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## TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 321)

Websites: <http://www.texwinca.com/>

<http://www.irasia.com/listco/hk/texwinca/>

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

#### RESULTS

The board of directors (the "Board") of Texwinca Holdings Limited (the "Company") has pleasure in presenting the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014 with the comparative figures of last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2014 HK\$'000	2013 HK\$'000
<b>REVENUE</b>		<b>9,859,613</b>	11,250,843
Cost of sales		<u>(6,578,395)</u>	<u>(7,777,615)</u>
Gross profit		<b>3,281,218</b>	3,473,228
Other income and gains		<b>334,488</b>	518,105
Selling and distribution expenses		<b>(2,082,315)</b>	(2,418,931)
Administrative expenses		<b>(855,296)</b>	(819,696)
Other operating income/(expenses), net		<b>9</b>	(2,119)
Finance costs		<b>(33,016)</b>	(54,490)
Share of profit of an associate, net of tax		<u><b>61,919</b></u>	<u>43,917</u>
<b>PROFIT BEFORE TAX</b>	4	<b>707,007</b>	740,014
Income tax expense	5	<u><b>(117,555)</b></u>	<u>(59,251)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>589,452</b></u>	<u>680,763</u>

\* For identification purposes only

		<b>Year ended 31 March</b>	
	<i>Note</i>	<b>2014</b>	<b>2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Attributable to:			
Ordinary equity holders of the Company		<b>668,352</b>	734,229
Non-controlling interests		<b>(78,900)</b>	(53,466)
		<u><b>589,452</b></u>	<u>680,763</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE COMPANY</b> <i>(HK cents)</i>			
	<i>7</i>		
Basic		<u><b>48.9</b></u>	<u>53.9</u>
Diluted		<u><b>48.7</b></u>	<u>53.7</u>

Details of the dividends for the year are disclosed in note 6 to the announcement.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>589,452</b>	680,763
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods :		
Exchange differences on translation of foreign operations	<u>2,488</u>	<u>59,205</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>591,940</b></u>	<u>739,968</u>
Attributable to:		
Ordinary equity holders of the Company	<b>669,388</b>	790,475
Non-controlling interests	<u>(77,448)</u>	<u>(50,507)</u>
	<u><b>591,940</b></u>	<u>739,968</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 March 2014 HK\$'000</b>	31 March 2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,782,302</b>	2,028,431
Investment properties		<b>349,432</b>	304,349
Prepaid land lease payments		<b>21,984</b>	22,663
Construction in progress		<b>39,784</b>	2,137
Trademarks		<b>33,293</b>	33,293
Investment in an associate		<b>78,937</b>	76,931
Long term rental deposits		<b>84,933</b>	149,122
		<u><b>2,390,665</b></u>	<u>2,616,926</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>1,898,392</b>	2,061,420
Trade receivables	8	<b>622,558</b>	616,162
Bills receivable – external trade		<b>267,654</b>	318,698
Bills receivable – intra-group trade		—	874,509
Prepayments, deposits and other receivables		<b>424,035</b>	582,183
Due from an associate		<b>22,966</b>	55,733
Held-to-maturity investments		<b>68,877</b>	12,634
Derivative financial assets		<b>7,754</b>	23,528
Cash and bank balances		<b>4,024,108</b>	5,151,363
		<u><b>7,336,344</b></u>	<u>9,696,230</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>892,173</b>	818,685
Bills payable – external trade		<b>72,105</b>	35,148
Bills payable – intra-group trade		—	874,509
Other payables and accrued liabilities		<b>486,679</b>	609,508
Derivative financial liabilities		<b>5,655</b>	468
Tax payable		<b>79,946</b>	175,044
Interest-bearing bank borrowings		<b>1,502,453</b>	3,283,460
		<u><b>3,039,011</b></u>	<u>5,796,822</u>
<b>Net current assets</b>		<u><b>4,297,333</b></u>	<u>3,899,408</u>
<b>Total assets less current liabilities</b>		<b>6,687,998</b>	6,516,334
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>366,664</b>	225,000
Deferred tax liabilities		<b>134,190</b>	120,879
		<u><b>500,854</b></u>	<u>345,879</u>
<b>Total non-current liabilities</b>		<u><b>500,854</b></u>	<u>345,879</u>
<b>Net assets</b>		<u><b>6,187,144</b></u>	<u>6,170,455</u>

	<b>31 March 2014 HK\$'000</b>	31 March 2013 HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	<b>69,085</b>	68,178
Reserves	<b>5,541,962</b>	5,425,934
Proposed final dividend	<b>345,424</b>	368,222
	<b>5,956,471</b>	5,862,334
<b>Non-controlling interests</b>	<b>230,673</b>	308,121
Total equity	<b>6,187,144</b>	6,170,455

*Notes:*

**1. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

**2. Principal accounting policies**

The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2013, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HKAS 36 Amendments	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK(IFRIC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
Annual Improvements 2009-2011 Cycle	

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13, amendments to HKAS 1, amendments to HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.
- (b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.
- (c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.
- (d) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.
- (e) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

*HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

#### ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> <sup>3</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>4</sup>
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
HK(IFRIC)-Int 21	<i>Levies</i> <sup>1</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

<sup>4</sup> Effective for first annual HKFRS financial statements for a period beginning on or after 1 January 2016

The Group is in the progress of making an assessment of the impact of these new and revised HKFRS, upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

### 3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the production, dyeing and sale of knitted fabric and yarn segment;
- (b) the retailing and distribution of casual apparel and accessory segment; and
- (c) the "others" segment principally comprises the provision of repair and maintenance services for motor vehicles, the provision of franchise services and properties investment.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that gain on disposal of properties interest income, finance costs and share of profit of an associate, net of tax are excluded from such measurement.

Segment assets exclude time deposits and investment in an associate as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2014 and 31 March 2013:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	<b>5,026,253</b>	5,460,299	<b>4,816,247</b>	5,768,404	<b>17,113</b>	22,140	—	—	<b>9,859,613</b>	11,250,843
Intersegment sales	—	—	—	—	<b>9,188</b>	7,910	<b>(9,188)</b>	(7,910)	—	—
Other revenue	<b>88,466</b>	110,170	<b>(1,411)</b>	7,661	<b>61,421</b>	131,326	<b>(4,458)</b>	(3,464)	<b>144,018</b>	245,693
Total	<b><u>5,114,719</u></b>	<u>5,570,469</u>	<b><u>4,814,836</u></b>	<u>5,776,065</u>	<b><u>87,722</u></b>	<u>161,376</u>	<b><u>(13,646)</u></b>	<u>(11,374)</u>	<b><u>10,003,631</u></b>	<u>11,496,536</u>
Segment results	<b><u>671,116</u></b>	<u>545,882</u>	<b><u>(244,842)</u></b>	<u>(202,321)</u>	<b><u>61,360</u></b>	<u>134,614</u>	—	—	<b>487,634</b>	478,175
Gain on disposal of properties									<b>19,329</b>	58,400
Interest income									<b>171,141</b>	214,012
Finance costs									<b>(33,016)</b>	(54,490)
Share of profit of an associate, net of tax									<b>61,919</b>	43,917
Profit before tax									<b>707,007</b>	740,014
Income tax expense									<b>(117,555)</b>	(59,251)
Profit for the year									<b><u>589,452</u></b>	<u>680,763</u>

- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2014 and 31 March 2013: *(continued)*

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Assets and liabilities:</b>										
Segment assets	<b>4,675,339</b>	5,991,988	<b>1,803,907</b>	2,304,650	<b>399,576</b>	356,092	<b>(881,318)</b>	(1,029,590)	<b>5,997,504</b>	7,623,140
Investment in an associate									<b>78,937</b>	76,931
Unallocated assets									<b>3,650,568</b>	4,613,085
Total assets									<b>9,727,009</b>	12,313,156
Segment liabilities	<b>824,414</b>	1,565,777	<b>1,155,616</b>	1,443,054	<b>90,578</b>	91,754	<b>(613,996)</b>	(762,267)	<b>1,456,612</b>	2,338,318
Unallocated liabilities									<b>2,083,253</b>	3,804,383
Total liabilities									<b>3,539,865</b>	6,142,701
<b>Other segment information:</b>										
Depreciation and amortisation	<b>200,130</b>	219,229	<b>137,193</b>	150,050	<b>1,435</b>	1,650	—	—	<b>338,758</b>	370,929
Capital expenditure	<b>120,626</b>	45,107	<b>43,400</b>	118,975	<b>16</b>	6	—	—	<b>164,042</b>	164,088
Provision /(write-back of provision) for slow-moving inventories	<b>13,683</b>	( 17,100)	<b>39,393</b>	8,072	<b>(1,058)</b>	18	—	—	<b>52,018</b>	( 9,010)
(Write-back of impairment)/ impairment of trade receivables	—	—	<b>(2,724)</b>	161	—	—	—	—	<b>(2,724)</b>	161
Impairment of property, plant and equipment	—	—	<b>13,563</b>	—	—	—	—	—	<b>13,563</b>	—
Net fair value gains on investment properties	—	—	—	—	<b>23,274</b>	102,225	—	—	<b>23,274</b>	102,225

(b) Geographical information

The following table presents geographical revenue and non-current asset information of the Group for the years ended 31 March 2014 and 31 March 2013:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(i) Revenue from external customers</b>														
<b>Segment revenue:</b>														
Sales to external customers	<b>3,307,454</b>	3,950,591	<b>4,252,576</b>	5,186,556	<b>942,372</b>	704,762	<b>608,426</b>	612,016	<b>748,785</b>	796,918	—	—	<b>9,859,613</b>	11,250,843
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>(ii) Non-current assets:</b>														
Non-current assets	<u>          </u>	<u>          </u>	<b><u>1,875,674</u></b>	<u>2,056,153</u>	<u>          </u>	<u>          </u>	<b><u>766,745</u></b>	<u>736,867</u>	<b><u>78,379</u></b>	<u>92,585</u>	<b><u>(415,066)</u></b>	<u>(417,801)</u>	<b><u>2,305,732</u></b>	<u>2,467,804</u>

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, are based on the locations of the markets and assets, respectively.

(c) Information about major customers

No single external customer (2013: nil) contributed more than 10% to the Group's revenue during the year.

#### 4. Profit before tax

The Group's profit before tax is arrived at after charging / (crediting):-

	Year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	338,073	370,249
Recognition of prepaid land lease payments	685	680
Gain on disposal of items of property, plant and equipment	<u>(17,384)</u>	<u>(58,000)</u>

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong and Mainland China:		
Current year provision	73,702	50,397
Under-provision in prior years	30,459	107
Deferred tax	13,311	8,418
Elsewhere :		
Current year provision	252	329
Over-provision in prior years	<u>(169)</u>	<u>—</u>
Tax charge for the year	<u>117,555</u>	<u>59,251</u>

#### 6. Dividends

	Year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Interim of HK23.0 cents (2013: HK13.0 cents) per share	315,667	177,360
Proposed final of HK25.0 cents (2013: HK27.0 cents) per share	<u>345,424</u>	<u>368,222</u>
	<u>661,091</u>	<u>545,582</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

#### 7. Earnings per share attributable to ordinary equity holders of the Company

The basic and diluted earnings per share for the years ended 31 March 2014 and 31 March 2013 have been calculated as follows:

(a) *Basic earnings per share*

The calculation of the basic earnings per share is based on the profit for that year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during that year.

(b) *Diluted earnings per share*

The calculation of the diluted earnings per share is based on the profit for that year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during that year.

The calculations of basic and diluted earnings per share are based on the following:

	<b>Year ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u><b>668,352</b></u>	<u>734,229</u>
	<b>Number of shares</b>	
	<b>2014</b>	<b>2013</b>
<u>Shares</u>		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	<b>1,367,313,008</b>	1,362,593,035
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u><b>4,026,867</b></u>	<u>5,934,395</u>
Weighted average number of shares in issue during the year used in the diluted earnings per share calculation	<u><b>1,371,339,875</b></u>	<u>1,368,527,430</u>

**8. Trade receivables**

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment of HK\$9,786,000 (2013: HK\$12,510,000), is as follows:

	<b>31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>606,778</b>	584,792
Over 90 days	<u><b>15,780</b></u>	<u>31,370</u>
	<u><b>622,558</b></u>	<u>616,162</u>

Payment terms of the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers trade with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 9. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 March	
	2014	2013
	HK\$'000	HK\$'000
Within 90 days	867,829	797,325
Over 90 days	<u>24,344</u>	<u>21,360</u>
	<u>892,173</u>	<u>818,685</u>

At the end of the reporting period, the trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 10. Contingent liabilities

- (a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	31 March	
	2014	2013
	HK\$'000	HK\$'000
Bank guarantees given in lieu of property rental deposits	3,788	3,569
Guarantees of banking facilities granted to an associate	<u>12,500</u>	<u>12,500</u>

- (b) The Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs for the past years of certain subsidiaries of the Group.

The protective tax assessments for the years of assessment 2005/2006, 2006/2007 and 2007/2008 issued by the IRD in March 2012, March 2013 and March 2014 are HK\$69,125,000, HK\$189,000,000 and HK\$388,878,340 respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates in the amount of HK\$4,500,000 and HK\$31,500,000 for years of assessment 2005/2006 and 2006/2007, respectively, were purchased as at 31 March 2014 and additional of HK\$34,000,000 for the year of assessment 2007/2008 were purchased subsequent to year end.

In view that the tax review for the years of assessment 2005/2006, 2006/2007 and 2007/2008 is still in progress, the outcome of the case is still uncertain. Up to the date of approval of these financial statements, the Directors consider that adequate tax provisions have been made in the financial statements.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK25.0 cents (2013: HK27.0 cents) per ordinary share which, together with the interim dividend of HK23.0 cents (2013: HK13.0 cents) per ordinary share paid in January 2014, will make a total dividend of HK48.0 cents (2013: HK40.0 cents) per ordinary share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable on Wednesday, 8 October 2014 to the shareholders registered on the Register of Members of the Company on Friday, 22 August 2014.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4 August 2014 to Thursday, 7 August 2014 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 1 August 2014.

The Register of Members of the Company will be closed from Monday, 18 August 2014 to Friday, 22 August 2014 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2014. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 15 August 2014.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For this financial year ended 31 March 2014, the Group's total revenue decreased by 12.4% to HK\$9,860 million (2013 : HK\$11,251 million). Profit for the year attributable to the ordinary equity holders of the Company was HK\$668 million (2013 : HK\$734 million), a drop of 9.0%. The Group's gross profit margin was 33.3% (2013 : 30.9%), an increase of 2.4 percentage points from last year. In the year, other income and gains declined by HK\$184 million mainly attributable to the drop in interest income, drop in gain on revaluation of investment properties, gain on foreign exchange derivatives and gain on disposal of properties. The Board has recommended a final dividend of HK\$25.0 cents (2013 : HK\$27.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share would be HK\$48.0 cents, an increase of 20.0% from last year's HK\$40.0 cents.

### Textile business

The business recorded a net sales of HK\$5,026 million (2013 : HK\$5,460 million), a reduction of 7.9%. The sum was 51.0% (2013 : 48.5%) of the Group's total turnover. Cotton price was stable in the year under the regulatory measures of the China Government. Operating environment was tough as the U.S. market conditions were extremely unfavourable. The Group pursued profit margins rather than volumes in such difficult situation. The gross profit margin improved to 20.4% from last year's 16.0%. In the year, the average selling price increased by 8.7% and the sales volume decreased by 15.5%. The performance and the key financial ratios of the business were as below :

<i>(Amounts expressed in HK\$'million, unless specified)</i>	<b>2014</b>	2013	2012	2011	2010
Net sales	<b>5,026</b>	5,460	6,976	5,971	5,540
Gross profit margin (%)	<b>20.4</b>	16.0	14.8	20.4	21.6
Operating profit (note 1)	<b>671</b>	546	692	908	853
EBITDA (note 1)	<b>871</b>	765	916	1,137	1,074
Return on total assets (%) (note 2)	<b>8.4</b>	6.3	6.4	8.3	12.6
Return on sales (%) (note 2)	<b>14.3</b>	12.4	10.7	14.6	14.9
Return on equity (%) (note 2)	<b>12.8</b>	11.2	13.4	17.4	18.8
Capital expenditure	<b>121</b>	45	57	80	121

Notes : (1) Exclude interest income and rental income.

(2) Exclude rental income.

## Retail and distribution business

Net sales of the business decreased by 16.5% to HK\$4,816 million (2013 : HK\$5,768 million). The amount represented 48.8% (2013 : 51.3%) of the Group's total turnover. In the year, consumer demand in the mainland China continued to be sluggish. Strong price discounting to control over inventory by many local retailers was carrying on. The Management continued to consolidate the retail outlets and exercised strong cost control to enhance efficiencies. Despite the competitive environment, gross profit margin increased to 46.7% from last year's 44.9%. The performance and the key financial ratios of the business were as below :

(a) the business performance and the key financial ratios were as follows:

<i>(Amounts expressed in HK\$'million, unless specified)</i>	<b>2014</b>	2013	2012	2011	2010
Net sales	<b>4,816</b>	5,768	6,766	5,857	4,960
Gross profit margin (%)	<b>46.7</b>	44.9	44.8	47.1	46.4
Sales growth of comparable shops (%) <i>(note 1)</i>	<b>(7.6)</b>	(12.0)	2.9	13.8	3.7
Operating profit/ (loss) <i>(note 2)</i>	<b>(245)</b>	(202)	157	407	253
EBITDA <i>(note 2)</i>	<b>(107)</b>	(52)	276	495	351
Return on total assets (%) <i>(note 3)</i>	<b>(13.9)</b>	(7.6)	3.2	12.5	9.7
Return on sales (%) <i>(note 3)</i>	<b>(5.2)</b>	(3.0)	1.3	5.0	3.7
Return on equity (%) <i>(note 3)</i>	<b>(42.5)</b>	(20.4)	9.0	38.6	40.0
Capital expenditure	<b>43</b>	119	192	109	53

Notes: (1) Comparable shops include shops with full year operation during the year and the preceding year

(2) Exclude gain on disposal of properties, interest income and rental income.

(3) Exclude rental income.

(b) the analysis of turnover by major brand was as follows:

<i>(HK\$'million)</i>	<b>2014</b>	2013	2012	2011	2010
Baleno	<b>2,754</b>	3,038	3,653	3,089	2,463
S&K	<b>552</b>	742	940	846	757
I.P. Zone	<b>417</b>	555	699	643	601
ebase	<b>301</b>	381	465	399	326
Others	<b>792</b>	1,052	1,009	880	813
Total	<b>4,816</b>	5,768	6,766	5,857	4,960

(c) the development in different markets was as follows:

### Mainland China

	<b>2014</b>	2013	2012	2011	2010
Net sales <i>(HK\$' million)</i>	<b>4,098</b>	4,920	5,811	4,987	4,097
Increase/(decrease) in net sales (%)	<b>(17)</b>	(15)	17	22	7
Retail floor area <i>(sq. ft.)</i> *#	<b>2,115,738</b>	2,147,536	2,368,260	2,162,123	1,748,531
Number of sales associates*#	<b>7,710</b>	9,168	11,492	11,348	9,957
Number of outlets* <sup>Δ</sup>	<b>3,432</b>	3,820	4,044	3,894	3,639



**Hong Kong and Macau**

	2014	2013	2012	2011	2010
Net sales ( <i>HK\$' million</i> )	445	435	460	465	416
Increase/(decrease) in net sales (%)	2	(5)	(1)	12	3
Retail floor area ( <i>sq. ft.</i> )*#	66,184	63,254	61,722	54,960	52,555
Number of sales associates*#	392	425	493	482	422
Number of outlets*#	66	68	70	63	62

**Taiwan**

	2014	2013	2012	2011	2010
Net sales ( <i>HK\$' million</i> )	273	413	495	405	375
Increase/(decrease) in net sales (%)	(34)	(17)	22	8	(12)
Retail floor area ( <i>sq. ft.</i> )*#	90,689	142,079	151,218	135,734	125,497
Number of sales associates*#	290	488	638	608	602
Number of outlets* $\Delta$	91	166	181	161	154

**Singapore**

	2014	2013	2012	2011	2010
Net sales ( <i>HK\$' million</i> )	—	—	—	—	48
Increase/(decrease) in net sales (%)	—	—	—	(100)	(71)
Retail floor area ( <i>sq. ft.</i> )*#	—	—	—	—	—
Number of sales associates*#	—	—	—	—	—
Number of outlets*#	—	—	—	—	—

**Malaysia**

	2014	2013	2012	2011	2010
Net sales ( <i>HK\$' million</i> )	—	—	—	—	24
Increase/(decrease) in net sales (%)	—	—	—	(100)	(67)
Retail floor area ( <i>sq. ft.</i> )*#	—	—	—	—	—
Number of sales associates*#	—	—	—	—	—
Number of outlets*#	—	—	—	—	—

\* As at the end of the reporting period

# For self-managed stores

$\Delta$  Including self-managed and franchise stores

**Garment manufacturing business**

Sales of this associate increased remarkably by 21.5% to HK\$1,321 million (2013 : HK\$1,087 million). Net profit contribution to the Group amounted to HK\$62 million, (2013 : HK\$44 million), a significant growth of 40.9%. The business conditions were more favourable in the year mainly due to the strong demand from Asian customers. In the year, 69.1% (2013 : 72.2%) of the fabric consumed was supplied by the textile division and sales to the retail division represented 15.4% (2013 : 23.8%) of its revenue.

**FINANCIAL CONDITION****Liquidity and financial resources**

The Group continued to maintain a sound financial position. The current ratio, the total bank borrowings and the gearing ratio as at the year end were 2.4, HK\$1,869 million and -0.3 (2013 : 1.7, HK\$3,508 million and -0.3) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and bank balances, to the total equity. The net cash inflow from operating activities for the year was HK\$965 million (2013: HK\$967 million).

During the year, the interest cover, the trade and bills receivables (excluding bills receivable for intra-group trade) to turnover and the inventories to turnover were 22 times, 33 days and 70 days (2013: 15 times, 30 days and 67 days) respectively. During the year, the intra-group bills payable and intra-group bills receivable dropped significantly by HK\$875 million to nil at the year end as the Group had changed the settlement method of intercompany current accounts among certain subsidiaries from documentary credit to open accounts since August 2012. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the year end, the cash and bank balances, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$4,024 million, HK\$5,956 million and HK\$5,191 million (2013: HK\$5,151 million, HK\$5,862 million and HK\$5,836 million), respectively.

### **Capital expenditure**

The Capital expenditure incurred by the Group during the year was HK\$164 million (2013 : HK\$164 million). Following the recovery of the US market, the Group increased its pace in capital expenditure spending for its textile business to cope with the expected increase in customer demand. The capital expenditure incurred by the textile business for the year was HK\$121 million (2013 : HK\$45 million) mainly for the addition of plant and machinery. For the retail and distribution business, the PRC market remained sluggish, the Group implemented stringent cost control on its capital expenditure. Thus, the capital expenditure incurred for the year mainly for the renovation of retail outlets was reduced to HK\$43 million (2013 : HK\$119 million).

### **Pledge of assets**

No significant assets were pledged as at 31 March 2014 and 31 March 2013.

### **Contingent liabilities**

Details of the contingent liabilities as at 31 March 2014 and 31 March 2013 have been set out in note 10 to the announcement.

### **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 HKD, USD and YEN floating rate borrowings with maturity due within three years. At the year end, the cash and bank balances amounted to HK\$4,024 million (2013 : HK\$5,151 million) were mainly denominated in RMB and USD and were placed as fixed deposits with well-established financial institution at fixed interest rate with maturity due within one year. As the global economic recovery remains modest during the year, the interest rate is expected to continue to stay at a low level. The Group will continue to monitor the interest rate movement and arrange financial instruments to reduce its interest rate risk whenever appropriate.

During the year, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, RMB, YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

### **Human Resources**

As at 31 March 2014, the Group had about 17,500 (2013: 20,400) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

### **Corporate social responsibility**

As a responsible corporate citizen, the Group has been active in participating in charitable donation, caring for the needy people and supporting and sponsoring educational and environmental protection activities. In addition, the Group also encourages its employees, customers and business partners to partake in the aforesaid activities with a view to developing a better future for our community.

During the year, some of the activities/organisations the Group participated in / donated to were:

- (1) World Wide Fund For Nature Hong Kong;
- (2) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (3) The Community Chest of Hong Kong “Dress Casual Day”;
- (4) Agency for Volunteer Service “HSBC Share-to-Care Volunteer Campaign”;
- (5) The Hong Kong Council of Social Service;
- (6) Society for the Prevention of Cruelty to Animals (Hong Kong) “I Pet, I Act”;
- (7) The Community Chest “Love Teeth Day”; and
- (8) HSBC Pok Oi Cycle for Millions 2014.

The Group believes that the development of a better future for our community relies on the participation of people, corporates and the government. Therefore, the Group will continue to invest resources in all major social, educational and environmental protection activities to strive for a better future for our community.

### **Outlook**

The U.S. consumer sentiment has shown some signs of improvement and the Group is expanding its business in Japan. The raw material cost is anticipated to be stable in the new fiscal year. With the above factors, the Group is more optimistic on the performance of the textile business.

The operating environment for our retail business will remain challenging as the China consumer demand will still be weak for some time. However, with disciplined inventory level and enhanced management efficiency, its performance should have good improvement in the new year.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

### **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The members of the Audit Committee comprise the three independent non-executive directors of the Company, Mr. Law Brian Chung Nin, Mr. Au Son Yiu, and Mr. Cheng Shu Wing. The Audit Committee is chaired by Mr. Law Brian Chung Nin, a qualified accounting professional.

The terms of reference and duties have been laid down as guidelines for the Audit Committee. The principal duties of the Audit Committee include the review and supervision of the financial reporting processes and internal controls of the Group. During the year, the Audit Committee held five meetings to review the internal controls and financial reporting matters and provide recommendations to the Board. For this fiscal year, the Audit Committee has reviewed and discussed with the management the consolidated financial statements of the Group.

### **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the financial year, except for the following deviations:

- (1) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Prior to 17 June 2013, Mr. Poon Bun Chak undertook the roles of chairman and chief executive officer. On 17 June 2013, following the resignation of Mr. Poon Bun Chak as the chief executive officer, Mr. Ting Kit Chung was appointed as the chief executive officer of the Group. Since then, the roles of chairman and chief executive officer have been separated and the code provision A.2.1 has been complied with by the Company.

- (2) Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Law Brian Chung Nin, an INED of the Company, did not attend the Company's 2013 annual general meeting due to other business engagement overseas.

- (3) Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company.

The chairman of the Board has delegated the duty of attending the annual general meeting to the chief executive officer of the Company. The chairman considers the chief executive officer a suitable person for taking up such duty as the chief executive officer has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")**

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, they have all complied with the required standard set out in the Model Code throughout the year.

#### **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Poon Kei Chak, Mr. Ting Kit Chung and Mr. Poon Ho Wa; and the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Cheng Shu Wing and Mr. Law Brian Chung Nin.

#### **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The Company's annual report for 2013/2014 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website of the Company at [www.texwinca.com](http://www.texwinca.com) under "Investor Relations" in due course.

By Order of the Board  
**Poon Bun Chak**  
*Executive Chairman*

Hong Kong, 16 June 2014