



# TEXWINCA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

## 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 30th September 2003 as follows:

### Condensed Consolidated Profit and Loss Account

		Six months ended 30th September	
		2003	2002
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
<b>TURNOVER</b>	3	<b>2,878,344</b>	2,535,676
Cost of sales		<u>(2,088,967)</u>	<u>(1,714,499)</u>
Gross profit		<b>789,377</b>	821,177
Other revenue and gains		<b>10,116</b>	10,826
Selling and distribution costs		<b>(433,808)</b>	(361,059)
Administrative expenses		<b>(176,346)</b>	(159,940)
Other operating expenses		<u><b>(3,958)</b></u>	<u>(1,694)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>185,381</b>	309,310
Share of profit of an associate		<b>18,325</b>	24,873
Finance costs		<u><b>(1,739)</b></u>	<u>(1,528)</u>
<b>PROFIT BEFORE TAX</b>		<b>201,967</b>	332,655
Tax	5	<u><b>(20,859)</b></u>	<u>(26,770)</u>
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>181,108</b>	305,885
Minority interests		<u><b>(971)</b></u>	<u>(2,690)</u>
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>180,137</b></u>	<u>303,195</u>
Proposed interim dividend		<u><b>105,996</b></u>	<u>145,601</u>
Proposed interim dividend per share ( <i>HK cents</i> )		<u><b>8.0</b></u>	<u>11.0</u>
Earnings per share ( <i>HK cents</i> )	6		
Basic		<u><b>13.6</b></u>	<u>22.9</u>
Diluted		<u><b>13.5</b></u>	<u>22.9</u>

## 1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statements of Standard Accounting Practice (the “SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of 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 31st March 2003 except the adoption of SSAP 12 (Revised): “Income taxes” which is effective for the first time for the accounting period commencing on or after 1st January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the SSAP 12 (Revised) has had no material effect on the Group’s net assets and results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

## 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 businesses 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:

- (a) the production, dyeing and sale of knitted fabric and yarn segment;
- (b) the casual apparel and accessory retailing and distribution segment; and
- (c) the “Others” segment comprises principally 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 attributed to the segments based on the location of the market.

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:

	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
	(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	1,819,964	1,553,371	1,036,759	961,174	21,621	21,131	—	—	2,878,344	2,535,676
Intersegment sales	—	—	—	—	967	935	(967)	(935)	—	—
Other revenue	6,071	5,343	2,587	1,497	535	501	(584)	(592)	8,609	6,749
<b>Total</b>	<b>1,826,035</b>	<b>1,558,714</b>	<b>1,039,346</b>	<b>962,671</b>	<b>23,123</b>	<b>22,567</b>	<b>(1,551)</b>	<b>(1,527)</b>	<b>2,886,953</b>	<b>2,542,425</b>
Segment results	164,727	290,381	9,553	8,941	6,540	7,262	3,054	(1,351)	183,874	305,233
Interest income									1,507	4,077
Profit from operating activities									185,381	309,310
Share of profit of an associate									18,325	24,873
Finance costs									(1,739)	(1,528)
Profit before tax									201,967	332,655
Tax									(20,859)	(26,770)
Profit before minority interests									181,108	305,885
Minority interests									(971)	(2,690)
Net profit from ordinary activities attributable to shareholders									180,137	303,195

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments:

	USA		Japan		Mainland China		Hong Kong		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(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	1,189,828	945,211	190,889	170,912	753,123	749,365	377,205	353,693	367,299	316,495	2,878,344	2,535,676

## 4. Depreciation and amortisation

During the period, depreciation of fixed assets and amortisation of trademarks of the Group amounted to HK\$87,880,000 and HK\$1,460,000 (2002: HK\$75,602,000 and HK\$1,454,000), respectively.

## 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits arising in Hong Kong for the period.

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.

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Hong Kong and the People's Republic of China (the "PRC") taxes:		
Current period provision	<b>19,203</b>	23,840
Deferred tax	<u>—</u>	<u>809</u>
	<b>19,203</b>	24,649
Share of tax attributable to an associate	<u><b>1,656</b></u>	<u>2,121</u>
Tax charge for the period	<u><b>20,859</b></u>	<u>26,770</u>

## 6. Earnings per share

### (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 period of HK\$180,137,000 (2002: HK\$303,195,000) and the weighted average number of 1,324,398,924 (2002: 1,323,648,104) shares in issue during the period.

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

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

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net profit from ordinary activities attributable to shareholders	<u><b>180,137</b></u>	<u>303,195</u>
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share	<b>1,324,398,924</b>	1,323,648,104
Weighted average number of shares deemed to be issued for no consideration on deemed exercise of all share options outstanding during the period	<u><b>5,522,014</b></u>	<u>330,944</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u><b>1,329,920,938</b></u>	<u>1,323,979,048</u>

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.0 cents per share (2002 : HK11.0 cents) for the six months ended 30th September 2003. The interim dividend will be payable on Tuesday, 10th February 2004 to shareholders registered on the Register of Members at the close of business on Friday, 16th January 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 12th January 2004 to Friday, 16th January 2004 (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, Tengis Limited not later than 4:00 p.m. on Friday, 9th January 2004. Tengis 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, the Group's total turnover amounted to HK\$2,878 million, an increase of 14%. Net profit from ordinary activities attributable to shareholders dropped by 41% to HK\$180 million. The board of directors has declared an interim dividend of HK8.0 cents per share.

### Knitted fabric

The textile business recorded a turnover of HK\$1,820 million, an increase of 17%. This represented 63% of the Group's total turnover. During the period, cotton prices went up substantially by over 60% when compared with the same period of last year. Owing to the adverse effects brought about by the Severe Acute Respiratory Syndrome ("SARS") and the global unfavourable economic conditions, the Group was unable to pass all the increase in raw material cost to the customers. As the raw material prices were volatile, the Group had to give up some rush orders which had higher profit margins. As a result, gross margin declined by 9%, to 16% from 25% last year. Despite the business environment was tough, the Group experienced strong demand from its customers. Production capacity grew by about 20% in the period with high rate of utilization.

### Retail and distribution

Sales of the retail business amounted to HK\$1,037 million, a growth of 8% and represented 36% of the Group's total turnover. All our major markets experienced year-on-year revenue improvement. Sales performance was greatly affected by the SARS epidemic in the first quarter. However, business expansion was speeded up in the second quarter with promising results. In the period, there were about 350 new stores opened in the Mainland China, exceeding the projected target of 200 stores. The growth in Hong Kong and Taiwan markets was also encouraging. At the interim end, the performance of Mainland China, Hong Kong, Taiwan and Singapore was as below:

	Sales		Growth rate	Retail Outlets*		
	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000		30th September 2003	31st March 2003	30th September 2002
Mainland China	662,423	646,351	2	1,410	1,060	945
Hong Kong	167,818	147,169	14	56	45	39
Taiwan	165,418	142,469	16	185	155	128
Singapore	41,100	25,185	63	26	17	15
	<u>1,036,759</u>	<u>961,174</u>	8	<u>1,677</u>	<u>1,277</u>	<u>1,127</u>

\* *Include self-owned and franchised outlets*

## **Garment**

Net profit contributed by our associated garment manufacturing business was HK\$17 million, a drop of 27%. During the period, about 83% of the associate's fabric consumption was supplied by the Group's fabric division and the associate's sales to the Group's retail division was about 30% of the associate's turnover. Profit margin of the associate was also affected by the sharp increase in raw material cost.

## **FINANCIAL CONDITION**

The Group maintained a strong financial position. As at 30th September 2003, cash and cash equivalents amounted to HK\$506 million. Total bank borrowings were HK\$31 million and unutilized bank facilities were HK\$1,100 million. Total debt to equity ratio was 0.6. The revenue and procurement of the Group were mainly denominated in U.S. dollar, Hong Kong dollar and Renminbi. During the period, the Group had entered into forward foreign exchange contracts and other financial instruments to reduce foreign exchange risks. At the end of the reporting period, the Group's contingent liabilities were HK\$165 million, which were mainly related to discounted export bills receivable.

## **HUMAN RESOURCES**

As at 30th September 2003, the Group had a total of 15,955 employees in Greater China and Singapore. Besides offering competitive remuneration packages to the employees, discretionary bonuses and share options are also granted to eligible staff based on individual and Group's performance.

## **OUTLOOK**

Cotton prices are still staying at a high level. With the improvement of global economic conditions, the Group is now at a better bargaining position on the product prices. The Group is working extremely hard in cost management and margin improvement.

The Group is planning to set up a new spinning factory in the existing production site. In the first stage, the capital investment is budgeted to be HK\$150 million. Production is expected to commence in the third quarter of 2004. With spinning facilities, the Group will be more efficient in inventory control and able to capture quick response orders.

For the retail business, the Group is diversifying the product mix as well as the customer base to accelerate profit margin. While "Baleno" and "S & K" are in a stable growth, more effort will be placed on "Baleno Attitude" and "Ebase" which are concentrated on ladies wears.

The global economy is still in a period of uncertainty. Although the operation environment may remain challenging in the coming days, the Group remains confident of its leading market position and its proven product quality. The management is optimistic to have an improved results in the coming half year.

## **ARRANGEMENTS TO PURCHASE, REDEEM AND SELL SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed, or sold any of the Company's listed securities during the six months ended 30th September 2003.

## **AUDIT COMMITTEE**

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

For the interim period, 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.

## **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, 17th December 2003