



TEXWINCA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Website: <http://www.texwinca.com/>
<http://www.irasia.com/listco/hk/texwinca/>

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2000

The Board of Directors (the "Board") has pleasure in presenting the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2000 with comparative figures for the previous corresponding year as below:

	For the year ended 31 March	
Notes	2000 (HK\$000)	1999 (HK\$000) (Restated)
TURNOVER	3,092,784	2,725,293
Cost of sales	(2,239,441)	(1,976,055)
Gross profit	853,343	749,238
Other revenue	32,997	25,882
Selling and distribution costs	(272,475)	(270,741)
Administrative expenses	(279,203)	(245,300)
Other operating expenses	(13,781)	(10,123)
PROFIT FROM OPERATING ACTIVITIES	320,881	248,956
Share of profit of an associate	30,685	12,382
Finance costs	(22,963)	(51,327)
PROFIT BEFORE TAX	328,603	210,011
Tax	1 (27,011)	(19,414)
PROFIT BEFORE MINORITY INTERESTS	301,592	190,597
Minority interests	—	—
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	301,592	190,597
Interim dividend	(38,419)	(25,574)
Proposed final dividend	(76,615)	(38,362)
RETAINED PROFIT FOR THE YEAR	186,558	126,661
EARNINGS PER SHARE (cents)	2	
Basic	23.6	14.9
Diluted	23.3	N/A
Interim dividend per share paid (cents)	3.00	2.00
Final dividend per share proposed/paid (cents)	6.00	3.00
	9.00	5.00

Notes:

- Tax**

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits in respect of subsidiaries operating overseas have been calculated at the rates of tax prevailing in the respective tax jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

	2000 (HK\$000)	1999 (HK\$000)
Group		
Hong Kong and PRC tax		
Current year provision	24,127	20,749
Overprovision in prior year	(95)	(30)
Hong Kong profits tax rebate relating to prior year	—	(700)
Deferred tax	1,628	(855)
	25,660	19,164
Associate	1,351	250
Tax charge for the year	27,011	19,414

2. Earnings per share

The basic and diluted earnings per share for the year ended 31 March 2000 have been calculated as follows:

(a) Basic earnings per share

The calculation of basic earnings per share was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$301,592,000 (1999: HK\$190,597,000 as restated) and the weighted average of 1,279,611,906 (1999: 1,278,947,918) shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$301,592,000 and the weighted average number of 1,296,156,769 shares in issue and adjusted to reflect the effects of all dilutive potential shares during the year.

The reconciliation of weighted average number of shares used in the calculation of basic earnings per share and diluted earnings per share was as follows:

	2000
Weighted average number of shares used in calculation of basic earnings per share	1,279,611,906
Shares deemed to be issued for no consideration on deemed exercise of share options	16,544,863
Weighted average number of shares used in calculation of diluted earnings per share	1,296,156,769

Diluted earnings per share for the year ended 31 March 1999 has not been shown as the outstanding share options were antidilutive during the year.

3. Comparative figures and change of accounting policy

To comply with the revised Statement of Standard Accounting Practice 1 ("SSAP") which was further explained by Interpretation 9 issued by the Hong Kong Society of Accountants, the Group changed its accounting policy in the treatment of pre-operating expenses. Previously, pre-operating expenses were capitalised up to the date of commencement of operations and were amortised on a straight-line basis over a period of 5 years. Under the revised accounting policy, the Group charges the pre-operating expenses to the profit and loss account in the year in which they arise.

As the above changes apply retrospectively to previous years, all the comparative figures have been revised and the Group's net profit from ordinary activities attributable to shareholders for the year ended 31 March 1999 has been increased by HK\$8,536,000 and the retained profits as at 1 April 1998 has been decreased by HK\$20,621,000.

Furthermore, the presentation of the profit and loss account, balance sheets and certain supporting notes have been revised to comply with requirements of SSAP.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 6.0 cents per share (1999: 3.0 cents per share) which, together with the interim dividend of 3.0 cents per share paid in February 2000 will make a total dividend of 9.0 cents per share (1999: 5.0 cents per share).

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be payable on Friday, 20 October 2000 to the shareholders registered on the Register of Members on Tuesday, 26 September 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 19 September 2000 to Tuesday, 26 September 2000, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificate, must be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 18 September 2000 in order to qualify for the proposed final dividend above mentioned.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

China

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

Hong Kong

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

Taiwan

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

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

Outlook

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

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

After several years of development in China, our retail business has become one of the leaders in the market. We expect the number of shops to increase to about 550 at the end of this financial year. Taiwan would be our target market for the coming year, the number of shops are expected to rise sharply from about 40 to about 80. As market condition improves in Hong Kong, the number of shops will also increase to over 30. The retail businesses in the South East Asian countries continue to operate under franchise. Initial results have been achieved from the developments in the Korean and Middle East markets. The Group will gradually increase investment in other Asian markets when growth in China, Hong Kong and Taiwan stabilises.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

Audit Committee

Pursuant to the Code of Best Practice set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group established an Audit Committee (the "Committee") on 15th March 1999. The members of the Committee comprise the two independent non-executive directors of the Group, Mr. Au Son Yiu and Mr. Cheng Shu Wing.

The terms of reference and duties have been laid down as a guideline for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls. Since its establishment, the Committee has met two times to review the internal controls and annual results and has provided recommendations to the board of directors.

The Listing Rules Practice Note 19

A syndicated bank loan with outstanding balance of HK\$63.6 million on 31 March 2000, representing 4.9% of Group's net assets value, was early repaid by the Company on 15 June 2000. Under the loan agreement, the controlling shareholders, the Poon family (Mr. Poon Bun Chak and his family members), were required to maintain controlling interests in the management and hold an aggregate shareholding of not less than 51% of the issued capital of the Company during the tenure of the loan to 27 August 2001. A breach of the above requirement would be considered to be a default under the loan agreement. During the year, no breach of the requirement was noted.

Save as disclosed above, there are no other disclosures required under Practice Note 19.

YEAR 2000 COMPUTER PROBLEM

The Group recognises the Year 2000 ("Y2K") problem as a problem related to the two-digit representation of year on computer systems.

As disclosed in the latest interim report, the Group has completed its project in ensuring the Year 2000 compliance of all its systems. As of today, all the systems of the Group are functioning smoothly and no Y2K problem is noted. As the Y2K peril continues to exist, the Group will continue to monitor all its systems closely.

For the year ended on 31 March 2000, there was no material cost spent on the Y2K project.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms. Independent non-executive directors are subject to retirement and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws.

By Order of the Board
Poon Bun Chak
Chairman

Hong Kong, 22 August 2000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of the Company will be held at Grand Royal Club, Level 6, Metroplaza Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong at 11:45 A.M. on Tuesday, 26 September 2000 for the following purposes:-

- To receive and consider the audited consolidated financial statements and the Reports of the Directors and the Auditors for the year ended 31 March 2000;
- To declare a final dividend;
- To elect Directors and to authorize the Board of Directors to fix their remuneration;
- To appoint Auditors and to authorize the Board of Directors to fix their remuneration;
- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:—

A. "THAT:—

- the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares of HK\$0.05 each in the capital of the Company, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next Annual General Meeting of the Company;
 - the revocation or variation of the authority given under this Resolution by ordinary resolution of the members in general meeting; and
 - the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Bye-laws or any applicable laws to be held.;

- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution;

"THAT:

- subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

- for the purpose of this Resolution, Relevant Period means the period from the passing of this Resolution until whichever is the earlier of:

- the conclusion of the next Annual General Meeting of the Company;
- the revocation or variation of the authority given under this Resolution by ordinary resolution of the members in general meeting; and
- the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Bye-laws or any applicable laws to be held.

- "Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange.;

- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition to the total nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By Order of the Board
Chan Chi Hon
Secretary

Hong Kong, 22 August 2000

Notes:

- The Register of Members will be closed from Tuesday, 19 September 2000 to Tuesday, 26 September 2000 (both days inclusive), during which period no transfer of shares can be registered.
- In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 18 September 2000.
- A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Member of the Company.
- To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of authority, must be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the Meeting.
- An explanatory statement containing further details regarding Resolutions 5 to 7 above will be sent to Members together with the 2000 Annual Report.
- Subject to the approval of the Directors' recommendation, the final dividend will be paid on Friday, 20 October 2000.