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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 2020

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 2020 with the comparative figures of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE		7,630,306	8,210,053
Cost of sales		<u>(5,191,779)</u>	<u>(5,607,619)</u>
Gross profit		2,438,527	2,602,434
Other income and gains		143,418	207,480
Selling and distribution expenses		(1,312,117)	(1,596,955)
Administrative expenses		(836,655)	(790,423)
Other operating expenses, net		(116,239)	(42,811)
Finance costs		(68,691)	(36,946)
Share of profit of an associate		22,733	54,974
PROFIT BEFORE TAX	4	270,976	397,753
Income tax expense	5	(101,922)	(77,336)
PROFIT FOR THE YEAR		169,054	320,417

* For identification purposes only

	<i>Note</i>	Year ended 31 March	
		2020	2019
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		169,054	325,246
Non-controlling interests		—	(4,829)
		<hr/> 169,054	<hr/> 320,417
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (<i>HK cents</i>)	7	<hr/> 12.2	<hr/> 23.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	169,054	320,417
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(204,627)</u>	(183,312)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(204,627)</u>	(183,312)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(35,573)</u>	137,105
Attributable to:		
Ordinary equity holders of the Company	(35,573)	167,564
Non-controlling interests	<u>—</u>	(30,459)
	<u>(35,573)</u>	137,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 March	
		2020	2019
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,144,341	1,355,312
Right-of-use assets		617,418	—
Investment properties		516,737	565,250
Prepaid land lease payments		—	12,215
Construction in progress		373	528
Trademarks		33,293	33,293
Investment in an associate		48,288	25,556
Prepayments		17,220	31,428
Long term rental deposits		76,149	86,720
Financial assets at fair value through profit or loss		74,776	88,352
Long term debt instruments at amortised cost		99,247	164,239
Deferred tax assets		23,630	18,099
		<hr/>	<hr/>
Total non-current assets		2,651,472	2,380,992
CURRENT ASSETS			
Inventories		2,102,440	2,171,758
Trade receivables	8	712,289	763,999
Bills receivable		197,307	186,501
Prepayments, deposits and other receivables		817,045	863,185
Financial assets at fair value through profit or loss		56,946	56,946
Debt instruments at amortised cost		37,780	68,536
Derivative financial assets		41	7,057
Cash and cash equivalents		1,737,012	2,079,982
		<hr/>	<hr/>
Total current assets		5,660,860	6,197,964
CURRENT LIABILITIES			
Trade payables	9	708,400	824,564
Bills payable		1,472	21,443
Other payables and accrued liabilities		526,662	532,849
Lease liabilities		203,468	—
Derivative financial liabilities		419	3,334
Interest-bearing bank borrowings		1,229,533	1,491,113
Tax payable		183,589	192,244
		<hr/>	<hr/>
Total current liabilities		2,853,543	3,065,547
NET CURRENT ASSETS		<hr/> 2,807,317	<hr/> 3,132,417
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 5,458,789	<hr/> 5,513,409
NON-CURRENT LIABILITIES			
Deposit received		2,236	4,000
Lease liabilities		426,064	—
Interest-bearing bank borrowings		—	37,500
Deferred tax liabilities		100,276	94,355
		<hr/>	<hr/>
Total non-current liabilities		528,576	135,855
Net assets		<hr/> 4,930,213	<hr/> 5,377,554

	31 March	
	2020	2019
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	69,085	69,085
Reserves	4,861,128	5,101,215
Proposed final dividend	—	207,254
	<hr/>	<hr/>
Total equity	4,930,213	5,377,554
	<hr/>	<hr/>

Notes:

1. Basis of preparation

These 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings included in property, plant and equipment, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 2019, 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:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and HK(IFRIC)-Int 23, the adoption of the above new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS16 did not have any significant impact on leases where the Group is lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application on 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New Definition of a Lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a Lessee – Leases Previously Classified as Operating Leases

Nature of the Effect of Adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land and premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on Transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/(decrease) <i>HK\$'000</i>
Assets	
Increase in right-of-use assets	678,674
Decrease in property, plant and equipment	(31,664)
Decrease in prepaid land lease payments	(12,652)
Decrease in prepayments, deposits and other receivables	(4,740)
Increase in deferred tax assets	10,703
Increase in total assets	<u>640,321</u>
Liabilities	
Increase in lease liabilities	737,721
Decrease in other payables and accruals	(31,056)
Increase in total liabilities	<u>706,665</u>
Decrease in retained profits	<u>(66,344)</u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

Operating lease commitments as at 31 March 2019	<i>HK\$'000</i> 933,687
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	<u>(20,514)</u>
	913,173
Weighted average incremental borrowing rate as at 1 April 2019	<u>4.46%</u>
Lease liabilities as at 1 April 2019	<u>737,721</u>

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group has assessed its tax positions and concluded that the interpretation did not have material financial impact to the financial statements of the Group.

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, yarn and garments segment;
- (b) the retailing and distribution of casual apparel and accessories segment; and
- (c) the "others" segment comprises, principally, the provision of franchise services and properties investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except interest income, non-lease related finance costs and share of profit of an associate, are excluded from such measurement.

Segment assets exclude time deposits, an investment in an associate and deferred tax asset 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 assets, liabilities and expenditures information of the Group for the years ended 31 March 2020 and 31 March 2019:

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue:										
Sales to external customers	4,918,578	4,759,007	2,709,338	3,448,176	2,390	2,870	—	—	7,630,306	8,210,053
Intersegment sales	53,005	6,050	—	—	8,164	6,439	(61,169)	(12,489)	—	—
Other revenue	43,097	69,909	3,169	9,264	37,544	76,655	(3,981)	(7,801)	79,829	148,027
	5,014,680	4,834,966	2,712,507	3,457,440	48,098	85,964	(65,150)	(20,290)	7,710,135	8,358,080
Segment results	539,526	354,047	(316,042)	(110,328)	(1,353)	76,553	—	—	222,131	320,272
<i>Reconciliation:</i>										
Interest income									63,589	59,453
Finance costs (excluding interest on lease liabilities)									(37,477)	(36,946)
Share of profit of an associate									22,733	54,974
Profit before tax									270,976	397,753
Income tax expense									(101,922)	(77,336)
Profit for the year									169,054	320,417

- (a) The following tables present revenue, profit and certain assets, liabilities and expenditures information of the Group for the years ended 31 March 2020 and 31 March 2019 (*continued*):

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,309,955	4,836,296	2,597,492	2,284,540	825,549	604,390	(1,380,226)	(880,569)	7,352,770	6,844,657
<i>Reconciliation :</i>										
Investment in an associate									48,288	25,556
Unallocated assets									911,274	1,708,743
Total assets									8,312,332	8,578,956
Segment liabilities	859,799	808,860	2,017,708	1,100,878	34,087	19,668	(1,042,873)	(543,215)	1,868,721	1,386,191
<i>Reconciliation :</i>										
Unallocated liabilities									1,513,398	1,815,211
Total liabilities									3,382,119	3,201,402
Other segment information:										
Depreciation and amortisation	178,497	171,862	303,127	86,067	—	—	—	—	481,624	257,929
Capital expenditure *	75,917	160,066	146,032	75,939	—	—	—	—	221,949	236,005
Write-down of inventories	11,306	13,840	28,134	16,458	—	—	—	—	39,440	30,298
Impairment of trade receivables	—	—	19,889	537	—	—	—	—	19,889	537
Impairment of right-of-use assets	—	—	35,021	—	—	—	—	—	35,021	—
Net fair value (gain)/loss on investment properties	—	—	—	—	36,714	(43,256)	—	—	36,714	(43,256)

* Capital expenditure consists of additions to property, plant and equipment, construction in progress and land portion classified under right-of-use assets.

(b) Geographical information

The following table presents geographical revenue and non-current assets information of the Group for the years ended 31 March 2020 and 31 March 2019:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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
Revenue from external customers	2,636,804	2,072,160	3,059,365	3,965,165	758,480	996,342	951,378	1,004,145	224,279	172,241	—	—	7,630,306	8,210,053
Non-current assets	—	—	1,604,266	1,464,251	—	—	908,179	644,110	—	48,997	(134,775)	(133,776)	2,377,670	2,023,582

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, long term debt instruments at amortised cost, financial assets at fair value through profit or loss and deferred tax assets, are based on the locations of the markets and assets, respectively.

(c) Information about major customers

No single external customer (2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	250,180	257,491
Depreciation of right-of-use assets (2019: amortisation of prepaid land lease payments)	231,444	438
Net loss/(gain) on disposal of items of property, plant and equipment	1,737	(307)
	<u>1,737</u>	<u>(307)</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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	
	2020	2019
	HK\$'000	HK\$'000
Current - Hong Kong and Mainland China:		
Charge for the year	90,833	68,823
Underprovision in prior years	692	1
Deferred	10,397	8,512
	<u>101,922</u>	<u>77,336</u>
Total tax charge for the year	<u>101,922</u>	<u>77,336</u>

6. Dividends

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend – HK10.0 cents (2019: HK15.0 cents) per ordinary share	138,170	207,254
Proposed final dividend – Nil (2019: HK15.0 cents per ordinary share)	—	207,254
	<u>138,170</u>	<u>414,508</u>

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,381,696,104 (2019: 1,381,696,104) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 31 March 2019.

8. Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance of HK\$33,388,000 (2019: HK\$13,499,000), is as follows:

	31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	670,617	648,562
Over 90 days	41,672	115,437
	<u>712,289</u>	<u>763,999</u>

Payment terms for the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers trades 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 enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

9. Trade payables

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

	31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	690,687	791,729
Over 90 days	17,713	32,835
	<u>708,400</u>	<u>824,564</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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank guarantees given in lieu of property rental deposits	<u>4,892</u>	<u>4,193</u>

- (b) The Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs of certain subsidiaries of the Group for the years of assessment from 2005/2006 to 2016/2017.

Details of protective tax assessments issued by the IRD to certain subsidiaries of the Group:

Protective tax assessments			Amount of tax reserve certificates purchased HK\$'000
Related to the year of assessment	Issued in month/year	Tax amount HK\$'000	
2005/2006	March 2012	69,125	4,500
2006/2007	March 2013	189,000	31,500
2007/2008	March 2014	388,878	34,000
2008/2009	March 2015	376,200	38,000
2009/2010	March 2016	323,648	38,000
2010/2011	January 2017	237,600	50,000
2011/2012	January 2018	183,745	7,090
2012/2013	April 2018 and January 2019	175,049	46,069
2013/2014	April 2018 and January 2020	502,200	166,320
2014/2015	April 2018	247,460	82,500
2015/2016	April 2018	230,400	71,710
2016/2017	April 2018	129,628	49,808

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 purchases of tax reserve certificates.

In view that the tax review is still in progress, the outcome of the case is still uncertain. Up to the date of approval of this announcement, the directors of the Company consider that adequate tax provisions have been made in these financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK15.0 cents per ordinary share). The interim dividend of HK10.0 cents (2019: HK15.0 cents) per ordinary share paid in January 2020 make a total dividend of HK10.0 cents (2019: HK30.0 cents) per ordinary share for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3 August 2020 to Thursday, 6 August 2020 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 31 July 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2020, the Group's total revenue decreased by 7.1% to HK\$7,630 million (2019: HK\$8,210 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$169 million (2019: HK\$325 million), a drop of 48.0%. The Group's gross profit margin was 32.0% (2019: 31.7%), a slight increase of 0.3 percentage points from last year.

The Board does not recommend the payment of final dividend (2019: HK15.0 cents per ordinary share). As the interim dividend was 10.0 cents, total dividend per ordinary share for the year would be HK10.0 cents (2019: HK30.0 cents), a drop of 66.7% from last year.

Textile business

Turnover of the textile business rose by 3.4% to HK\$4,919 million (2019: HK\$4,759 million). The amount represented 64.5% (2019: 58.0%) of the Group's total revenue. During the first half of the year, the Sino-US trade disputes had curtailed the overall global economic confidence. The customers therefore turned caution in procurement. Towards the end of 2019, the trade war showed signs of settlement that a slight business confidence recovery was seen. In early 2020, the COVID-19 outbreak started to bring severe impact to world economic activities. As a result of suspension of business operation across the universe, the Group has experienced an increase in cancellation of orders and delay in shipment of products. Under such adverse situation, the business performance in the first half of 2020 will inevitably be affected. In the period, raw material prices were generally stable. Revenue and gross profit margin increased by 3.4% and 4.9% respectively. The performance and the key financial ratios of the business were as below:

(Amounts expressed in HK\$'million, unless specified)

	2020	2019	2018	2017	2016
Net sales	4,919	4,759	4,535	3,807	4,741
Gross profit margin (%)	23.2	18.3	15.9	16.9	21.7
Operating profit (note 1)	540	354	241	350	666
EBITDA (note 1)	770	526	410	518	842
Return on total assets (%) (note 2)	6.9	4.2	1.9	4.9	9.6
Return on sales (%) (note 2)	8.9	5.9	2.9	10.2	14.2
Return on equity (%) (note 2)	10.8	6.8	3.0	8.4	12.5
Capital expenditure	76	160	162	143	111

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

(2) Exclude rental income.

Retail and distribution business

Sales of the business amounted to HK\$2,709 million (2019: HK\$3,448 million), a decrease of 21.4%. The amount was 35.5% (2019: 42.0%) of the Group's total turnover. In the period, a combination of factors did affect our business performance in Mainland China and Hong Kong. The Sino-US trade disputes had curtailed global economic growth, unseasonably warm weather also drastically hampered the winter sales. Retail business in Hong Kong also plunged due to social events in the year. The outbreak of the new coronavirus infection is expected to harm our retail business significantly in the first quarter of 2020. 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>	2020	2019	2018	2017	2016
Net sales	2,709	3,448	3,989	4,044	4,592
Gross profit margin (%)	47.5	50.1	47.4	45.5	46.6
Sales growth of comparable shops (%) (note 1)	(17.1)	(12.8)	(6.9)	(7.8)	7.3
Operating profit/(loss) (note 2)	(316)	(110)	14	(96)	(93)
EBITDA (note 2)	3	(24)	102	(11)	8
Return on total assets (%) (note 3)	(11.1)	(4.3)	0.4	(4.8)	(4.3)
Return on sales (%) (note 3)	(10.6)	(2.9)	0.2	(2.3)	(2.4)
Return on equity (%) (note 3)	(53.4)	(8.8)	0.7	(15.9)	(9.5)
Capital expenditure	146	76	94	73	96

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

(2) Exclude interest income and rental income.

(3) Exclude rental income.

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

<i>(HK\$'million)</i>	2020	2019	2018	2017	2016
Baleno	2,484	3,073	3,274	3,144	3,260
Others	225	375	715	900	1,332
Total	2,709	3,448	3,989	4,044	4,592

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

Mainland China

	2020	2019	2018	2017	2016
Net sales (HK\$'million)	2,085	2,767	3,414	3,476	4,013
Decrease in net sales (%)	(25)	(19)	(2)	(13)	—
Retail floor area (sq. ft.)*#	1,690,117	1,626,047	1,781,314	1,723,190	1,779,340
Number of sales associates*#	3,446	4,182	4,946	5,493	6,425
Number of outlets* [△]	1,838	2,183	2,499	2,326	2,770

Hong Kong

	2020	2019	2018	2017	2016
Net sales (HK\$'million)	624	681	575	568	579
Increase/(decrease) in net sales (%)	(8)	18	1	(2)	19
Retail floor area (sq. ft.)*#	90,281	87,752	79,822	65,515	64,543
Number of sales associates*#	288	571	484	385	395
Number of outlets*#	83	78	73	60	64

* As at the end of the reporting period

For self-managed stores

△ Including self-managed stores, consignment stores and franchise stores

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 2.0, HK\$1,230 million and -0.1 (2019: 2.0, HK\$1,529 million and -0.1) respectively. Bank borrowings decreased during the year as the Group continued to repay its bank loans with cash inflow from its operating activities. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity.

During the year, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 5 times, 44 days and 101 days (2019: 12 times, 42 days and 97 days) respectively. The interest cover decreased compared with last year mainly because the Company adopted HKFRS 16 Leases during the year and the marked decrease in profit before tax of the Group compared with last year as a result of the widespread of COVID-19 pandemic happened during the year. Under HKFRS 16, the accretion of interest related to the affected leases were classified as finance costs in current year, instead of as rental expenses forming part of the selling and distribution expenses or administrative expenses in last year. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the year end, the cash and cash equivalents, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$1,737 million, HK\$4,930 million and HK\$5,491 million (2019: HK\$2,080 million, HK\$5,378 million and HK\$5,586 million), respectively.

Capital expenditure

The capital expenditure incurred by the Group during the year was HK\$222 million (2019: HK\$236 million). The capital expenditure incurred by the textile and garment business for the year was HK\$76 million (2019: HK\$160 million) mainly for the addition of plant and machinery for the dyeing, knitting and garment factories. For the retail and distribution business, our capital expenditure incurred for the year amounted to HK\$146 million (2019: HK\$76 million). Mainly for the addition of leasehold improvements of the retail outlets amounted to HK\$55 million (2019: HK\$76 million) and for the acquisition of office premises in Hong Kong amounted to HK\$91 million (2019: Nil).

Pledge of assets

No significant assets were pledged as at 31 March 2020 and 31 March 2019.

Contingent liabilities

Details of the contingent liabilities as at 31 March 2020 and 31 March 2019 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 RMB fixed or floating rate borrowings with maturity due within one year (2019: within two years). At the year end, the cash and cash equivalents, debt instruments at amortised cost and financial assets at fair value through profit or loss were mainly denominated in HKD, RMB and USD. The cash and cash equivalents were placed as fixed deposits with well established financial institutions at fixed interest rate with maturity due within one year (2019: within one year). And, the debt instruments at amortised cost and financial assets at fair value through profit or loss were mainly fixed interest rate investments with maturity due within six years or at perpetuity (2019: within six years or at perpetuity). As affected by the escalating China-US tension and the profound impact of the COVID-19 pandemic, the economic outlook became more uncertain. The interest rate is expected to fall close to zero for a much longer period. The Group will continue to monitor the interest rate risk and arrange appropriate financial instruments to reduce its 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

At the year end, the Group had about 11,589 (2019: 12,657) 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, we also encourage our 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/orgainisations the Group participated in / donated or sponsored to were:

- (1) World Wide Fund For Nature Hong Kong;
- (2) The Community Chest of Hong Kong "Love Teeth Day";
- (3) The Community Chest of Hong Kong "The Community Chest Green Day";
- (4) Evangelical Lutheran Church Social Service – Hong Kong;
- (5) Sowers Action;
- (6) St. James' Settlement;
- (7) The Hong Kong Council of Social Service "Caring Company"; and
- (8) Dongguan Branch Red Cross Society of China.

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

OUTLOOK

Looking forward, the COVID-19 pandemic would undoubtedly affect our business performance significantly in the first half of 2020. However, the impacts brought about by the virus are expected not to be permanent. The management will closely monitor the situation to deploy appropriate measures in overcoming the business challenges.

The Group remains prudent about the business outlook. With a solid financial position and cost measures in action, the Group is confident to weather the obstacles ahead.

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 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 six 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.

The Committee has also met with the external auditors of the Company and reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

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 deviation:

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.

SCOPE OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Ting Kit Chung and Mr. Poon Ho Tak; 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 2019/2020 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 under "Latest Listed Company Information" and on the website of the Company at www.texwinca.com under "Investor Relations" in due course.

On behalf of the Board
Poon Bun Chak
Executive Chairman

Hong Kong, 19 June 2020