



# TEXWINCA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Websites: <http://www.texwinca.com/>  
<http://www.irasia.com/listco/hk/texwinca/>

(Stock Code: 0321)

## INTERIM RESULTS

The Board of Directors of Texwinca Holdings Limited (the "Company") has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 as follows:

### Condensed Consolidated Profit and Loss Account

		Six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
<b>TURNOVER</b>	3	<b>3,600,250</b>	2,878,344
Cost of sales		<b>(2,588,114)</b>	(2,088,967)
Gross profit		<b>1,012,136</b>	789,377
Other revenue and gains		<b>18,458</b>	10,116
Selling and distribution costs		<b>(569,067)</b>	(433,808)
Administrative expenses		<b>(213,572)</b>	(176,346)
Other operating expenses, net		<b>2,941</b>	(3,958)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>250,896</b>	185,381
Share of profit of an associate		<b>18,503</b>	18,325
Finance costs		<b>(3,760)</b>	(1,739)
<b>PROFIT BEFORE TAX</b>		<b>265,639</b>	201,967
Tax	5	<b>(25,832)</b>	(20,859)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>239,807</b>	181,108
Minority interests		<b>(2,925)</b>	(971)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>236,882</b>	180,137
Proposed interim dividend		<b>132,588</b>	105,996
Proposed interim dividend per share ( <i>HK cents</i> )		<b>10.0</b>	8.0
Earnings per share ( <i>HK cents</i> )	6		
Basic		<b>17.9</b>	13.6
Diluted		<b>17.7</b>	13.5

Notes:

#### 1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

#### 2. Principal accounting policies

The principal accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2004.

#### 3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (i) the production, dyeing and sale of knitted fabric and yarn segment;
- (ii) the casual apparel and accessory retailing and distribution segment; and
- (iii) others mainly comprise the Group's motor and generator repair and maintenance and trading segment and the franchise services segment.

In determining the Group's geographical segments, revenues are attributable to segments based on the location of the markets.

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) Business segments

The following table presents revenue and profit information for the Group's business segments for the six months ended 30 September:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,272,210	1,819,964	1,302,901	1,036,759	25,139	21,621	—	—	3,600,250	2,878,344
Intersegment sales	—	—	—	—	1,084	967	(1,084)	(967)	—	—
Other revenue	9,045	6,071	3,913	2,587	750	535	(606)	(584)	13,102	8,609
Total	<b>2,281,255</b>	1,826,035	<b>1,306,814</b>	1,039,346	<b>26,973</b>	23,123	<b>(1,690)</b>	(1,551)	<b>3,613,352</b>	2,886,953
Segment results	<b>223,597</b>	164,727	<b>12,780</b>	9,553	<b>6,982</b>	6,540	<b>2,181</b>	3,054	<b>245,540</b>	183,874
Interest income									<b>5,356</b>	1,507
Profit from operating activities									<b>250,896</b>	185,381
Share of profit of an associate									<b>18,503</b>	18,325
Finance costs									<b>(3,760)</b>	(1,739)
Profit before tax									<b>265,639</b>	201,967
Tax									<b>(25,832)</b>	(20,859)
Profit before minority interests									<b>239,807</b>	181,108
Minority interests									<b>(2,925)</b>	(971)
Net profit from ordinary activities attributable to shareholders									<b>236,882</b>	180,137

#### (b) Geographical segments

The following table presents revenue information for the Group's geographical segments for the six months ended 30 September:

	USA		Mainland China		Japan		Hong Kong		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	1,593,901	1,189,828	911,107	753,123	167,010	190,889	396,070	377,205	532,162	367,299	3,600,250	2,878,344

#### 4. Depreciation and amortisation

During the period, depreciation of fixed assets and amortisation of trademarks of the Group amounted to HK\$106,105,000 and HK\$1,463,000 (2003: HK\$87,880,000 and HK\$1,460,000), respectively.

#### 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong for the period.

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.

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Hong Kong and the People's Republic of China taxes:		
Current period provision	<b>23,848</b>	19,203
Share of tax attributable to an associate	<b>1,984</b>	1,656
Tax charge for the period	<b>25,832</b>	20,859

#### 6. Earnings per share

##### (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 period of HK\$236,882,000 (2003: HK\$180,137,000) and the weighted average number of 1,325,289,623 (2003: 1,324,398,924) shares in issue during the period.

##### (b) Diluted earnings per share

The calculation of diluted earnings per share was based on the followings:

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Net profit from ordinary activities attributable to shareholders	<b>236,882</b>	180,137
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share	<b>1,325,289,623</b>	1,324,398,924
Weighted average number of shares deemed to be issued for no consideration on deemed exercise of all share options outstanding during the period	<b>9,914,379</b>	5,522,014
Weighted average number of shares used in the calculation of diluted earnings per share	<b>1,335,204,002</b>	1,329,920,938

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK10.0 cents (2003: HK8.0 cents) per share for the six months ended 30 September 2004. The interim dividend will be payable on Wednesday, 2 February 2005 to shareholders registered on the Register of Members at the close of business on Friday, 14 January 2005.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 10 January 2005 to Friday, 14 January 2005 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong Tenggis Limited not later than 4:00 p.m. on Friday, 7 January 2005. Tenggis Limited is located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

### BUSINESS REVIEW

For this interim period ended 30 September 2004, the Group's total turnover amounted to HK\$3,600 million, an increase of 25%. Net profit from ordinary activities attributable to shareholders rose by 32% to HK\$237 million. The Board has declared an interim dividend of HK10 cents, an increase of 25% over last year's HK 8 cents.

#### Textile business

The business recorded a turnover of HK\$2,272 million, an increase of 25% over the same period last year. This shared 63% of the Group's total turnover. During the period, the operating environment was more favourable when compared with last year as cotton prices were stabilizing. As planned, production capacity grew by about 20% and the Group remained strong in capturing uninterrupted order flow. The new spinning plant has commenced trial operation since October 2004 and is expected to supply about 10% of internal yarn requirements. This upstream integration would help to handle more rush orders and to shorten the inventory turnover days.

#### Retail and distribution

Sales of the retail operation reached HK\$1,303 million, a rise of 26%, and represented 36% of the Group's total turnover. All our major markets achieved good year-on-year revenue growth. In the period, business expansion was speeded up in view of improved market conditions. There were about 640 new stores opened in Asia, much exceeding the original target of 250 stores. Mainland China remained the focus market with outlets existed in 256 cities. Gross profit margin improved to 48.4% from last year's 46.5%. At the interim end, the performance of our major markets was as below:

	Sales		Growth rate %	Retail Outlets#		
	Six months ended 30 September			30 September	31 March	
	2004	2003		2004	2004	
	HK\$'000	HK\$'000			30 September 2003	
Mainland China	<b>821,640</b>	662,423	24	<b>2,322</b>	1,750	1,410
Hong Kong and Macau	<b>195,890</b>	167,818	17	<b>72</b>	62	56
Taiwan	<b>222,261</b>	165,418	34	<b>241</b>	196	185
Singapore and Malaysia	<b>63,110</b>	41,100	54	<b>45</b>	32	26
	<b>1,302,901</b>	<b>1,036,759</b>	26	<b>2,680</b>	<b>2,040</b>	<b>1,677</b>

# Include self-owned and franchised outlets

#### Garment

The associated garment business recorded a turnover of HK\$418 million, a growth of 14%. During the period, about 77% of its fabric consumption was supplied by the Group's textile division and its sales to the Group's retail division accounted for about 32% of its turnover. During the period, production capacity grew by about 15%.

### FINANCIAL CONDITION

#### Liquidity and financial resources

Liquidity of the Group remained strong. The net cash inflow from operating activities during the interim period increased by HK\$248 million to HK\$528 million compared with the same period of last year. The robust increase in the net cash inflow from operating activities was mainly attributable to:

- (i) the increase in profit from operating activities by HK\$66 million to HK\$251 million;
- (ii) the reduction of inventory turnover days and receivable turnover days by 3 days to 49 days and by 7 days to 27 days respectively.

At 30 September 2004, the cash and cash equivalents and the unutilized banking facilities were HK\$720 million and HK\$1,633 million respectively. The Group mainly financed its operation by internal resources, bank borrowings and a shareholder loan. The bank borrowings outstanding at 30 September 2004 amounted to HK\$337 million and these borrowings were mainly HIBOR based HKD loans with maturity due within three years. At 30 September 2004, the shareholders' equity and the gearing ratio were HK\$2,530 million and 0.9 respectively. 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 72 times.

#### Contingent liabilities

At 30 September 2004, the contingent liabilities, not reflected in the interim financial statements, were HK\$228 million. These mainly represented the discounted export bills of HK\$206 million and the guarantees of HK\$13 million made by the Group in respect of the banking facilities of an associated company.

#### Capital expenditure

Total capital expenditure of the Group for the period under review was HK\$438 million. Capital expenditure of HK\$333 million was incurred by the Textile Business mainly for the increase of the production capacity of the knitting and dyeing factories and the establishment of a new spinning factory. Capital expenditure of HK\$104 million was incurred by the Retail & Distribution Business for the addition of outlets and the establishment of a commercial mall in Taiwan.

#### Pledge of assets

As at 30 September 2004, no significant assets were pledged.

#### Foreign exchange and interest rate risks

The Group has clear policies in managing the foreign exchange and interest rate risks. During the interim period, the Group's major revenues, expenses, procurements and loans were denominated in HKD, USD, Renminbi, Euro and Yen. To reduce the foreign exchange risk, the Group had arranged forward contracts to cover its foreign exchange exposure.

### HUMAN RESOURCES

As at 30 September 2004, the Group had about 19,100 employees in the Greater China, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

### OUTLOOK

Cotton prices have been softening and the operating environment has stabilized. The Group will continue to grow production capacity to enlarge market share. The removal of quotas next year will also provide a growth opportunity.

For the retail business, the Group will continue its aggressive expansion in Mainland China by using the multi-brand strategy. More self-managed stores will be established there to facilitate tighter management control. The Group is also working extremely hard to extend the retail profit margin.

The global economic recovery is likely to continue. The management is optimistic to enhance an improved results in the coming half 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 six months ended 30 September 2004.

### AUDIT COMMITTEE

The Audit Committee (the "Committee") of the Group comprises the three independent non-executive directors, Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David. At the time of establishment, the terms of reference and duties have been laid down as guideline for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group.

For the interim period under review, the Committee has reviewed and discussed with management the interim report and the internal controls of the Group and has made recommendations to the Board.

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company 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 interim report.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the interim period under review, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiry, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the period under review.

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

All the financial and other related information of the Company required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

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

Hong Kong, 17 December 2004

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