000	1999
Net sales (HK\$ million)	銷售淨額 (百萬港元)	1,432	1,359	1,199	783	557
Net sales increase in percentage	銷售淨額之增加 百分率	5%	13%	53%	41%	7%
Retail floor area (sq.ft.)*#	零售樓面面積 (平方呎) *#	411,454	274,280	204,296	119,502	85,084
Number of sales associates*	售貨員數目*	4,770	3,741	2,732	1,487	1,291
Number of outlets*	門市數目*	1,060	831	637	377	232

**Hong Kong**

**香港**

		2003	2002	2001	2000	1999
Net sales (HK\$ million)	銷售淨額(百萬港元)	330	310	295	179	159
Net sales increase/ (decrease) in percentage	銷售淨額之增加/ (減少)百分率	6%	5%	65%	13%	(4%)
Retail floor area (sq.ft.)*#	零售樓面面積(平方呎)*#	55,096	33,627	33,684	23,748	16,448
Number of sales associates*	售貨員數目*	298	212	251	142	124
Number of outlets*	門市數目*	45	37	39	21	18

**Taiwan**

**台灣**

		2003	2002	2001	2000	1999
Net sales (HK\$ million)	銷售淨額(百萬港元)	319	282	188	69	80
Net sales increase/ (decrease) in percentage	銷售淨額之增加/ (減少)百分率	13%	50%	172%	(14%)	25%
Retail floor area (sq.ft.)*#	零售樓面面積(平方呎)*#	124,649	106,321	82,979	23,273	26,060
Number of sales associates*	售貨員數目*	541	469	365	98	105
Number of outlets*	門市數目*	155	114	96	39	39

**Singapore**

**新加坡**

		2003	2002	2001	2000	1999
Net sales (HK\$ million)	銷售淨額(百萬港元)	64	43	—	—	—
Net sales increase in percentage	銷售淨額之 增加百分率	49%	—	—	—	—
Retail floor area (sq.ft.)*#	零售樓面面積(平方呎)*#	12,894	11,107	—	—	—
Number of sales associates*	售貨員數目*	119	112	—	—	—
Number of outlets*	門市數目*	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\$44 million, a decline of 27%. During the year, about 86% of the fabric consumption was supplied by the fabric division. Sales to the retail division was about 22% of its turnover. As global market conditions were unfavourable, there was severe competition within the industry. Profit margin was affected by the fall in product prices and the rise in raw material costs.

## FINANCIAL CONDITION

### Liquidity & Financial Resources

As in the past, the Group continued to adopt a prudent approach in managing its financial resources. During the year, the Group maintained a very sound financial position. The net cash inflow from operating activities of the year amounted to HK\$524 million (2002: HK\$714 million). The cash and cash equivalents and the current ratio at the year end were HK\$485 million (2002: HK\$557 million) and 2.0 (2002: 2.3) respectively. The Group mainly relied on the strong cash inflow to finance its capital expenditure requirements. At the year end and for the year under review, the gearing and the interest coverage ratios were 0.5 (2002: 0.4) and 239 (2002: 103) respectively. The gearing ratio refers to the ratio of total liabilities and minority interests to shareholders' equity.

At the year end, the unutilized banking facilities of the Group were HK\$856 million (2002: HK\$775 million). With ample financial resources, the Group has confidence in capturing any investment opportunities.

聯營製衣業務之淨溢利貢獻為44百萬港元，下跌27%。於年內，約86%之布料消耗由針織布部門供應。而零售部門則佔其銷售額約22%。由於全球經濟情況並不理想，此行業競爭激烈。貨品價格下調及原料價格上升使邊際利潤受影響。

## 財務狀況

### 流動現金及財務資源

本集團維持以往的審慎管理財務資源策略。於年內，本集團保持良好的財務狀況。本年的經營所得現金流入淨額為524百萬港元（二零零二年：714百萬港元）。於年結日，現金及現金等價物及流動比率分別為485百萬港元（二零零二年：557百萬港元）及2.0（二零零二年：2.3），本集團主要以強勁的現金流入滿足資本性支出的要求。於年結日及年內，資本負債比率及利息保障比率分別為0.5（二零零二年：0.4）及239（二零零二年：103），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。

於年結日，本集團未動用的銀行信貸額為856百萬港元（二零零二年：775百萬港元）。由於財務資源充足，本集團有信心應付任何投資良機。



### Contingent Liabilities

The contingent liabilities of the Group, not reflected in the financial statements, were HK\$175 million (2002: HK\$100 million) at the year end. They were mainly related to discounted export bills and guarantees made by the Group for the banking facilities of an associate.

### Capital Expenditure

During the year, total capital expenditure of the Group amounted to HK\$324 million (2002: HK\$344 million). Out of the total capital expenditure, about HK\$260 million (2002: HK\$269 million) was invested by the fabric division for the expansion of production plant, additions of advanced machinery and construction of coal-fired electricity system. About HK\$63 million (2002: HK\$75 million) was invested by the retail division mainly for the additions of retail outlets in the Mainland China.

### Pledge of Assets

At the year end, no significant assets were pledged.

### Foreign Exchange and Interest Rate Risks

During the year, the major revenue and procurement of the Group were denominated in US dollar, HK dollar and Renminbi. Hence, the Group's exposure to foreign exchange risk was minimal. During the year, the Group had entered into forward agreements to reduce foreign exchange risks.

### 或有負債

於年結日，本集團未於財務報表反影的或有負債為175百萬港元（二零零二年：100百萬港元），該等或有負債主要與出口票據貼現及本集團為聯營公司的銀行信貸作擔保有關。

### 資本性支出

於本年內，本集團資本性支出共324百萬港元（二零零二年：344百萬港元），其中針織業務佔約260百萬港元（二零零二年：269百萬港元），主要用作擴建廠房、增加先進設備和建設煤爐發電站之用。另外，零售業務佔其餘約63百萬港元（二零零二年：75百萬港元），主要用作增加中國大陸的零售點。

### 資產抵押

於年結日，並無重大資產已作抵押。

### 匯兌及利率風險

於本年，本集團主要收入、採購皆以美元、港元及人民幣為主，因此外匯風險很低。於年內，本集團曾以遠期合約減低外匯的風險。

As the recovery of the world economy is still benign, the interest rate is expected to stay at a low level in the coming year. At the year end, the outstanding bank loans, which were mainly of HIBOR based with maturity in April 2005, had outstanding balances denominated in HK dollar amounted to HK\$40 million (2002: HK\$59 million).

#### HUMAN RESOURCES

As at 31 March 2003, the Group had about 14,500 (2002: 11,500) employees in The PRC and Singapore. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

#### OUTLOOK

Looking into 2004, the Management expects that the global economy will still be sluggish. Deflation will persist and consumer confidence is likely to remain weak. To further enhance the Group's competitiveness, the Management will adopt the following measures:

1. To combat deflation, the Management will continue with its stringent cost control measures.
2. For the fabric business, production capacity is expected to grow by 25% to benefit further from the economy of scale. Capital expenditure is budgeted at approximately HK\$180 million. Marketing activities will remain active to maintain our leading position in the industry and to enlarge our customer base.

由於世界經濟復甦緩慢，因此預期利率將維持於低水平。於年結日，未償還港元銀行貸款為40百萬港元（二零零二年：59百萬港元），其利率計算主要以銀行同業拆息利率作基礎，主要到期日為二零零五年四月。

#### 人力資源

於二零零三年三月三十一日，本集團於中國及新加坡共有僱員約14,500人（二零零二年：11,500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

展望二零零四年，管理層預計全球經濟仍然呆滯。通縮仍將持續而消費者信心則繼續疲弱。管理層將採取下列措施以加強本集團之競爭力：

1. 管理層將繼續嚴控成本以對抗通縮。
2. 針織布業務預計將再擴大25%之生產力以取得更佳之成本效益。資本投資預計約為一億八千萬港元。市場推廣仍將積極地進行以保持市場領導地位及擴大客戶基礎。

3. For the retail division, we expect to have about 250 new outlets in Asia. Mainland China will remain our focus market, we intend to operate more "S&K" stores in bigger cities and more "Baleno" outlets in newly developed cities. Capital expenditure for the store expansion is anticipated at HK\$60 million. The Management will also concentrate on product development to improve profit margin.

4. The Management of the garment division will continue to explore new markets and expand customer base. The division will also increase its productivity to improve operating efficiency.

We foresee the year ahead to be a challenging year and the Management has made comprehensive plans to take on the challenges. With a solid financial position, the Management remains optimistic to report improved results in the coming year.

3. 零售業務方面，預計在亞洲將再開設約250間新店。中國大陸仍為重點市場，將在大城市增設「S&K」店及在新發展城市開設更多「Baleno」店。擴展銷售點之資本開支預計約為六千萬港元。管理層亦注重產品開發以改善邊際利潤。

4. 製衣業務之管理層將繼續發展新市場及擴大客戶基礎。此部門亦再增強生產力以增進經營效益。

預期來年將會是充滿挑戰性之一年，而管理層已制訂週詳之計劃以接受挑戰。在穩健之財務狀況下，管理層對來年取得進步之業績仍表樂觀。