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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 2021

#### 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 2021 with the comparative figures of last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>REVENUE</b>		<b>7,351,573</b>	7,630,306
Cost of sales		<u>(5,071,441)</u>	<u>(5,191,779)</u>
Gross profit		<b>2,280,132</b>	2,438,527
Other income and gains		<b>165,516</b>	143,418
Selling and distribution expenses		<b>(1,228,761)</b>	(1,312,117)
Administrative expenses		<b>(723,896)</b>	(836,655)
Other operating expenses, net		<b>(51,745)</b>	(116,239)
Finance costs		<b>(30,392)</b>	(68,691)
Share of profit of an associate		<b>8,838</b>	22,733
<b>PROFIT BEFORE TAX</b>	4	<b>419,692</b>	270,976
Income tax expense	5	<u>(145,733)</u>	<u>(101,922)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>273,959</u></b>	<u>169,054</u>

\* For identification purposes only

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2021</b>	2020
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Ordinary equity holders of the Company		<b>274,213</b>	169,054
Non-controlling interests		<b>(254)</b>	—
		<hr/> <b>273,959</b>	<hr/> 169,054
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted ( <i>HK cents</i> )	7	<hr/> <b>19.8</b>	<hr/> 12.2

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>273,959</b>	169,054
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>264,666</u>	(204,627)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<u>264,666</u>	(204,627)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<u>538,625</u>	(35,573)
Attributable to:		
Ordinary equity holders of the Company	538,876	(35,573)
Non-controlling interests	<u>(251)</u>	—
	<u>538,625</u>	(35,573)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>31 March</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,146,482</b>	1,144,341
Right-of-use assets		<b>530,753</b>	617,418
Investment properties		<b>517,995</b>	516,737
Construction in progress		<b>28,358</b>	373
Trademarks		<b>33,293</b>	33,293
Investment in an associate		<b>7,126</b>	48,288
Prepayments		<b>23,752</b>	17,220
Long term rental deposits		<b>93,029</b>	76,149
Financial assets at fair value through profit or loss		<b>70,683</b>	74,776
Long term debt instruments at amortised cost		<b>45,241</b>	99,247
Deferred tax assets		<b>39,261</b>	23,630
		<hr/>	<hr/>
Total non-current assets		<b>2,535,973</b>	2,651,472
<b>CURRENT ASSETS</b>			
Inventories		<b>2,388,533</b>	2,102,440
Trade receivables	8	<b>894,881</b>	712,289
Bills receivable		<b>262,320</b>	197,307
Prepayments, deposits and other receivables		<b>893,593</b>	817,045
Financial assets at fair value through profit or loss		<b>2,346</b>	56,946
Debt instruments at amortised cost		<b>60,653</b>	37,780
Derivative financial assets		<b>1,802</b>	41
Cash and cash equivalents		<b>1,700,293</b>	1,737,012
		<hr/>	<hr/>
Total current assets		<b>6,204,421</b>	5,660,860
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>858,693</b>	708,400
Bills payable		<b>2,388</b>	1,472
Other payables and accrued liabilities		<b>654,320</b>	526,662
Lease liabilities		<b>194,809</b>	203,468
Derivative financial liabilities		<b>2,527</b>	419
Interest-bearing bank borrowings		<b>855,330</b>	1,229,533
Tax payable		<b>304,338</b>	183,589
		<hr/>	<hr/>
Total current liabilities		<b>2,872,405</b>	2,853,543
<b>NET CURRENT ASSETS</b>		<hr/> <b>3,332,016</b> <hr/>	2,807,317
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>5,867,989</b> <hr/>	5,458,789
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accrued liabilities		<b>14,853</b>	2,236
Lease liabilities		<b>346,178</b>	426,064
Deferred tax liabilities		<b>107,205</b>	100,276
		<hr/>	<hr/>
Total non-current liabilities		<b>468,236</b>	528,576
Net assets		<hr/> <b>5,399,753</b> <hr/>	4,930,213

	<b>31 March</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	<b>69,085</b>	69,085
Reserves	<b>5,192,749</b>	4,861,128
Proposed final dividend	<b>138,170</b>	—
	<hr/>	<hr/>
	<b>5,400,004</b>	4,930,213
Non-controlling interests	<b>(251)</b>	—
	<hr/>	<hr/>
Total equity	<b>5,399,753</b>	4,930,213
	<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 Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 March 2021, certain monthly lease payments for the leases of the Group’s premises have been reduced or waived by the lessors upon reducing the scale of business as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 March 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$25,698,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2021.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance 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 property 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 assets 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 2021 and 31 March 2020:

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	<b>4,643,647</b>	4,918,578	<b>2,704,904</b>	2,709,338	<b>3,022</b>	2,390	—	—	<b>7,351,573</b>	7,630,306
Intersegment sales	<b>138,766</b>	53,005	—	—	<b>8,361</b>	8,164	<b>(147,127)</b>	(61,169)	—	—
Other revenue	<b>71,821</b>	43,097	<b>33,942</b>	3,169	<b>34,703</b>	37,544	<b>(2,726)</b>	(3,981)	<b>137,740</b>	79,829
	<b>4,854,234</b>	5,014,680	<b>2,738,846</b>	2,712,507	<b>46,086</b>	48,098	<b>(149,853)</b>	(65,150)	<b>7,489,313</b>	7,710,135
<b>Segment results</b>	<b>566,653</b>	539,526	<b>(199,127)</b>	(316,042)	<b>42,918</b>	(1,353)	<b>(19,630)</b>	—	<b>390,814</b>	222,131
<i>Reconciliation:</i>										
Interest income									<b>27,776</b>	63,589
Finance costs (excluding interest on lease liabilities)									<b>(7,736)</b>	(37,477)
Share of profit of an associate									<b>8,838</b>	22,733
Profit before tax									<b>419,692</b>	270,976
Income tax expense									<b>(145,733)</b>	(101,922)
Profit for the year									<b>273,959</b>	169,054



- (a) The following tables present revenue, profit and certain assets, liabilities and expenditures information of the Group for the years ended 31 March 2021 and 31 March 2020 (*continued*):

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>5,731,479</b>	5,309,955	<b>2,694,430</b>	2,597,492	<b>541,330</b>	825,549	<b>(1,435,230)</b>	(1,380,226)	<b>7,532,009</b>	7,352,770
<i>Reconciliation :</i>										
Investment in an associate									7,126	48,288
Unallocated assets									<b>1,201,259</b>	911,274
Total assets									<b>8,740,394</b>	8,312,332
<b>Segment liabilities</b>	<b>1,082,163</b>	859,799	<b>2,040,587</b>	2,017,708	<b>48,894</b>	34,087	<b>(1,097,876)</b>	(1,042,873)	<b>2,073,768</b>	1,868,721
<i>Reconciliation :</i>										
Unallocated liabilities									<b>1,266,873</b>	1,513,398
Total liabilities									<b>3,340,641</b>	3,382,119
<b>Other segment information:</b>										
Depreciation and amortisation	<b>180,554</b>	178,497	<b>283,073</b>	303,127	—	—	—	—	<b>463,627</b>	481,624
Capital expenditure *	<b>125,850</b>	75,917	<b>57,386</b>	146,032	—	—	—	—	<b>183,236</b>	221,949
Write-down/(reversal of write-down) of inventories	<b>(52,451)</b>	11,306	<b>50,306</b>	28,134	—	—	—	—	<b>(2,145)</b>	39,440
Impairment of trade receivables	<b>4,397</b>	—	<b>13,687</b>	19,889	—	—	—	—	<b>18,084</b>	19,889
Impairment of right-of-use assets	—	—	<b>15,004</b>	35,021	—	—	—	—	<b>15,004</b>	35,021
Impairment of debt instruments at amortised cost	—	—	<b>13,211</b>	19,608	—	—	—	—	<b>13,211</b>	19,608
Net fair value loss/(gain) on investment properties	—	—	—	—	<b>(1,258)</b>	36,714	—	—	<b>(1,258)</b>	36,714

\* Capital expenditure consists of additions to property, plant and equipment, construction in progress and the 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 2021 and 31 March 2020:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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>Revenue from external customers</b>	<b>2,551,595</b>	2,636,804	<b>3,407,964</b>	3,059,365	<b>370,066</b>	758,480	<b>822,151</b>	951,378	<b>199,797</b>	224,279	—	—	<b>7,351,573</b>	7,630,306
<b>Non-current assets</b>	—	—	<b>1,606,087</b>	1,604,266	—	—	<b>825,387</b>	908,179	—	—	<b>(143,715)</b>	(134,775)	<b>2,287,759</b>	2,377,670

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 (2020: nil) contributed to 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:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	236,302	250,180
Depreciation of right-of-use assets	227,325	231,444
Net loss on disposal of items of property, plant and equipment	2,555	1,737
	<u>236,302</u>	<u>250,180</u>

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020:16.5%). 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	
	2021	2020
	HK\$'000	HK\$'000
Current - Hong Kong and Mainland China:		
Charge for the year	58,227	90,833
Underprovision in prior years *	95,316	692
Deferred	(7,810)	10,397
	<u>58,227</u>	<u>90,833</u>
Total tax charge for the year	<u>145,733</u>	<u>101,922</u>

\* Included in the balance of underprovision in prior years for the year ended 31 March 2021 was additional tax provision of HK\$94,250,000 made in current year in relation to tax affairs as detailed in note 10(b).

#### 6. Dividends

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend – HK5.0 cents (2020: HK10.0 cents) per ordinary share	69,085	138,170
Proposed final dividend – HK10.0 cents (2020: Nil) per ordinary share	138,170	—
	<u>69,085</u>	<u>138,170</u>
	<u>207,255</u>	<u>138,170</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 (2020: 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 2021 and 31 March 2020.

## 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\$51,472,000 (2020: HK\$33,388,000), is as follows:

	31 March	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	846,068	670,617
Over 90 days	48,813	41,672
	<u>894,881</u>	<u>712,289</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	769,962	690,687
Over 90 days	88,731	17,713
	<u>858,693</u>	<u>708,400</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank guarantees given in lieu of property rental deposits	<u>4,115</u>	<u>4,892</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 and November 2020	250,680	82,500
2015/2016	April 2018	230,400	71,710
2016/2017	April 2018	129,628	49,808
Total		3,056,153	619,497

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 recommends the payment of final dividend of HK10.0 cents (2020: Nil) per ordinary share which, together with the interim dividend of HK5.0 cents (2020: HK10.0 cents) per ordinary share paid in January 2021, will make a total dividend of HK15.0 cents (2020: HK10.0 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, 6 October 2021 to the shareholders registered on the Register of Members of the Company on Wednesday, 25 August 2021.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 9 August 2021 to Thursday, 12 August 2021 (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, 6 August 2021.

The Register of Members of the Company will be closed from Monday, 23 August 2021 to Wednesday, 25 August 2021 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2021. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2021, 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, 20 August 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2021, the Group's total revenue decreased by 3.6% to HK\$7,352 million (2020: HK\$7,630 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$274 million (2020: HK\$169 million), a growth of 62.1%. The Group's gross profit margin was 31.0% (2020: 32.0%), a slight decrease of 1.0 percentage points from last year.

The Board has recommended a final dividend of HK10.0 cents (2020: Nil). Including the interim dividend of HK5.0 cents (2020: HK10.0 cents), total dividend per ordinary share for the year would be HK15.0 cents, an increase of 50.0% from last year.

#### Textile business

Turnover of the textile business decreased by 5.6% to HK\$4,644 million (2020: HK\$4,919 million). The amount represented 63.2% (2020: 64.5%) of the Group's total revenue. The operating environment was quite difficult in the first quarter due to the outbreak of COVID-19 pandemic. Production facilities were temporary suspended and business orders decreased due to slowed down of global economic activities. The Sino-U.S. tensions continued which affected the supply of cotton materials in China. Raw material prices were generally quite volatile in the period. From the second quarter onwards, operating performance had turned to be more favourable. In the year, revenue decreased by 5.6% and gross profit margin increased by 0.6 percentage points. The performance and the key financial ratios of the business were as below:

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

	2021	2020	2019	2018	2017
Net sales	<b>4,644</b>	4,919	4,759	4,535	3,807
Gross profit margin (%)	<b>23.8</b>	23.2	18.3	15.9	16.9
Operating profit (note 1)	<b>567</b>	540	354	241	350
EBITDA (note 1)	<b>771</b>	770	526	410	518
Return on total assets (%) (note 2)	<b>6.1</b>	6.9	4.2	1.9	4.9
Return on sales (%) (note 2)	<b>9.2</b>	8.9	5.9	2.9	10.2
Return on equity (%) (note 2)	<b>9.1</b>	10.8	6.8	3.0	8.4
Capital expenditure	<b>126</b>	76	160	162	143

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

(2) Exclude rental income.

#### Retail and distribution business

Sales of the business amounted to HK\$2,705 million (2020: HK\$2,709 million). The amount was 36.8% (2020: 35.5%) of the Group's total turnover. Since the beginning of the year, the pandemic had severely hurt the global economy and consumer sentiments. City lockdowns, social distancing measures and temporary suspension of retail operation squeezed business time of our stores. As the lockdowns relaxed in the second half of the year, revenue had begun to improve. 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>2021</b>	2020	2019	2018	2017
Net sales	<b>2,705</b>	2,709	3,448	3,989	4,044
Gross profit margin (%)	<b>44.1</b>	47.5	50.1	47.4	45.5
Sales growth of comparable shops (%) <i>(note 1)</i>	<b>(8.4)</b>	(17.1)	(12.8)	(6.9)	(7.8)
Operating profit/(loss) <i>(note 2)</i>	<b>(199)</b>	(316)	(110)	14	(96)
EBITDA <i>(note 2)</i>	<b>108</b>	3	(24)	102	(11)
Return on total assets (%) <i>(note 3)</i>	<b>(6.9)</b>	(11.1)	(4.3)	0.4	(4.8)
Return on sales (%) <i>(note 3)</i>	<b>(6.8)</b>	(10.6)	(2.9)	0.2	(2.3)
Return on equity (%) <i>(note 3)</i>	<b>(29.6)</b>	(53.4)	(8.8)	0.7	(15.9)
Capital expenditure	<b>57</b>	146	76	94	73

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>	<b>2021</b>	2020	2019	2018	2017
Baleno	<b>2,525</b>	2,484	3,073	3,274	3,144
Others	<b>180</b>	225	375	715	900
Total	<b>2,705</b>	2,709	3,448	3,989	4,044

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

#### **Mainland China**

	<b>2021</b>	2020	2019	2018	2017
Net sales <i>(HK\$'million)</i>	<b>2,184</b>	2,085	2,767	3,414	3,476
Increase/(decrease) in net sales (%)	<b>5</b>	(25)	(19)	(2)	(13)
Retail floor area <i>(sq. ft.)</i> *#	<b>1,867,355</b>	1,690,117	1,626,047	1,781,314	1,723,190
Number of sales associates*#	<b>3,919</b>	3,446	4,182	4,946	5,493
Number of outlets* <sup>△</sup>	<b>2,026</b>	1,838	2,183	2,499	2,326

#### **Hong Kong**

	<b>2021</b>	2020	2019	2018	2017
Net sales <i>(HK\$'million)</i>	<b>521</b>	624	681	575	568
Increase/(decrease) in net sales (%)	<b>(17)</b>	(8)	18	1	(2)
Retail floor area <i>(sq. ft.)</i> *#	<b>96,516</b>	90,281	87,752	79,822	65,515
Number of sales associates*#	<b>377</b>	288	571	484	385
Number of outlets*#	<b>88</b>	83	78	73	60

\* 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 2.2, HK\$855 million and -0.2 (2020: 2.0, HK\$1,230 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 and bank deposits. 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 15 times, 58 days and 119 days (2020: 5 times, 44 days and 101 days) respectively. The interest cover increased compared with last year mainly due to the increase in profit before tax and the decrease in finance cost during the year compared with those of the 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\$1,700 million, HK\$5,400 million and HK\$5,910 million (2020: HK\$1,737 million, HK\$4,930 million and HK\$5,491 million), respectively.

### Capital expenditure

The capital expenditure incurred by the Group during the year was HK\$183 million (2020: HK\$222 million). The capital expenditure incurred by the textile and garment business for the year was HK\$126 million (2020: HK\$76 million), of which HK\$97 million was for the addition of plant and machinery for the dyeing, knitting and garment factories and HK\$29 million was for “Coal to Gas” conversion project. For the retail and distribution business, our capital expenditure incurred for the year amounted to HK\$57 million (2020: HK\$146 million) was mainly for the addition of leasehold improvements of the retail outlets (2020: HK\$55 million for the addition of leasehold improvements of the retail outlets and HK\$91 million for the acquisition of office premises in Hong Kong).

### Pledge of assets

No significant assets were pledged as at 31 March 2021 and 31 March 2020.

### Contingent liabilities

Details of the contingent liabilities as at 31 March 2021 and 31 March 2020 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 (2020: within one year). 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 (2020: 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 four years or at perpetuity (2020: within six years or at perpetuity). Following the containment of the widespread of COVID-19 pandemic, the economic activities continue to accelerate. It is expected that the USD interest rate will be kept at the low level for a longer period to support the economic recovery. 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 and YEN (2020: 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 12,536 (2020: 11,589) 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/organisations 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) Evangelical Lutheran Church Social Service – Hong Kong;
- (4) The Hong Kong Council of Social Service "Caring Company";
- (5) Ocean Park Conservation Foundation Hong Kong's "Run for Survival 2020"; and
- (6) Hong Kong Red Cross "Red Twinkle Star Campaign 2020-2021".

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 ahead, the coming year will continue to be challenging. At this time, the virus is still not under controlled in many places of the world. Vaccine developments have generated positive expectation for a global economic recovery. However, it is difficult to predict the pace of full economic turnaround. The Group will focus on maintaining a strong cash flow to face for an eventual global recovery. At the same time, the Group will continue its plan of development in enhancing business market share. Recently, the Group has decided to establish a new garment plant in Henan, China to raise productivity and expand vertically integrated supply chain. The Group expects significant market consolidation will be going on in the coming years. The management is also investigating to establish a new textile plant in Southeast Asia for diversifying business weight.

Though the business environment is volatile, the Group remains positive about the business outlook. The management will closely monitor the market situation in deploying necessary measures.

## **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 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.

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 one of the executive directors of the Company. The chairman considers the executive director a suitable person for taking up such duty as the executive director has good knowledge in 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 2021 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 2020/2021 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.

On behalf of the Board  
**Poon Bun Chak**  
*Executive Chairman*

Hong Kong, 18 June 2021