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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 2019

#### 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 2019 with the comparative figures of last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
<b>REVENUE</b>		<b>8,210,053</b>	8,530,806
Cost of sales		<u>(5,607,619)</u>	<u>(5,912,886)</u>
Gross profit		<b>2,602,434</b>	2,617,920
Other income and gains		<b>207,480</b>	317,344
Gain on disposal of subsidiaries		—	57,254
Selling and distribution expenses		<b>(1,596,955)</b>	(1,701,581)
Administrative expenses		<b>(790,423)</b>	(758,950)
Other operating expenses, net		<b>(42,811)</b>	(18,198)
Finance costs		<b>(36,946)</b>	(42,810)
Share of profit/(loss) of an associate		<b>54,974</b>	(3,121)
<b>PROFIT BEFORE TAX</b>	4	<b>397,753</b>	467,858
Income tax expense	5	<b>(77,336)</b>	(151,108)
<b>PROFIT FOR THE YEAR</b>		<b>320,417</b>	316,750

\* For identification purposes only

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2019</b>	2018
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Ordinary equity holders of the Company		<b>325,246</b>	304,328
Non-controlling interests		<b>(4,829)</b>	12,422
		<b><u>320,417</u></b>	<u>316,750</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<i>7</i>		
Basic and diluted ( <i>HK cents</i> )		<b><u>23.5</u></b>	<u>22.0</u>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>320,417</b>	316,750
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(183,312)</b>	233,122
Reclassification adjustments for foreign operations disposed of during the year	—	<b>(3,804)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(183,312)</b>	229,318
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>137,105</b>	546,068
Attributable to:		
Ordinary equity holders of the Company	<b>167,564</b>	518,167
Non-controlling interests	<b>(30,459)</b>	27,901
	<b>137,105</b>	546,068

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 March</b>	
		<b>2019</b>	2018
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,355,312	1,386,473
Investment properties		565,250	524,400
Prepaid land lease payments		12,215	13,068
Construction in progress		528	88,475
Trademarks		33,293	33,293
Investment in an associate		25,556	70,582
Prepayments		31,428	119,870
Long term rental deposits		86,720	87,183
Long term held-to-maturity investments		—	156,902
Long term debt instruments at amortised cost		164,239	—
Available-for-sale investments		—	152,061
Financial assets at fair value through profit or loss		88,352	—
Deferred tax assets		18,099	32,809
		<b>2,380,992</b>	<b>2,665,116</b>
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		2,171,758	2,237,568
Trade receivables	8	763,999	941,418
Bills receivable		186,501	108,931
Prepayments, deposits and other receivables		863,185	566,776
Held-to-maturity investments		—	211,421
Debt instruments at amortised cost		68,536	—
Financial assets at fair value through profit or loss		56,946	—
Derivative financial assets		7,057	43,549
Cash and cash equivalents		2,079,982	2,445,028
		<b>6,197,964</b>	<b>6,554,691</b>
<b>TOTAL current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	9	824,564	1,019,340
Bills payable		21,443	19,232
Other payables and accrued liabilities		532,849	499,026
Due to an associate		—	20
Derivative financial liabilities		3,334	44,160
Interest-bearing bank borrowings		1,491,113	1,390,804
Tax payable		192,244	234,183
		<b>3,065,547</b>	<b>3,206,765</b>
<b>TOTAL current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>3,132,417</b>	<b>3,347,926</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,513,409</b>	<b>6,013,042</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		37,500	187,500
Deferred tax liabilities		94,355	100,553
Deposit received		4,000	—
		<b>135,855</b>	<b>288,053</b>
<b>TOTAL non-current liabilities</b>			
<b>Net assets</b>		<b>5,377,554</b>	<b>5,724,989</b>

	<b>31 March</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	69,085	69,085
Reserves	5,101,215	4,972,979
Proposed final dividend	207,254	207,254
	<u>5,377,554</u>	<u>5,249,318</u>
<b>Non-controlling interests</b>	<u>—</u>	<u>475,671</u>
Total equity	<u>5,377,554</u>	<u>5,724,989</u>

**Notes:**

**1. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties, certain leasehold land and buildings included in property, plant and equipment, financial assets at fair value through profit or loss (2018: available-for-sale investments) and derivative financial instruments which have been measured at fair value. These 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 2018, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements:

HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Classification and Measurement of Share-Based Payment Transactions</i>
HKFRS 4 Amendments	<i>Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HKFRS 15 Amendments	<i>Amendments to HKFRS 15 Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
HKAS 40 Amendments	<i>Amendments to HKAS 40 Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvement 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

(a) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

*Classification and measurement*

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		<u>HKAS 39 measurement</u>		Re-	<u>HKFRS 9 measurement</u>	
	<i>Notes</i>	Category	Amount	classification	Amount	Category
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<u>Financial assets</u>						
Held-to-maturity investments	(i)	HTM <sup>1</sup>	368,323	(368,323)	-	N/A
Debt investments at amortised cost	(i)	N/A	-	368,323	368,323	AC <sup>3</sup>
Available-for-sale investments	(ii)	AFS <sup>2</sup>	152,061	(152,061)	-	N/A
Financial assets at fair value through profit or loss	(ii)	N/A	-	152,061	152,061	FVPL <sup>4</sup>

<sup>1</sup> *HTM : Held-to-maturity investments*

<sup>2</sup> *AFS : Available-for-sale investments*

<sup>3</sup> *AC : Financial assets or financial liabilities at amortised cost*

<sup>4</sup> *FVPL : Financial assets at fair value through profit or loss*

*Notes:*

(i) *As of 1 April 2018, the Group classified debt investments previously classified as held-to-maturity investments as debt investments at amortised cost. These instruments passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.*

(ii) *The Group has classified its unlisted investments as financial assets at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.*

## *Changes to the impairment model*

### Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in dispute are assessed individually for impairment to determine whether specific loss allowance provisions are required. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 April 2018.

### Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including pledged deposits, bills receivable, financial assets included in prepayments, deposits and other receivables, the expected credit loss is based on the 12-month expected credit loss. This represents the portion of lifetime expected credit loss that results from default events on the financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the expected credit loss is immaterial.

### (b) HKFRS 15 Revenue

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	<i>Notes</i>	Amounts prepared under previous HKFRS <i>HK\$'000</i>	Effect of adoption of HKFRS 15 <i>HK\$'000</i>	Amounts prepared under HKFRS 15 <i>HK\$'000</i>
Contract liabilities	(i), (ii)	-	20,882	20,882
Trade receivables	(i)	941,418	4,014	945,432
Other payables, accrued liabilities and deposit received	(i), (ii)	499,026	(16,868)	482,158

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables and trade receivables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$14,993,000 from other payables and HK\$4,014,000 from trade receivables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, HK\$29,086,000 classified as other payables under HKAS 18 was classified as contract liabilities due to adoption of HKFRS 15.

(ii) Sale of casual apparel and accessories with variable consideration

*Customer loyalty programmes*

The Group maintains customer loyalty programmes within its retail shops in the mainland China, which allow customers to accumulate point award credits upon purchase of goods in the retail shops. The point award credits can then be redeemed for cash coupon, subject to certain terms and conditions. Prior to adoption of HKFRS 15, the loyalty points programmes offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty point programmes using the fair value of award credits granted for which they could be redeemed and recognition of deferred income in relation to award credits granted but not yet redeemed or expired. The Group concluded that under HKFRS 15, the loyalty points programmes give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price.

Upon adoption of HKFRS 15, the Group reclassified HK\$1,875,000 from other payables to contract liabilities as at 1 April 2018 in relation to the customer loyalty programmes as at 1 April 2018.

As at 31 March 2019, HK\$6,659,000 was classified as other payables was now classified as contract liabilities due to the adoption of HKFRS 15.



### **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 seamless garment segment;
- (b) the retailing and distribution of casual apparel and accessories segment; and
- (c) the "others" segment principally comprises 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except gain on disposal of subsidiaries, unallocated expenses, interest income, finance costs and share of profit or loss of an associate are excluded from such measurement.

Segment assets exclude time deposits, 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 asset, liability and expenditure information of the Group for the years ended 31 March 2019 and 31 March 2018:

	Production, dyeing and sale of knitted fabric, yarn and seamless garment		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	4,759,007	4,534,790	3,448,176	3,988,977	2,870	7,039	—	—	8,210,053	8,530,806
Intersegment sales	6,050	—	—	—	6,439	7,271	(12,489)	(7,271)	—	—
Other revenue	69,909	86,560	9,264	37,757	76,655	123,722	(7,801)	(6,984)	148,027	241,055
	<b>4,834,966</b>	<b>4,621,350</b>	<b>3,457,440</b>	<b>4,026,734</b>	<b>85,964</b>	<b>138,032</b>	<b>(20,290)</b>	<b>(14,255)</b>	<b>8,358,080</b>	<b>8,771,861</b>
<b>Segment results</b>	<b>354,047</b>	<b>240,753</b>	<b>(110,328)</b>	<b>14,094</b>	<b>76,553</b>	<b>129,407</b>	<b>—</b>	<b>—</b>	<b>320,272</b>	<b>384,254</b>
<i>Reconciliation:</i>										
Gain on disposal of subsidiaries									—	57,254
Unallocated expenses									—	(4,008)
Interest income									59,453	76,289
Finance costs									(36,946)	(42,810)
Share of profit / (loss) of an associate									54,974	(3,121)
Profit before tax									397,753	467,858
Income tax expense									(77,336)	(151,108)
Profit for the year									<b>320,417</b>	<b>316,750</b>

- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2019 and 31 March 2018 (*continued*):

	Production, dyeing and sale of knitted fabric, yarn and seamless garment		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Segment assets</b>	<b>4,836,296</b>	4,983,816	<b>2,284,540</b>	1,915,374	<b>604,390</b>	557,719	<b>(880,569)</b>	(316,785)	<b>6,844,657</b>	7,140,124
<i>Reconciliation :</i>										
Investment in an associate									<b>25,556</b>	70,582
Unallocated assets									<b>1,708,743</b>	2,009,101
Total assets									<b>8,578,956</b>	9,219,807
<b>Segment liabilities</b>	<b>808,860</b>	670,405	<b>1,100,878</b>	937,085	<b>19,668</b>	23,750	<b>(543,215)</b>	(49,462)	<b>1,386,191</b>	1,581,778
<i>Reconciliation :</i>										
Unallocated liabilities									<b>1,815,211</b>	1,913,040
Total liabilities									<b>3,201,402</b>	3,494,818
<b>Other segment information:</b>										
Depreciation and amortisation	<b>171,862</b>	169,877	<b>86,067</b>	88,363	—	—	—	—	<b>257,929</b>	258,240
Capital expenditure*	<b>160,066</b>	162,397	<b>75,939</b>	94,017	—	—	—	—	<b>236,005</b>	256,414
Write-down/(reversal of write-down) of inventories	<b>13,840</b>	(3,900)	<b>16,458</b>	(2,112)	—	—	—	—	<b>30,298</b>	(6,012)
Impairment/(reversal of impairment) of trade receivables	—	—	<b>537</b>	2,106	—	—	—	—	<b>537</b>	2,106
Net fair value gains on investment properties	—	—	—	—	<b>(43,256)</b>	(87,508)	—	—	<b>(43,256)</b>	(87,508)

\* Capital expenditure consists of additions to property, plant and equipment and construction in progress.

(b) Geographical information

The following table presents geographical revenue and non-current assets information of the Group for the years ended 31 March 2019 and 31 March 2018:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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>2,072,160</b>	2,187,422	<b>3,965,165</b>	4,325,066	<b>996,342</b>	832,035	<b>1,004,145</b>	1,000,043	<b>172,241</b>	186,240	—	—	<b>8,210,053</b>	8,530,806
<b>Non-current assets</b>	—	—	<b>1,464,251</b>	1,671,962	—	—	<b>644,110</b>	656,642	<b>48,997</b>	49,116	<b>(133,776)</b>	(141,559)	<b>2,023,582</b>	2,236,161

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, long term held-to-maturity investments, long term debt instruments at amortised cost, available-for-sale investments, other 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 (2018: 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	
	2019	2018
	HK\$'000	HK\$'000
Depreciation	257,491	257,802
Amortisation of prepaid land lease payments	438	438
Net gain on disposal of items of property, plant and equipment	(307)	(23,048)

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current - Hong Kong and mainland China:		
Charge for the year	68,823	84,222
Under-provision in prior years*	1	138,790
Deferred	8,512	(71,904)
Total tax charge for the year	77,336	151,108

\* Included in the balance of under-provision in prior years for the year ended 31 March 2018 was additional tax provision of HK\$138,059,000 made in that year in relation to tax affairs as detailed in note 10(b) to the announcement.

#### 6. Dividends

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend – HK15.0 cents (2018: HK20.0 cents) per ordinary share	207,254	276,339
Proposed final dividend – HK15.0 cents (2018: HK15.0 cents) per ordinary share	207,254	207,254
	414,508	483,593

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

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

The 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 in issue of 1,381,696,104 (2018: 1,381,696,104) during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

## 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 impairment of HK\$13,499,000 (2018: HK\$12,962,000), is as follows:

	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>648,562</b>	767,234
Over 90 days	<b>115,437</b>	174,184
	<b>763,999</b>	<b>941,418</b>

Payment terms of the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers 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 hold acceptance bills over certain 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:

	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>791,729</b>	927,178
Over 90 days	<b>32,835</b>	92,162
	<b>824,564</b>	<b>1,019,340</b>

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:

	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank guarantees given in lieu of property rental deposits	<b>4,193</b>	4,975

- (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	498,940	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 these financial statements, the directors of the Company consider that adequate tax provisions have been made in the financial statements.

## FINAL DIVIDEND

The Board recommends the payment of final dividend of HK15.0 cents (2018: HK15.0 cents) per ordinary share which, together with the interim dividend of HK15.0 cents (2018: HK20.0 cents) per ordinary share paid in January 2019, will make a total dividend of HK30.0 cents (2018: HK35.0 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, 9 October 2019 to the shareholders registered on the Register of Members of the Company on Wednesday, 21 August 2019.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019 (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 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 11 July 2019) for registration not later than 4:00 p.m. on Friday, 2 August 2019.

The Register of Members of the Company will be closed from Monday, 19 August 2019 to Wednesday, 21 August 2019 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2019. 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 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 11 July 2019) for registration not later than 4:00 p.m. on Friday, 16 August 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2019, the Group's total turnover decreased by 3.8% to HK\$8,210 million (2018: HK\$8,531 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$325 million (2018: HK\$304 million), a growth of 6.9%. The Group's gross profit margin was 31.7% (2018: 30.7%), an increase of 1.0 percentage point from last year.

Net profit contributed by an associate increased by HK\$58 million. The Board has recommended a final dividend of HK15.0 cents (2018: HK15.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share would be HK30.0 cents, a drop of 14.3% from last year.

#### Textile business

Turnover of the textile business rose by 4.9% to HK\$4,759 million (2018: HK\$4,535 million). The amount represented 58.0% (2018: 53.2%) of the Group's total turnover. In the year, the Group experienced many unfavourable operational factors. Rising prices of raw materials, dyes and chemicals created a pressure on earnings. Labour and energy costs also went up substantially. The Sino-U.S. tussle has no direct business effect as the Group does not export finished products directly from the PRC to the U.S.. However, in view of the uncertainty ahead, some customers either delayed or reduced their purchasing orders. Despite a tough business environment, the Group managed to maintain overall operational stability. Revenue and gross profit margin increased by 4.9% and 2.4 percentage points respectively. The performance and the key financial ratios of the business were as below:

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

	2019	2018	2017	2016	2015
Net sales	<b>4,759</b>	4,535	3,807	4,741	4,718
Gross profit margin (%)	<b>18.3</b>	15.9	16.9	21.7	21.7
Operating profit (note 1)	<b>354</b>	241	350	666	622
EBITDA (note 1)	<b>526</b>	410	518	842	802
Return on total assets (%) (note 2)	<b>4.2</b>	1.9	4.9	9.6	8.5
Return on sales (%) (note 2)	<b>5.9</b>	2.9	10.2	14.2	15.3
Return on equity (%) (note 2)	<b>6.8</b>	3.0	8.4	12.5	12.8
Capital expenditure	<b>160</b>	162	143	111	56

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

(2) Exclude rental income.

#### Retail and distribution business

Sales of the retail and distribution business amounted to HK\$3,448 million (2018: HK\$3,989 million), a decrease of 13.6%. The amount was 42.0% (2018: 46.8%) of the Group's total turnover. In the year, global consumer confidence appeared to have hurt by the trade tensions between China and the U.S.. In mainland China, the consumption sentiment was weak. The business was also affected by the extremely warm winter weather. 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>2019</b>	2018	2017	2016	2015
Net sales	<b>3,448</b>	3,989	4,044	4,592	4,591
Gross profit margin (%)	<b>50.1</b>	47.4	45.5	46.6	46.8
Sales growth of comparable shops (%) <i>(note 1)</i>	<b>(12.8)</b>	(6.9)	(7.8)	7.3	6.0
Operating profit/(loss) <i>(note 2)</i>	<b>(110)</b>	14	(96)	(93)	13
EBITDA <i>(note 2)</i>	<b>(24)</b>	102	(11)	8	113
Return on total assets (%) <i>(note 3)</i>	<b>(4.3)</b>	0.4	(4.8)	(4.3)	(0.7)
Return on sales (%) <i>(note 3)</i>	<b>(2.9)</b>	0.2	(2.3)	(2.4)	(0.3)
Return on equity (%) <i>(note 3)</i>	<b>(8.8)</b>	0.7	(15.9)	(9.5)	(2.1)
Capital expenditure	<b>76</b>	94	73	96	72

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>2019</b>	2018	2017	2016	2015
Baleno	<b>3,073</b>	3,274	3,144	3,260	2,821
S&K	<b>136</b>	238	293	415	476
I.P. Zone	<b>12</b>	109	215	304	320
ebase	<b>—</b>	—	5	98	336
Others	<b>227</b>	368	387	515	638
Total	<b>3,448</b>	3,989	4,044	4,592	4,591

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

#### **Mainland China**

	<b>2019</b>	2018	2017	2016	2015
Net sales <i>(HK\$' million)</i>	<b>2,786</b>	3,414	3,476	4,013	4,014
Decrease in net sales (%)	<b>(18)</b>	(2)	(13)	—	(2)
Retail floor area <i>(sq. ft.)</i> *#	<b>1,626,047</b>	1,781,314	1,723,190	1,779,340	1,700,135
Number of sales associates*#	<b>4,182</b>	4,946	5,493	6,425	6,971
Number of outlets* <sup>△</sup>	<b>2,183</b>	2,499	2,326	2,770	2,865

#### **Hong Kong**

	<b>2019</b>	2018	2017	2016	2015
Net sales <i>(HK\$' million)</i>	<b>662</b>	575	568	579	486
(Decrease)/increase in net sales (%)	<b>15</b>	1	(2)	19	9
Retail floor area <i>(sq. ft.)</i> *#	<b>87,752</b>	79,822	65,515	64,543	62,440
Number of sales associates*#	<b>571</b>	484	385	395	393
Number of outlets*#	<b>78</b>	73	60	64	59

\* As at the end of the reporting period

# For self-managed stores

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

### **Garment manufacturing business**

Revenue of this associate decreased by 37.4% to HK\$196 million (2018: HK\$313 million). Net profit contribution to the Group amounted to HK\$55 million (2018: loss HK\$3 million). The profit contribution was mainly due to the written back of some tax provisions. In the year, 0.0% (2018: 3.3%) of the fabric consumed was supplied by the textile division and sales to retail division represented 0.0% (2018: 10.0%) of its revenue. The operation was ceased already and the Group is planning to establish a new self-owned garment factory.

## **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\$1,529 million and -0.1 (2018: 2.0, HK\$1,578 million and -0.2) respectively. 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 12 times, 42 days and 97 days (2018: 12 times, 45 days and 96 days) respectively. 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\$2,080 million, HK\$5,378 million and HK\$5,586 million (2018: HK\$2,445 million, HK\$5,249 million and HK\$6,049 million), respectively. The decrease in cash and cash equivalents compared with last year was mainly due to the purchase of tax reserve certificates of HK\$416 million during the year. The payment of additional tax reserve certificates of HK\$416 million also led to the increase in prepayments, deposits and other receivables during the year.

### **Capital expenditure**

The capital expenditure incurred by the Group during the year was HK\$236 million (2018: HK\$256 million). The capital expenditure incurred by the textile business for the year was HK\$160 million (2018: HK\$162 million) mainly for the addition of plant and machinery for the dyeing and knitting factory and the seamless garment factory. For the retail and distribution business, our capital expenditure incurred for the year mainly for the leasehold improvements of shops amounted to HK\$76 million (2018: HK\$94 million).

### **Pledge of assets**

No significant assets were pledged as at 31 March 2019 and 31 March 2018.

### **Contingent liabilities**

Details of the contingent liabilities as at 31 March 2019 and 31 March 2018 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 two years (2018: within three years). At the year end, the cash and cash equivalents, debt instruments at amortised cost and other financial assets at fair value through profit or loss (2018: cash and cash equivalents, held-to-maturity investments and available-for-sale investments) 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 (2018: within one year). And, the debt instruments at amortised cost and other financial assets at fair value through profit or loss were mainly fixed rate investments with maturity due within six years or at perpetuity (2018: within seven years or at perpetuity). As affected by the trade war between US and China, the economic condition became more uncertain. We expect the interest rate will stay at the low level for a much longer term. 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 12,657 (2018: 13,345) 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) 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; and
- (7) The Hong Kong Council of Social Service “Caring Company”.

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 textile industry will face another challenging year under the U.S.-China trade turbulence. The Group will keep on controlling operating cost and enhancing production efficiency. With a strong research and development team, the Group will introduce more new and value-added products to improve business performance.

For the retail sector, stringent measure in cost control will be taken to reduce operational expenses. The Group will further develop kids products to broaden the customer base. To expand the overseas franchising business is also a core focus of the Group.

With a solid foundation and a healthy financial position, the Group is capable of facing potential difficulties. Despite the challenges ahead, the Group remains cautiously optimistic about future prospects.

## **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.

## **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 2018/2019 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, 19 June 2019