



# 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 2005

### RESULTS

The Board of Directors of Texwinca Holdings Limited (the “Company”) has pleasure in presenting the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005 with comparative figures of last year as follows:

### Consolidated Profit and Loss Account

|   |       | For the year ended 31<br>March         |                                 |
|---|-------|--|---------------------------------|
|   |       | 2005                                   | 2004                            |
|   | Notes | HK\$'000                               | HK\$'000                        |
| <b>TURNOVER</b>   |       |  |                                 |
| Cost of sales   | 2     | <u>7,302,697</u><br><u>(5,123,037)</u> | 6,216,465<br><u>(4,399,736)</u> |
| Gross profit  |       | <b>2,179,660</b>                       | 1,816,729                       |
| Other revenue and gains   |       | <b>86,954</b>                          | 53,215                          |
| Selling and distribution costs  |       | <b>(1,293,833)</b>                     | (995,079)                       |
| Administrative expenses   |       | <b>(445,086)</b>                       | (367,862)                       |
| Other operating expenses, net   |       | <u><b>(2,514)</b></u>                  | <u>(8,737)</u>                  |
| <b>PROFIT FROM OPERATING ACTIVITIES</b>                                     | 2, 3  | <b>525,181</b>                         | 498,266                         |
| Share of profit of an associate   |       | <b>40,276</b>                          | 33,344                          |
| Finance costs   |       | <u><b>(10,224)</b></u>                 | <u>(4,086)</u>                  |
| <b>PROFIT BEFORE TAX</b>  |       | <b>555,233</b>                         | 527,524                         |
| Tax   | 4     | <u><b>(65,116)</b></u>                 | <u>(57,888)</u>                 |
| <b>PROFIT BEFORE MINORITY INTERESTS</b>                                     |       | <b>490,117</b>                         | 469,636                         |
| Minority interests  |       | <u><b>(21,886)</b></u>                 | <u>(47,666)</u>                 |
| <b>NET PROFIT FROM ORDINARY ACTIVITIES<br/>ATTRIBUTABLE TO SHAREHOLDERS</b> |       | <u><b>468,231</b></u>                  | <u>421,970</u>                  |

## DIVIDENDS

|   |   |                |         |
|---|---|----------------|---------|
| Interim   |   | <b>132,598</b> | 105,996 |
| Proposed final  |   | <b>145,881</b> | 159,047 |
|   |   | <b>278,479</b> | 265,043 |
| Interim dividend paid per share ( <i>HK cents</i> )   |   | <b>10.0</b>    | 8.0     |
| Final dividend per share proposed ( <i>HK cents</i> ) |   | <b>11.0</b>    | 12.0    |
|   |   | <b>21.0</b>    | 20.0    |
| Earnings per share ( <i>HK cents</i> )                | 5 |                |         |
| Basic   |   | <b>35.3</b>    | 31.9    |
| Diluted   |   | <b>35.0</b>    | 31.7    |

*Notes:*

### 1. Principal accounting policies

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (which also included Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and investment properties.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The principal accounting policies and methods of computation adopted in the preparation of the audited financial statements of this year are consistent with those followed in the last published audited financial statements.

## 2. Segment information

### (a) Business segments

#### Group

|   | Production, dyeing<br>and sale of knitted<br>fabric and yarn |                  | Casual apparel and<br>accessory retailing<br>and distribution |                  | Others        |          | Eliminations   |          | Consolidated     |                  |
|---|--|------------------|---|------------------|---------------|----------|----------------|----------|------------------|------------------|
|   | 2005   | 2004             | 2005  | 2004             | 2005          | 2004     | 2005           | 2004     | 2005             | 2004             |
|   | HK\$'000   | HK\$'000         | HK\$'000  | HK\$'000         | HK\$'000      | HK\$'000 | HK\$'000       | HK\$'000 | HK\$'000         | HK\$'000         |
| Segment revenue:  |  |                  |   |                  |               |          |                |          |                  |                  |
| Sales to external customers   | <b>4,108,693</b>   | 3,626,629        | <b>3,146,485</b>  | 2,548,155        | <b>47,519</b> | 41,681   | —              | —        | <b>7,302,697</b> | 6,216,465        |
| Intersegment sales  | —  | —                | —   | —                | <b>1,765</b>  | 1,892    | <b>(1,765)</b> | (1,892)  | —                | —                |
| Other revenue   | <b>41,758</b>  | 29,900           | <b>28,513</b>   | 19,162           | <b>4,517</b>  | 1,076    | <b>(1,375)</b> | (1,170)  | <b>73,413</b>    | 48,968           |
| Total   | <b>4,150,451</b>   | <b>3,656,529</b> | <b>3,174,998</b>  | <b>2,567,317</b> | <b>53,801</b> | 44,649   | <b>(3,140)</b> | (3,062)  | <b>7,376,110</b> | <b>6,265,433</b> |
| Segment results   | <b>430,485</b>   | 360,100          | <b>65,393</b>   | 126,353          | <b>15,943</b> | 8,433    | <b>(181)</b>   | (867)    | <b>511,640</b>   | 494,019          |
| Interest income   |  |                  |   |                  |               |          |                |          | <b>13,541</b>    | 4,247            |
| Profit from operating activities                                    |  |                  |   |                  |               |          |                |          | <b>525,181</b>   | 498,266          |
| Share of profit of an associate                                     |  |                  |   |                  |               |          |                |          | <b>40,276</b>    | 33,344           |
| Finance costs   |  |                  |   |                  |               |          |                |          | <b>(10,224)</b>  | (4,086)          |
| Profit before tax   |  |                  |   |                  |               |          |                |          | <b>555,233</b>   | 527,524          |
| Tax   |  |                  |   |                  |               |          |                |          | <b>(65,116)</b>  | (57,888)         |
| Profit before minority interests                                    |  |                  |   |                  |               |          |                |          | <b>490,117</b>   | 469,636          |
| Minority interests  |  |                  |   |                  |               |          |                |          | <b>(21,886)</b>  | (47,666)         |
| Net profit from ordinary activities<br>attributable to shareholders |  |                  |   |                  |               |          |                |          | <b>468,231</b>   | 421,970          |

### (b) Geographical segments

#### Group

|                             | USA              |           | Mainland China   |           | Japan          |          | Hong Kong      |          | Others           |          | Eliminations |          | Consolidated     |           |
|-----------------------------|------------------|-----------|------------------|-----------|----------------|----------|----------------|----------|------------------|----------|--------------|----------|------------------|-----------|
|                             | 2005             | 2004      | 2005             | 2004      | 2005           | 2004     | 2005           | 2004     | 2005             | 2004     | 2005         | 2004     | 2005             | 2004      |
|                             | 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  |
| Segment revenue:            |                  |           |                  |           |                |          |                |          |                  |          |              |          |                  |           |
| Sales to external customers | <b>2,836,065</b> | 2,350,043 | <b>2,130,190</b> | 1,786,442 | <b>399,994</b> | 388,771  | <b>798,452</b> | 812,980  | <b>1,137,996</b> | 878,229  | —            | —        | <b>7,302,697</b> | 6,216,465 |

## 3. Profit from operating activities

Profit from operating activities is arrived at after charging:

|                            | 2005           | 2004     |
|----------------------------|----------------|----------|
|                            | HK\$'000       | HK\$'000 |
| Depreciation               | <b>232,663</b> | 177,309  |
| Amortisation of trademarks | <b>2,926</b>   | 2,923    |

#### 4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

|   | 2005<br><i>HK\$'000</i> | 2004<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Group:                                    |                         |                         |
| Hong Kong and the PRC taxes:              |                         |                         |
| Current year provision                    | 62,940                  | 54,554                  |
| Deferred tax charge/(credit)              | <u>(1,827)</u>          | <u>1,000</u>            |
|   | 61,113                  | 55,554                  |
| Share of tax attributable to an associate | <u>4,003</u>            | <u>2,334</u>            |
| Tax charge for the year                   | <u><u>65,116</u></u>    | <u><u>57,888</u></u>    |

#### 5. Earnings per share

The basic and diluted earnings per share for the year ended 31 March 2005 have been calculated as follows:

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$468,231,000 (2004: HK\$421,970,000) and the weighted average number of 1,325,596,142 (2004: 1,324,573,514) shares in issue during the year.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$468,231,000 (2004: HK\$421,970,000) and the weighted average number of 1,337,379,710 (2004: 1,329,141,903) shares in issue, as adjusted to reflect the effects of all potential dilutive shares during the year.

#### FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK11.0 cents (2004: HK12.0 cents) per ordinary share which, together with the interim dividend of HK10.0 cents (2004: HK8.0 cents) per ordinary share paid in February 2005 will make a total dividend of HK21.0 cents (2004: HK20.0 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 Tuesday, 4 October 2005 to the shareholders registered on the Register of Members on Friday, 26 August 2005.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 19 August 2005 to Friday, 26 August 2005 (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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 18 August 2005.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Business review**

For the fiscal year ended 31 March 2005, total turnover increased by 17%, to HK\$7,303 million (2004: HK\$6,216 million). Net profit from ordinary activities attributable to shareholders was HK\$468 million (2004 : HK\$422 million), an increase of 11% over last year. The Board has recommended a final dividend of HK11.0 cents (2004 : HK12.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share amounts to HK21.0 cents, an increase of 5% over last year's HK20.0 cents.

Turnover of the fabric business grew by 13% to HK\$4,109 million (2004 : HK\$3,627 million). This represented 56% of the Group's total turnover. Revenue growth was mainly driven by the expansion of about 20% production capacity in the period. The slide of cotton prices from the peak level had created a better business environment. The textile quota disputes had no adverse effect on the Group's business and order flow had been stable during the year. Our textile products were still mainly exported from China to various garment subcontracting areas over the world. The U.S.A. remained the major buying market, accounting for about 69% of the fabric revenue. The new in-house yarn spinning factory has been in good operation and has improved the Group's ability in handling rush orders.

Sales of the retail business was HK\$3,146 million (2004 : HK\$2,548 million), a rise of 23%, and represented 43% of the Group's total turnover. In order to take greater market share, the Group speeded up its store expansion during the year. Mainland China continued to be the focus of expansion with about 1,000 new outlets added. Higher operating expenses were thus incurred.

Turnover of our garment associate amounted to HK\$816 million (2004 : HK\$713 million), a growth of 14%. Net profit contribution to the Group was HK\$36 million (2004 : HK\$31 million), an increase of 16%. During the year, about 75% of the fabric consumed was supplied by our fabric division. Sales to the retail division was about 26% of the associate's revenue. Production capacity grew by about 20% in the year.

## **FINANCIAL CONDITION**

### **Liquidity and financial resources**

The financial position of the Group remained strong. The cash and cash equivalents amounted to HK\$682 million at the year end. The net cash inflow from operating activities for the year reached a record high level of HK\$874 million. The accounts receivable turnover was reduced by 10 days from last year to 21 days. Following the stabilization of the cotton price during the year, the Group continued to reduce its inventory to a more healthy level. The stock turnover on sales was 53 days, a reduction of 8 days over last year. The Group financed its expansion mainly by cash inflow from its operation, bank borrowings and a shareholder loan. At the year end, the unutilized banking facilities amounted to HK\$1,716 million and the gear ratio was 0.8. The gearing ratio refers to the ratio of total liabilities and minority interests to shareholders' equity. For the period under review, the interest coverage ratio was 55 times. With ample financial resources and strong financial position, the Group has confidence in taking advantage of any favourable opportunities in the coming years.

## **Contingent liabilities**

As at 31 March 2005, the contingent liabilities of the Group amounted to HK\$256 million. These mainly represented the discounted export bills of HK\$240 million and the guarantees of HK\$13 million made by the Group in respect of the banking facilities of its associated company.

## **Capital expenditure**

Total capital expenditures of the Group for the year amounted to HK\$625 million. HK\$392 million was incurred by the textile business for the establishment of the spinning factory, the acquisition of plant and machinery and the development of the second phase of the heat/electricity generating system. The other HK\$233 million was incurred by the retail business for the expansion of retail networks in the Greater China.

## **Pledge of assets**

No significant assets were pledged at the year end.

## **Foreign exchange and interest rate risks**

The Group continued to adopt a strict and prudence policy in managing its interest rate and currency exchange rate risks. The major interest-bearing loans of the Group were HIBOR based Hong Kong dollar loans with maturity due within three years. To reduce the interest rate risk, the Group had arranged financial instruments to reduce its exposure.

During the year, the major revenues, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, Euro and Yen and the Group had arranged foreign exchange forward contracts to reduce its currency exchange rate risk.

## **HUMAN RESOURCES**

As at 31 March 2005, the Group had about 21,800 (2004: 18,100) employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

## **OUTLOOK**

Cotton prices have stabilized and global economy is improving. The textile export disputes will have no adverse effect on the Group's business. Looking ahead, a more favourable operating environment is expected.

The knitted-fabric industry is still under consolidation and we believe that our market share will increase continuously. The Group will grow about 20% productivity in the coming year. Production expansion will still be centralized in our existing Dongguan site to enhance operating efficiency. The Group occupies about 7 million sq.ft. of land at the site and there is still ample space available for future expansion adjacent to the site.

The garment associate is also expanding its production capacity in Mainland China to cope with increasing demands. The Management will closely monitor the development of textile export disputes and adjust its business strategies as changes arise.

After last year's rapid store expansion in the retail business, the Management will focus on same store performance improvement and cost controls to enhance profit margin advancement. Only about 100 new stores will be opened in the coming fiscal year. As the business has established a strong foundation, a remarkable improved performance is expected in the next year.

The Management has made comprehensive plans for the new fiscal year and is confident to report improved results in the coming year.

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

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

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Committee") in compliance with Rule 3.21 of the Listing Rules. The members of the Committee comprise the three independent non-executive directors of the Group, Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David.

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

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (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 as required by the Code, but subject to retirement and re-election at the annual general meeting in accordance with the Company's By-laws.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Messrs. Poon Bun Chak, Poon Kai Chak, Poon Kei Chak, Poon Kwan Chak, Ting Kit Chung and the independent non-executive directors are Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David.

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

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board  
**Poon Bun Chak**  
*Chairman*

Hong Kong, 19 July 2005

\* *For identification purposes only.*