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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 2018

#### 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 2018 with the comparative figures of last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
<b>REVENUE</b>		<b>8,530,806</b>	7,858,476
Cost of sales		<u>(5,912,886)</u>	<u>(5,367,362)</u>
Gross profit		<b>2,617,920</b>	2,491,114
Other income and gains		<b>317,344</b>	212,603
Gain on disposal of a trademark		—	152,400
Gain on disposal of subsidiaries		<b>57,254</b>	—
Selling and distribution expenses		<b>(1,701,581)</b>	(1,700,552)
Administrative expenses		<b>(758,950)</b>	(597,126)
Other operating expenses, net		<b>(18,198)</b>	(3,617)
Finance costs		<b>(42,810)</b>	(26,993)
Share of loss of an associate		<b>(3,121)</b>	(7,772)
<b>PROFIT BEFORE TAX</b>	4	<b>467,858</b>	520,057
Income tax expense	5	<b>(151,108)</b>	(13,521)
<b>PROFIT FOR THE YEAR</b>		<b>316,750</b>	506,536

\* For identification purposes only

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2018</b>	2017
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Ordinary equity holders of the Company		<b>304,328</b>	478,525
Non-controlling interests		<b>12,422</b>	28,011
		<hr/> <b>316,750</b>	<hr/> 506,536
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic and diluted ( <i>HK cents</i> )		<hr/> <b>22.0</b>	<hr/> 34.6

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>316,750</b>	506,536
<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	233,122	(289,566)
Reclassification adjustments for foreign operations disposed of during the year	<u>(3,804)</u>	—
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>229,318</u>	(289,566)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of assets	—	<u>4,090</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<u>229,318</u>	(285,476)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>546,068</u>	221,060
Attributable to:		
Ordinary equity holders of the Company	518,167	201,908
Non-controlling interests	<u>27,901</u>	<u>19,152</u>
	<u>546,068</u>	221,060

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 March</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,386,473	1,313,688
Investment properties		524,400	459,403
Prepaid land lease payments		13,068	12,733
Construction in progress		88,475	27,018
Trademarks		33,293	33,293
Investment in an associate		70,582	75,243
Prepayments		119,870	37,270
Long term rental deposits		87,183	112,776
Long term held-to-maturity investments		156,902	220,003
Available-for-sale investments		152,061	54,250
Deferred tax assets		32,809	28,359
		<hr/>	<hr/>
Total non-current assets		2,665,116	2,374,036
<b>CURRENT ASSETS</b>			
Inventories		2,237,568	2,050,435
Trade receivables	8	941,418	665,388
Bills receivable		108,931	123,507
Prepayments, deposits and other receivables		566,776	446,273
Held-to-maturity investments		211,421	265,531
Derivative financial assets		43,549	14,315
Cash and cash equivalents		2,445,028	4,022,914
		<hr/>	<hr/>
		6,554,691	7,588,363
Non-current assets classified as held for sale	10	—	3,878
Assets of a disposal group classified as held for sale	10	—	9,188
		<hr/>	<hr/>
Total current assets		6,554,691	7,601,429
<b>CURRENT LIABILITIES</b>			
Trade payables	9	1,019,340	812,514
Bills payable		19,232	21,961
Other payables, accrued liabilities and deposit received		499,026	473,991
Due to an associate		20	57,001
Derivative financial liabilities		44,160	12,231
Interest-bearing bank borrowings		1,390,804	2,436,599
Tax payable		234,183	15,076
		<hr/>	<hr/>
Total current liabilities		3,206,765	3,829,373
<b>NET CURRENT ASSETS</b>		<hr/>	<hr/>
		3,347,926	3,772,056
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		6,013,042	6,146,092
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		187,500	80,682
Deferred tax liabilities		100,553	168,007
		<hr/>	<hr/>
Total non-current liabilities		288,053	248,689
Net assets		<hr/>	<hr/>
		5,724,989	5,897,403

	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	<b>69,085</b>	69,085
Reserves	<b>4,972,979</b>	4,938,405
Proposed final dividend	<b>207,254</b>	442,143
	<b>5,249,318</b>	5,449,633
<b>Non-controlling interests</b>	<b>475,671</b>	447,770
Total equity	<b>5,724,989</b>	5,897,403

**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, available-for-sale investments and derivative financial instruments which have been measured at fair value. Non-current assets or disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2017, 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:

HKAS 7 Amendments	<i>Amendments to HKAS 7 Disclosure Initiative</i>
HKAS 12 Amendments	<i>Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses</i>
HKFRS 12 Amendments included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities : Clarification of the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of Amendments to HKAS7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

### **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 and yarn 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that gain on disposal of a trademark, gain on disposal of subsidiaries, unallocated corporate expenses, interest income, finance costs and share of 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 2018 and 31 March 2017:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	<b>4,534,790</b>	3,806,760	<b>3,988,977</b>	4,044,197	<b>7,039</b>	7,519	—	—	<b>8,530,806</b>	7,858,476
Intersegment sales	—	—	—	—	<b>7,271</b>	6,317	<b>(7,271)</b>	(6,317)	—	—
Other revenue	<b>86,560</b>	59,903	<b>37,757</b>	7,322	<b>123,722</b>	70,508	<b>(6,984)</b>	(6,468)	<b>241,055</b>	131,265
	<b>4,621,350</b>	3,866,663	<b>4,026,734</b>	4,051,519	<b>138,032</b>	84,344	<b>(14,255)</b>	(12,785)	<b>8,771,861</b>	7,989,741
Segment results	<b>240,753</b>	349,674	<b>14,094</b>	(95,772)	<b>129,407</b>	74,009	—	—	<b>384,254</b>	327,911
<b>Reconciliation</b>										
Gain on disposal of a trademark									—	152,400
Gain on disposal of subsidiaries									<b>57,254</b>	—
Unallocated expenses									<b>(4,008)</b>	(6,827)
Interest income									<b>76,289</b>	81,338
Finance costs									<b>(42,810)</b>	(26,993)
Share of loss of an associate									<b>(3,121)</b>	(7,772)
Profit before tax									<b>467,858</b>	520,057
Income tax expense									<b>(151,108)</b>	(13,521)
Profit for the year									<b>316,750</b>	506,536

- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2018 and 31 March 2017 (*continued*):

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Segment assets	<b>4,983,816</b>	4,104,125	<b>1,915,374</b>	1,977,840	<b>557,719</b>	502,149	<b>(316,784)</b>	(428,139)	<b>7,140,125</b>	6,155,975
<i>Reconciliation :</i>										
Investment in an associate									<b>70,582</b>	75,243
Unallocated assets									<b>2,009,100</b>	3,744,247
Total assets									<b>9,219,807</b>	9,975,465
Segment liabilities	<b>670,405</b>	723,180	<b>937,085</b>	731,317	<b>23,750</b>	84,018	<b>(49,462)</b>	(160,817)	<b>1,581,778</b>	1,377,698
<i>Reconciliation :</i>										
Unallocated liabilities									<b>1,913,040</b>	2,700,364
Total liabilities									<b>3,494,818</b>	4,078,062
<b>Other segment information:</b>										
Depreciation and amortisation	<b>169,877</b>	168,653	<b>88,363</b>	85,038	—	2,709	—	—	<b>258,240</b>	256,400
Capital expenditure*	<b>162,397</b>	142,528	<b>94,017</b>	73,079	—	—	—	—	<b>256,414</b>	215,607
Provision /(write-back of provision) for slow- moving inventories	<b>(3,900)</b>	1,700	<b>(2,112)</b>	(18,426)	—	(940)	—	—	<b>(6,012)</b>	(17,666)
Impairment/(reversal of impairment) of trade receivables	—	—	<b>2,106</b>	(1,061)	—	—	—	—	<b>2,106</b>	(1,061)
Net fair value gain on investment properties	—	—	—	—	<b>(87,508)</b>	(34,479)	—	—	<b>(87,508)</b>	(34,479)

\* 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 asset information of the Group for the years ended 31 March 2018 and 31 March 2017:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	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>(i) Revenue from external customers:</b>														
<b>Segment revenue:</b>														
Sales to external customers	<b>2,187,422</b>	1,947,120	<b>4,325,066</b>	4,035,970	<b>832,035</b>	869,614	<b>1,000,043</b>	860,295	<b>186,240</b>	145,477	—	—	<b>8,530,806</b>	7,858,476
<b>(ii) Non-current assets:</b>														
Non-current assets	—	—	<b>1,671,962</b>	1,454,005	—	—	<b>656,642</b>	584,599	<b>49,116</b>	54,820	<b>(141,559)</b>	(134,776)	<b>2,236,161</b>	1,958,648

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, long term held-to-maturity investments, available-for-sale investments and deferred tax asset, are based on the locations of the markets and assets, respectively.

(c) Information about major customers

No sales to a single external customer (2017: 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	
	2018	2017
	HK\$'000	HK\$'000
Depreciation	257,802	255,848
Recognition of prepaid land lease payments	438	552
Net gain on disposal of items of property, plant and equipment	(23,048)	(2,941)
	<u>235,192</u>	<u>253,459</u>

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong and Mainland China:		
Charge for the year	84,222	39,247
Under-provision in prior years	138,790	931
Deferred	(71,904)	(26,657)
	<u>151,108</u>	<u>13,521</u>
Total tax charge for the year	<u>151,108</u>	<u>13,521</u>

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 current year in relation to tax affairs as detailed in note 11(b).

#### 6. Dividends

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Interim dividend – HK20.0 cents (2017: HK30.0 cents) per share	276,339	414,509
Proposed final dividend – HK15.0 cents (2017: HK32.0 cents) per share	207,254	442,143
	<u>483,593</u>	<u>856,652</u>

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 (2017: 1,381,696,104) during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

## 8. Trade receivables

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment of HK\$12,962,000 (2017: HK\$10,856,000), is as follows:

	<b>31 March</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<b>767,234</b>	606,928
Over 90 days	<b>174,184</b>	58,460
	<b>941,418</b>	665,388

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 does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 9. Trade payables

An aged 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>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<b>927,178</b>	778,532
Over 90 days	<b>92,162</b>	33,982
	<b>1,019,340</b>	812,514

At the end of the reporting period, the trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 10. Non-current assets classified as held for sale/assets of a disposal group classified as held for sale

Non-current assets classified as held for sale

In prior year, the Group entered into sale and purchase agreements with certain independent third parties to dispose of certain buildings. Accordingly, such buildings were classified as non-current assets held for sale as their carrying amounts will be recovered principally through sale. The disposal transactions were completed during the year ended 31 March 2018 with gains of HK\$25,145,000.

Assets of a disposal group classified as held for sale

In prior year, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain subsidiaries (the "Disposal Group"). The Disposal Group was classified as a disposal group held for sale as its carrying amount will be recovered principally through sale. The disposal transaction was completed during the year ended 31 March 2018 with a gain of HK\$57,254,000.

## 11. 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>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank guarantees given in lieu of property rental deposits	<b>4,975</b>	4,603
Guarantees for banking facilities granted to an associate	<u>—</u>	<u>12,500</u>

As at 31 March 2017, the banking facilities granted to an associate with guarantees given to bank by the Group were not utilised. As at 31 March 2018, such banking facilities were cancelled.

- (b) The Hong Kong Inland Revenue Department (the “IRD”) initiated a review on the prior years’ tax affairs of certain subsidiaries of the Group.

The protective tax assessments for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 issued by the IRD in March 2012, March 2013, March 2014, March 2015, March 2016, January 2017 and January 2018 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000, HK\$376,200,000, HK\$323,648,000, HK\$237,600,000 and HK\$183,745,000, respectively. The Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000, HK\$38,000,000, HK\$38,000,000 and HK\$50,000,000 for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011 respectively, in previous years, and an additional tax reserve certificate of HK\$7,090,000 for the year of assessment 2011/2012 during the year ended 31 March 2018.

Certain subsidiaries of the Group have further received in April 2018 the additional/estimated protective tax assessments from the IRD for the years of assessment 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017 in the amounts of HK\$136,139,000, HK\$498,940,000, HK\$247,460,000, HK\$230,400,000 and HK\$129,628,000, respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed in May 2018, the IRD agreed to hold over the tax claimed completely subject to the purchases of tax reserve certificates. As at the date of this report, the Group purchased tax reserve certificates of HK\$46,069,000, HK\$166,320,000, HK\$82,500,000, HK\$71,710,000 and HK\$49,808,000, for the years of assessment 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017, respectively.

## FINAL DIVIDEND

The Board recommends the payment of final dividend of HK15.0 cents (2017: final dividend of HK32.0 cents) per ordinary share which, together with the interim dividend of HK20.0 cents (2017: HK30.0 cents) per ordinary share paid in January 2018, will make a total dividend of HK35.0 cents (2017: HK62.0 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, 10 October 2018 to the shareholders registered on the Register of Members of the Company on Wednesday, 22 August 2018.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 6 August 2018 to Thursday, 9 August 2018 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. During which period no transfer of shares of the Company will be registered and no share 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 for registration not later than 4:00 p.m. on Friday, 3 August 2018.

The Register of Members of the Company will be closed from Monday, 20 August 2018 to Wednesday, 22 August 2018 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2018. During which period no transfer of shares of the Company will be registered and no share will be allotted and issued. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2018, 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 for registration not later than 4:00 p.m. on Friday, 17 August 2018.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2018, the Group's total revenue increased by 8.6% to HK\$8,531 million (2017: HK\$7,858 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$304 million (2017: HK\$479 million), a decline of 36.5%. The Group's gross profit margin was 30.7% (2017: 31.7%), a decrease of 1.0 percentage points from last year. In the period, the decrease in profit after tax was primarily due to the following reasons:

1. the one-off gain on disposal of a trademark of HK\$152 million recorded in last year ; and
2. the additional tax provision of HK\$139 million made in current year.

Net loss contributed by an associate decreased by HK\$5 million. The Board has recommended a final dividend of HK15.0 cents (2017: HK32.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share would be HK35.0 cents, a drop of 43.5% from last year.

### Textile business

Turnover of the textile business rose by 19.1% to HK\$4,535 million (2017: HK\$3,807 million). The amount represented 53.2% (2017: 48.4%) of the Group's total revenue. In the period, the global business conditions were unstable and the costs of raw materials, chemical dyestuffs, energy and labour went up substantially. As not all the costs could be passed to the customers, profit margin thus declined. The gross profit margin decreased to 15.9% from last year's 16.9% and the average selling price was up by 4.3%. The Group has diversified its production capacity to knitted seamless wears to extend product varieties and strengthen business capabilities. The performance and the key financial ratios of the business were as below:

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

	2018	2017	2016	2015	2014
Net sales	<b>4,535</b>	3,807	4,741	4,718	5,026
Gross profit margin (%)	<b>15.9</b>	16.9	21.7	21.7	20.4
Operating profit (note 1)	<b>240</b>	350	666	622	671
EBITDA (note 1)	<b>410</b>	518	842	802	871
Return on total assets (%) (note 2)	<b>1.9</b>	4.9	9.6	8.5	8.4
Return on sales (%) (note 2)	<b>2.9</b>	10.2	14.2	15.3	14.3
Return on equity (%) (note 2)	<b>3.0</b>	8.4	12.5	12.8	12.8
Capital expenditure	<b>162</b>	143	111	56	121

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

### Retail and distribution business

Sales of the business amounted to HK\$3,989 million (2017: HK\$4,044 million), a slight decrease of 1.4%. The amount was 46.8% (2017: 51.5%) of the Group's total turnover. In the period, the retail environment in the Mainland China remained highly competitive. The Group continued its store relocation to improve the network efficiency. Meanwhile, disciplined merchandising and stringent cost control were also exercised to enhance profit margins. The Group has introduced more innovative products to reinforce business competitiveness.

(a) the business performance and the key financial ratios were as follows:

<i>(Amounts expressed in HK\$'million, unless specified)</i>	<b>2018</b>	2017	2016	2015	2014
Net sales	<b>3,989</b>	4,044	4,592	4,591	4,816
Gross profit margin (%)	<b>47.4</b>	45.5	46.6	46.8	46.7
Sales growth of comparable shops (%) (note 1)	<b>(6.9)</b>	(7.8)	7.3	6.0	(7.6)
Operating profit/(loss) (note 2)	<b>14</b>	(96)	(93)	13	(245)
EBITDA (note 2)	<b>102</b>	(11)	8	113	(107)
Return on total assets (%) (note 3)	<b>0.4</b>	(4.8)	(4.3)	(0.7)	(13.9)
Return on sales (%) (note 3)	<b>0.2</b>	(2.3)	(2.4)	(0.3)	(5.2)
Return on equity (%) (note 3)	<b>0.7</b>	(15.9)	(9.5)	(2.1)	(42.5)
Capital expenditure	<b>94</b>	73	96	72	43

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>2018</b>	2017	2016	2015	2014
Baleno	<b>3,274</b>	3,144	3,260	2,821	2,754
S&K	<b>238</b>	293	415	476	552
I.P. Zone	<b>109</b>	215	304	320	417
ebase	<b>—</b>	5	98	336	497
Others	<b>368</b>	387	515	638	596
Total	<b>3,989</b>	4,044	4,592	4,591	4,816

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

<b>Mainland China</b>	<b>2018</b>	2017	2016	2015	2014
Net sales (HK\$' million)	<b>3,414</b>	3,476	4,013	4,014	4,098
Decrease in net sales (%)	<b>(2)</b>	(13)	—	(2)	(17)
Retail floor area (sq. ft.)*#	<b>1,781,314</b>	1,723,190	1,779,340	1,700,135	1,959,394
Number of sales associates*#	<b>4,946</b>	5,493	6,425	6,971	7,710
Number of outlets* <sup>△</sup>	<b>2,499</b>	2,326	2,770	2,865	2,928

## Hong Kong

	2018	2017	2016	2015	2014
Net sales ( <i>HK\$' million</i> )	574	568	579	486	445
(Decrease)/increase in net sales (%)	1	(2)	19	9	2
Retail floor area ( <i>sq. ft.</i> )*#	79,822	65,515	64,543	62,440	66,184
Number of sales associates*#	484	385	395	393	392
Number of outlets*#	73	60	64	59	66

## Taiwan

	2018	2017	2016	2015	2014
Net sales ( <i>HK\$' million</i> )	—	—	—	91	273
Decrease in net sales (%)	—	—	(100)	(67)	(34)
Retail floor area ( <i>sq. ft.</i> )*#	—	—	—	—	90,689
Number of sales associates*#	—	—	—	—	290
Number of outlets* <sup>△</sup>	—	—	—	—	91

\* As at the end of the reporting period

# For self-managed stores

△ Including self-managed and franchise stores

## Garment manufacturing business

Revenue of this associate decreased by 57.6% to HK\$313 million (2017: HK\$738 million). Share of net loss by the Group amounted to HK\$3 million (2017: HK\$8 million), a drop of 62.5%. The factory in mainland China was closed due to rising labour cost. In the year, 3.3% (2017: 51.0%) of the fabric consumed was supplied by the Group's textile division and sales to the Group's retail division represented 10.0% (2017: 30.3%) of its revenue.

## 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\$1,578 million and -0.2 (2017: 2.0, HK\$2,517 million and -0.3) respectively. Bank borrowings decreased during the year as the Group mainly repaid its trade and bills payables with cash inflow from its operating activities instead of bank loans. 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, 45 days and 96 days (2017: 20 times, 37 days and 95 days) respectively. The decrease in the interest cover was mainly due to the one-off trademark disposal gain of HK\$152 million of last year and the increase in interest expenses of HK\$16 million over last year as a result of the rise in interest rate during the year. 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\$2,445 million, HK\$5,249 million and HK\$6,049 million (2017: HK\$4,023 million, HK\$5,450 million and HK\$6,099 million), respectively. The decrease in cash and cash equivalents compared with last year was mainly due to the significant repayment of bank borrowings during the year.

### Capital expenditure

The Capital expenditure incurred by the Group during the year was HK\$256 million (2017: HK\$216 million). The capital expenditure incurred by the textile business for the year was HK\$162 million (2017: HK\$143 million) mainly for the addition of plant and machinery for the dyeing and knitting factory and the establishment of a 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\$94 million (2017: HK\$73 million).

**Pledge of assets**

No significant assets were pledged as at 31 March 2018 and 31 March 2017.

**Contingent liabilities**

Details of the contingent liabilities as at 31 March 2018 and 31 March 2017 have been set out in note 11 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 three years (2017: two years). At the year end, the cash and cash equivalents and the held-to-maturity and available-for-sale investments amounted to HK\$2,445 million and HK\$520 million (2017: HK\$4,023 million and HK\$540 million), respectively, 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 (2017: one year). And, the held-to-maturity and available-for-sale investments were mainly investments with maturity due within seven years or perpetuity (2017: within three years or perpetuity). As the US economic condition is sustaining a stable growth, the interest rate is expected rise steadily in the year to come. 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**

As at 31 March 2018, the Group had about 13,345 (2017: 13,979) 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) Ocean Park Conservation Foundation Hong Kong;
- (7) St. James’ Settlement; and
- (8) 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**

The global markets have shown signs of economic improvement recently. The Group will take a more optimistic approach in business development in the coming year.

The Group will continue its capacity expansion in seamless apparel mainly for sportswear brands. At the same time, functional fabric capacity will also be added to widen product varieties for market competitiveness. As the textile industry is under intensified consolidation, the Group expects to take further market share in the long run.

For the retail business, the management will continue its disciplined merchandising and inventory control to reinforce sales competitiveness. More innovative products will be introduced to uplift profit margins. Meanwhile, the Group will continue to place significant resources to grow the e-business.

## **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 seven 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 2017/2018 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, 15 June 2018