

Business Review

The Group recovered quickly from the Asian economic crisis. Turnover and net profit from ordinary activities attributable to shareholders both reached record high. Turnover increased 13% to HK\$3,093 million and net profit from ordinary activities attributable to shareholders rose a significant 58% to HK\$302 million.

Turnover of the fabric business was HK\$2,025 million, an increase of 7%, which was 65% of total turnover. Although orders remained steady, an increase of prices had not been feasible. In order to increase profit margin, the management had effectively improved production quality and managed to control costs. The price of cotton yarns had fluctuated during the second half of the year, but the effect on sales and profit was minimal.

The retail business recorded a turnover of HK\$1,031 million, an increase of 29%, which was 33% of total turnover. Turnover of our three major markets, China, Hong Kong and Taiwan were 76%, 17% and 7% of the total. The Asian economic turmoil had presented an opportunity to reduce costs and the Group had taken advantage of the situation to open more retail outlets. Thus our results improved markedly as the market recovered. At the end of this fiscal year, the retail businesses of our three major markets were as follows:

China

There were about 400 shops. About 180 of these shops are self-operated, with a total area of approximately 120,700 sq.ft. and about 1,500 sales people. There were about 310 Baleno shops, 70 Samuel & Kevin Shops, 13 Bambini shops and 7 I.P. Zone shops. All the above brandnames have their own market niches to correspond with our development strategy in China.

業務回顧

本集團在亞洲金融風暴後迅速復元，銷售額及溢利均創歷史性新高。銷售額增加13%至30億9千3百萬港元，股東應佔溢利則大幅增長58%至3億2百萬港元。

針織布業務營業額為20億2千5百萬港元，上升7%，佔總營業額65%。此業務單量穩定，但貨品價格上調仍有壓力。管理層有效地以加強生產質素及控制成本以改善邊際利潤。棉紗價格於下半年曾有波動，然對銷貨及利潤影響不大。

零售業務銷售額為10億3千1百萬港元，上升29%，佔總營業額33%。中國、香港及台灣三個主要零售市場各佔總零售銷售額76%、17%及7%。在亞洲金融風暴中本集團把握成本下降之機會擴展零售點，結果在經濟復甦時取得明顯之業績改善。在本年度完結時，零售業務三個主要市場情況簡述如下：

中國

共有零售店約400間。其中約180間為自營店，面積共約120,700平方呎，售貨員數目約1,500人。Baleno店約佔310間，Samuel & Kevin、Bambini及I.P. Zone則各約佔70間、13間及7間。上述各牌子各有定位，以靈活地配合本集團在中國發展之策略。

Hong Kong

There were 21 retail shops, with a total area of about 23,750 sq.ft. and about 140 sales people. All the shops in Hong Kong are self-operated.

Taiwan

There were about 40 shops, with a total area of about 23,300 sq.ft. and about 100 sales people. About 30 of these were self-operated, the rest were either franchised or co-operation shops.

The financial status of the Group remained sound. At the end of this year, cash and bank balances were at about HK\$228 million and total bank borrowings was at about HK\$109 million. The Group thus was in a good liquidity position. Total liabilities to equity ratio and bank borrowings to equity ratio were 0.55 and 0.08, against last year's 0.67 and 0.31. Inventory turnover on sales days dropped from 55 days to 53 days. Capital expenditure was about HK\$64 million, an approximate 87% increase from last year. About 56% of the capital expenditure was for purchasing textile production equipment and about 44% was used for retail business development.

Outlook

With ample funds on hand, the Group would accelerate its pace of development in anticipation of a continuing market recovery.

For the fabric business, new factories would be built as we still have land in reserve, and new equipment would be purchased. It is expected that capital investment in this business for the coming year would be about HK\$80 million.

After several years of development in China, our retail business has become one of the leaders in the market. We expect the number of shops to increase to about 550 at the end of this financial year. Taiwan would be our target

香港

共有零售店21間，面積共約23,750平方呎，售貨員數目約140人。香港店全為自營店。

台灣

共有零售店約40間，面積共約23,300平方呎，售貨員數目約100人。其中約30間為自營店，其餘為特許經營店或合作店。

本集團財務狀況穩健。於本年度完結時，現金及銀行結餘約為2億2千8百萬港元，而總銀行借貸約為1億9百萬港元。故此流動現金充裕。總負債與資本比例及銀行借貸與資本比例為0.55及0.08，而去年分別為0.67及0.31。銷售存貨週轉期則由去年之55日減至53日。資本投資額約為6千4百萬港元，較去年上升約87%，其中約56%用作添置針織生產設備及約44%用作拓展零售業務。

展望

在資金充裕及預期市場將進一步明朗情況下，本集團將加快業務擴展。

在針織布業務方面，由於已有儲備土地，將會加建廠房及添置新生產設備。預計來年資本投資於此業務約為8千萬港元。

零售業務經過數年在中國發展後，在市場已取得領導優勢。預期來年財政年底零售店將增至約550間。台灣亦為來年之重要擴展市場，預料零售店將

market for the coming year, the number of shops are expected to rise sharply from about 40 to about 80. As market condition improves in Hong Kong, the number of shops will also increase to over 30. The retail businesses in the South East Asian countries continue to operate under franchise. Initial results have been achieved from the developments in the Korean and Middle East markets. The Group will gradually increase investment in other Asian markets when growth in China, Hong Kong and Taiwan stabilises.

The management would continue to expand our business as planned. Having taken every aspect into consideration, at the present time the management do not foresee any obstacle or difficulty regarding our future plans, and we remain confident of the results of the coming year.

由本年度之約40間急增至約80間。香港經濟環境轉好，來年度零售店亦將增加至超過30間。東南亞各國現仍授權特許經營商經營。而韓國及中東市場之開拓已取得初步之成績。在中、港、台發展穩定後，本集團將逐步加強其他亞洲市場之投資。

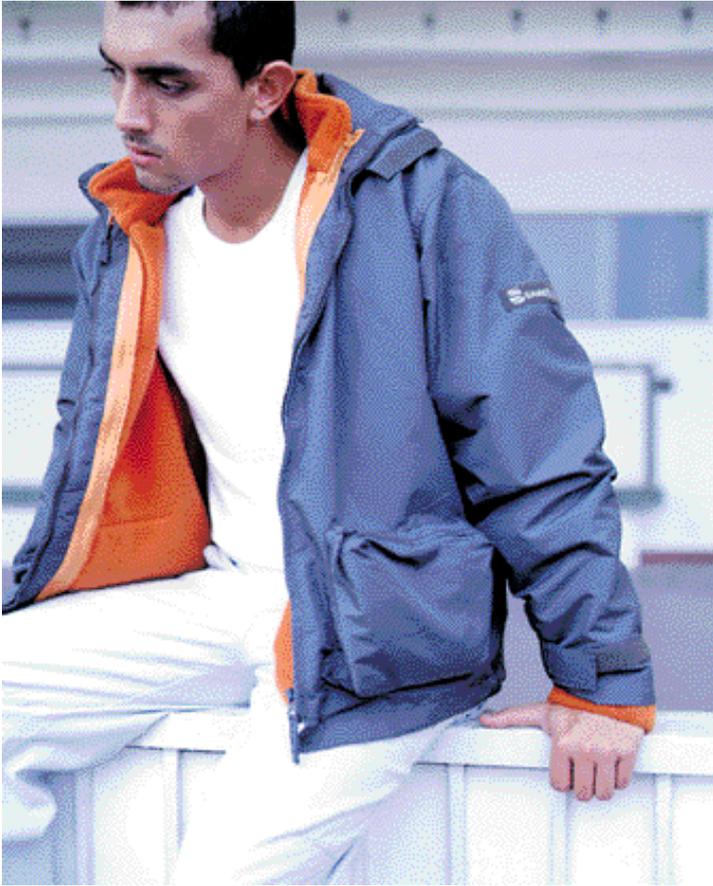
管理層將按已定計劃發展來年業務。在分析各方面因素後，管理層並不察覺未來發展有任何重大阻礙及困難，對來年業績亦充滿信心。

BALENO[®]
<http://www.baleno.com.hk>

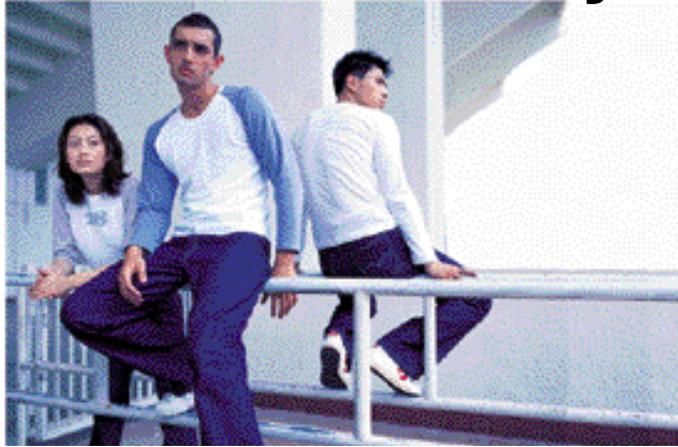
a simple living attitude



SAMUEL & KEVIN

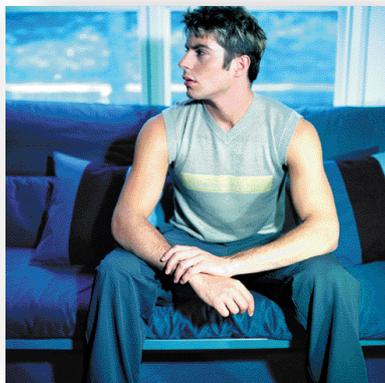
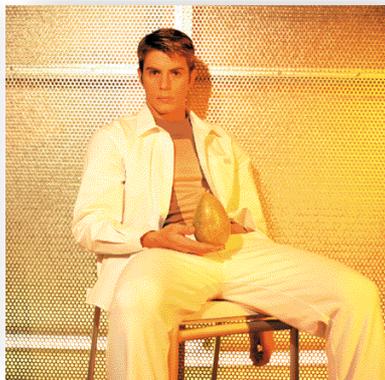
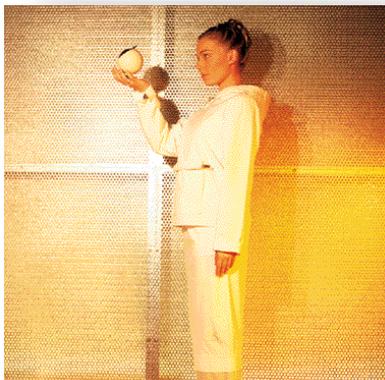
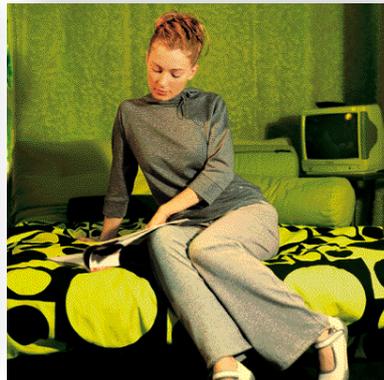
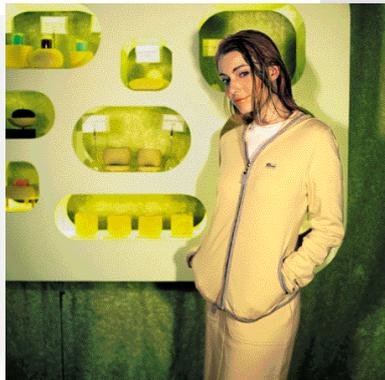
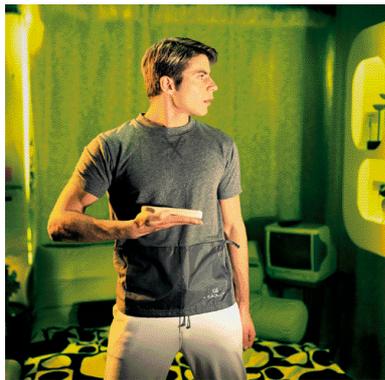


CityJeans



Gateway to **BAMBINI 21**

2000 spring & summer collection





I.P.ZONE