



TEXWINCA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2003

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 2003 with comparative figures of last year as follows:

	Notes	For the year ended 31 March		For the year ended 31 March	
		2003 (HK\$'000)	2002 (HK\$'000)	2003 (HK\$'000)	2002 (HK\$'000)
TURNOVER	1	5,198,585	4,720,333		
Cost of sales		(3,514,174)	(3,244,939)		
Gross profit		1,684,411	1,475,394		
Other revenue and gains		29,004	29,686		
Selling and distribution costs		(777,238)	(656,710)		
Administrative expenses		(339,300)	(311,711)		
Other operating expenses, net		21,857	(5,241)		
PROFIT FROM OPERATING ACTIVITIES	1, 2	618,734	531,418		
Share of profit of an associate		46,630	62,157		
Finance costs		(2,787)	(5,770)		
PROFIT BEFORE TAX		662,577	587,805		
Tax	3	(37,926)	(29,501)		
PROFIT BEFORE MINORITY INTERESTS		624,651	558,304		
Minority interests		(34,089)	(28,197)		
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		590,562	530,107		
DIVIDENDS					
Interim		145,642	101,812		
Proposed final		185,437	158,838		
		331,079	260,650		
Interim dividend paid per share (HK cents)		11.0	8.0		
Final dividend per share proposed/paid (HK cents)		14.0	12.0		
		25.0	20.0		
Earnings per share (HK cents)	4				
Basic		44.6	41.5		
Diluted		44.6	40.3		

Notes:

1. Segment Information

(a) Business segments

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	3,005,047	2,688,219	2,145,487	1,994,386	48,051	37,728	—	—	5,198,585	4,720,333
Intersegment sales	—	—	—	—	1,625	3,300	(1,625)	(3,300)	—	—
Other revenue	10,801	11,383	11,159	9,491	1,023	1,065	(1,178)	(1,170)	21,805	20,769
Total	3,015,848	2,699,602	2,156,646	2,003,877	50,699	42,093	(2,803)	(4,470)	5,220,390	4,741,102
Segment results	513,123	438,812	84,719	75,373	14,928	9,002	(1,235)	(686)	611,535	522,501
Interest income									7,199	8,917
Profit from operating activities									618,734	531,418
Share of profit of an associate									46,630	62,157
Finance costs									(2,787)	(5,770)
Profit before tax									662,577	587,805
Tax									(37,926)	(29,501)
Profit before minority interests									624,651	558,304
Minority interests									(34,089)	(28,197)
Net profit from ordinary activities attributable to shareholders									590,562	530,107

(b) Geographical segments

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	1,859,864	1,313,845	1,641,918	1,527,756	336,969	747,566	681,445	581,098	678,389	550,068	—	—	5,198,585	4,720,333

2. Profit from operating activities

Profit from operating activities is arrived at after charging:

	2003 HK\$'000	2002 HK\$'000
Depreciation	159,781	146,650
Amortisation of trademarks	2,913	2,904

3. Tax

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

	For the year ended 31 March	
	2003 (HK\$'000)	2002 (HK\$'000)
Group:		
Hong Kong and The PRC taxes:		
Current year provision	61,825	37,629
Under/(over) provision in prior years	30	(12,801)
Deferred tax charge/(credit)	(26,191)	3,712
Share of tax attributable to an associate	35,664	28,540
	2,262	961
Tax charge for the year	37,926	29,501

4. Earnings per share

The basic and diluted earnings per share for the year ended 31 March 2003 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\$590,562,000 (2002: HK\$530,107,000) and the weighted average number of 1,323,760,433 (2002: 1,278,145,271) 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\$590,562,000 (2002: HK\$530,107,000) and the weighted average number of 1,325,574,912 (2002: 1,314,826,580) shares in issue, as adjusted to reflect the effects of all potential dilutive shares during the year. A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share and diluted earnings per share is as follows:

	Number of shares	
	2003	2002
Weighted average number of shares in issue during the year used in calculation of basic earnings per share	1,323,760,433	1,278,145,271
Weighted average number of shares deemed to be issued for no consideration on deemed exercise of all share options outstanding during the year	1,814,479	36,681,309
Weighted average number of shares used in calculation of diluted earnings per share	1,325,574,912	1,314,826,580

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK14.0 cents (2002: HK12.0 cents) per ordinary share which, together with the interim dividend of HK11.0 cents (2002: HK8.0 cents) per ordinary share paid in February 2003 will make a total dividend of HK25.0 cents (2002: 20.0 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 Thursday, 2 October 2003 to the shareholders registered on the Register of Members on Thursday, 28 August 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 21 August 2003 to Thursday, 28 August 2003 (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 Wednesday, 20 August 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

For the fiscal year ended March 31, 2003, total turnover increased by 10%, to HK\$5,199 million (2002: HK\$4,720 million). Net profit from ordinary activities attributable to shareholders was HK\$591 million, an increase of 11% over last year. Gross profit amounted to HK\$1,684 million (2002: HK\$1,475 million), which represented a 14% growth from the previous year. Gross profit margin expanded to 32% (2002: 31%). The Board has recommended a final dividend of HK14.0 cents (2002: HK12.0 cents) per ordinary share. Including interim dividend, total dividend per share amounts to HK25.0 cents, an increase of 25% over last year's HK20.0 cents.

Turnover of the fabric business grew by 12% to HK\$3,005 million (2002: HK\$2,688 million). This represented 58% of the Group's total turnover. Amid a deflationary environment, product selling prices dropped by about 10% in the year. Revenue growth was mainly brought about by the expansion of approximately 20% of our production capacity. Business environment became more difficult in the second half year when raw material prices soared. However, order flow had been stable during the year. The USA remained the major market, accounting for about 62% of the total fabric revenue. To counter the adverse situation, the management imposed strict cost control measures in order to improve profit margin. With the commencement of the operation of the coal-fired electricity system in the second half year, energy costs were greatly reduced.

Sales of the retail business amounted to HK\$2,145 million, a growth of 8% (2002: HK\$1,994 million) and represented 41% of the Group's total turnover. All markets experienced year-on-year sales improvement. Profit margin slipped due to the outbreak of SARS near the end of the fiscal year. Mainland China remained the major profit centre. At the year end, there were about 1,060 retail outlets in the Mainland, of which about 650 were "Baleno" stores and about 240 were "S&K" stores.

Net profit contributed by our associated garment manufacturing business was HK\$44million, a decline of 27%. During the year, about 86% of the fabric consumption was supplied by the fabric division. Sales to the retail division was about 22% of its turnover. As global market conditions were unfavourable, there was severe competition within the industry. Profit margin was affected by the fall in product prices and the rise in raw material costs.

FINANCIAL CONDITION

Liquidity & Financial Resources

As in the past, the Group continued to adopt a prudent approach in managing its financial resources. During the year, the Group maintained a very sound financial position. The net cash inflow from operating activities of the year amounted to HK\$524 million (2002: HK\$714 million). The cash and cash equivalents and the current ratio at the year end were HK\$485 million (2002: HK\$557 million) and 2.0 (2002: 2.3) respectively. The Group mainly relied on the strong cash inflow to finance its capital expenditure requirements. At the year end and for the year under review, the gearing and the interest coverage ratios were 0.5 (2002: 0.4) and 239 (2002: 103) respectively. The gearing ratio refers to the ratio of total liabilities and minority interests to shareholders' equity.

At the year end, the unutilized banking facilities of the Group were HK\$856 million (2002: 775 million). With the ample financial resources, the Group has confidence in capturing any investment opportunities.

Contingent Liabilities

The contingent liabilities of the Group, not reflected in the financial statements, were HK\$175 million (2002: HK\$100 million) at the year end. They were mainly related to discounted export bills and guarantees made by the Group for the banking facilities of an associate.

Capital Expenditure

During the year, total capital expenditure of the Group amounted to HK\$324 million (2002: HK\$344 million). Out of the total capital expenditure, about HK\$260 million (2002: HK\$269 million) was invested by the fabric division for the expansion of production plant, additions of advanced machinery and construction of coal-fired electricity system. About HK\$63 million (2002: HK\$75 million) was invested by the retail division mainly for the additions of retail outlets in the Mainland China.

Pledge of Assets

At the year end, no significant assets were pledged.

Foreign Exchange and Interest Rate Risks

During the year, the major revenue and procurement of the Group were denominated in US dollar, HK dollar and Renminbi. Hence, the Group's exposure to foreign exchange risk was minimal. During the year, the Group had entered into forward agreements to reduce foreign exchange risks.

As the recovery of the world economy is still benign, the interest rate is expected to stay at a low level in the coming year. At the year end, the outstanding bank loans, which were mainly of HIBOR based with maturity in April 2005, had outstanding balances denominated in HK dollar amounted to HK\$40 million (2002: HK\$59 million).

HUMAN RESOURCES

As at 31 March 2003, the Group had about 14,500 (2002: 11,500) employees in The PRC and Singapore. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

Looking into 2004, the Management expects that the global economy will still be sluggish. Deflation will persist and consumer confidence is likely to remain weak. To further enhance the Group's competitiveness, the Management will adopt the following measures:

1. To combat deflation, the Management will continue with its stringent cost control measures.
2. For the fabric business, production capacity is expected to grow by 25% to benefit further from the economy of scale. Capital expenditure is budgeted at approximately HK\$180 million. Marketing activities will remain active to maintain our leading position in the industry and to enlarge our customer base.
3. For the retail division, we expect to have about 250 new outlets in Asia. Mainland China will remain our focus market, we intend to operate more "S&K" stores in bigger cities and more "Baleno" outlets in newly developed cities. Capital expenditure for the store expansion is anticipated at HK\$60 million. The Management will also concentrate on product development to improve profit margin.
4. The Management of the garment division will continue to explore new markets and expand customer base. The division will also increase its productivity to improve operating efficiency.

We foresee the year ahead to be a challenging year and the Management has made comprehensive plans to take on the challenges. With a solid financial position, the Management remains optimistic to report improved results in the coming year.

ARRANGEMENTS TO PURCHASE, REDEEM AND SELL SHARES 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

Pursuant to the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company established an Audit Committee (the "Committee") on 15 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 of the Group. During the year, the Committee held two meetings to review the internal controls and annual results and provided recommendations to the board of directors.

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.

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.

By order of the Board
Poon Bun Chak
Chairman

Hong Kong, 23 July 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of Texwinca Holdings Limited (the "Company") will be held at Grand Royal Club, Level 6, Metroplaza, Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong on Thursday, 28 August 2003 at 11:45 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2003;
2. To declare a final dividend;
3. To elect Directors and to authorise the Board of Directors to fix Directors' remuneration; and
4. To appoint Auditors and to authorise the Board of Directors to fix Auditors' remuneration.

By Order of the Board
Chan Chi Hon
Secretary

Hong Kong, 23 July 2003

Notes:

- (a) The Register of Members of the Company will be closed from Thursday, 21 August 2003 to Thursday, 28 August 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2003 and for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch 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 Wednesday, 20 August 2003.
- (b) A shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the instrument appointing the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Annual General Meeting or the adjournment thereof.