



# 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 2007

### RESULTS

The Board of Directors of Texwinca Holdings Limited (the “Company”) has pleasure in presenting the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 with the comparative figures of last year as follows:

### CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>8,298,552</b>	7,749,112
Cost of sales		<u>( 5,656,539 )</u>	<u>( 5,371,343 )</u>
Gross profit		<b>2,642,013</b>	2,377,769
Other income and gains		<b>128,867</b>	74,545
Selling and distribution costs		<b>( 1,533,792 )</b>	( 1,458,618 )
Administrative expenses		<b>( 504,360 )</b>	( 506,539 )
Other operating expenses, net		<b>1,730</b>	4,361
Finance costs		<b>( 49,801 )</b>	( 38,533 )
Share of profit of an associate, net of tax		<u><b>48,211</b></u>	<u>52,705</u>
<b>PROFIT BEFORE TAX</b>	3	<b>732,868</b>	505,690
Tax	5	<u><b>( 107,047 )</b></u>	<u>( 70,473 )</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>625,821</b></u>	<u>435,217</u>

\* For identification purpose only.

Attributable to:		
Equity holders of the parent	<b>625,148</b>	480,253
Minority interests	<b>673</b>	( 45,036 )
	<b>625,821</b>	435,217
<b>DIVIDENDS</b>		
Interim	<b>159,155</b>	145,889
Proposed final	<b>198,913</b>	145,892
	<b>358,068</b>	291,781
Interim dividend per share paid ( <i>HK cents</i> )	<b>12.0</b>	11.0
Final dividend per share proposed ( <i>HK cents</i> )	<b>15.0</b>	11.0
	<b>27.0</b>	22.0

**EARNINGS PER SHARE ATTRIBUTABLE TO  
ORDINARY EQUITY HOLDERS OF THE  
PARENT (*HK cents*)**

Basic	6	<b>47.1</b>	36.2
Diluted		<b>47.1</b>	36.1

**CONSOLIDATED BALANCE SHEET**

		At 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,323,532</b>	1,936,397
Investment properties		<b>119,682</b>	66,822
Prepaid land lease payments		<b>24,773</b>	25,175
Construction in progress		<b>38,513</b>	83,540
Trademarks		<b>33,293</b>	33,227
Interest in an associate		<b>121,464</b>	157,253
Long term rental deposits		<b>126,148</b>	107,763
Total non-current assets		<b>2,787,405</b>	2,410,177
<b>CURRENT ASSETS</b>			
Inventories		<b>1,290,340</b>	1,298,085
Trade and bills receivables	7	<b>1,090,387</b>	879,700
Prepayments, deposits and other receivables		<b>403,850</b>	415,150
Derivative financial assets		<b>25,588</b>	11,807
Cash and cash equivalents		<b>244,829</b>	250,921
Total current assets		<b>3,054,994</b>	2,855,663

<b>CURRENT LIABILITIES</b>			
Due to an associate		15,605	83,813
Trade and bills payables	8	950,918	1,008,500
Other payables and accrued liabilities		236,968	178,422
Derivative financial liabilities		196	2,852
Tax payable		202,250	156,627
Interest-bearing bank borrowings		<u>546,785</u>	<u>415,316</u>
Total current liabilities		<u>1,952,722</u>	<u>1,845,530</u>
<b>NET CURRENT ASSETS</b>		<u>1,102,272</u>	<u>1,010,133</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,889,677</b>	<b>3,420,310</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		557,791	478,000
Provision for long service payments		11,303	8,773
Deferred tax		<u>5,560</u>	<u>3,588</u>
Total non-current liabilities		<u>574,654</u>	<u>490,361</u>
Net assets		<u>3,315,023</u>	<u>2,929,949</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		66,314	66,314
Reserves		2,982,853	2,659,595
Proposed final dividend		<u>198,913</u>	<u>145,892</u>
		<b>3,248,080</b>	<b>2,871,801</b>
<b>Minority interests</b>		<u>66,943</u>	<u>58,148</u>
Total equity		<u>3,315,023</u>	<u>2,929,949</u>

## Notes to the Consolidated Financial Statements:

### 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 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 2006, except in relation to the new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>

The adoption of the above new and revised HKFRSs and interpretations has had no material effect on the Group's consolidated financial statements.

## 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 the 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 principally comprises the provision of motor and generator repair and maintenance services, and the provision of franchise services.

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

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 tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:										
Sales to external customers	<b>4,627,285</b>	4,257,965	<b>3,625,217</b>	3,443,855	<b>46,050</b>	47,292	-	-	<b>8,298,552</b>	7,749,112
Intersegment sales	-	-	-	-	<b>2,591</b>	1,293	<b>(2,591)</b>	(1,293)	-	-
Other revenue	<b>76,909</b>	25,883	<b>23,049</b>	14,017	<b>17,181</b>	21,209	-	-	<b>117,139</b>	61,109
Total	<b><u>4,704,194</u></b>	<u>4,283,848</u>	<b><u>3,648,266</u></b>	<u>3,457,872</u>	<b><u>65,822</u></b>	<u>69,794</u>	<b><u>(2,591)</u></b>	<u>(1,293)</u>	<b><u>8,415,691</u></b>	<u>7,810,221</u>
Segment results	<b><u>664,239</u></b>	<u>503,380</u>	<b><u>20,819</u></b>	<u>(55,711)</u>	<b><u>34,197</u></b>	<u>33,094</u>	<b><u>3,475</u></b>	<u>(2,681)</u>	<b><u>722,730</u></b>	478,082
Interest income									<b>11,728</b>	13,436
Share of profit of an associate, net of tax									<b>48,211</b>	52,705
Finance costs									<b>(49,801)</b>	(38,533)
Profit before tax									<b>732,868</b>	505,690
Tax									<b>(107,047)</b>	(70,473)
Profit for the year									<b><u>625,821</u></b>	<u>435,217</u>

(a) Business segments (continued)

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Assets and liabilities</b>										
Segment assets	<b>4,700,738</b>	4,388,193	<b>1,548,541</b>	1,373,195	<b>78,958</b>	143,834	<b>(686,608)</b>	(880,215)	<b>5,641,629</b>	5,025,007
Interest in an associate									<b>121,464</b>	157,253
Unallocated assets									<b>79,306</b>	83,580
Total assets									<b>5,842,399</b>	5,265,840
Segment liabilities	<b>657,771</b>	800,638	<b>1,137,684</b>	1,249,548	<b>103,447</b>	103,145	<b>(678,351)</b>	(867,358)	<b>1,220,551</b>	1,285,973
Unallocated liabilities									<b>1,306,825</b>	1,049,918
Total liabilities									<b>2,527,376</b>	2,335,891
<b>Other segment information:</b>										
Depreciation and amortisation	<b>171,618</b>	162,646	<b>120,083</b>	117,244	<b>1,882</b>	2,131	-	-	<b>293,583</b>	282,021
Capital expenditure	<b>467,653</b>	147,609	<b>141,273</b>	203,515	<b>355</b>	136	-	-	<b>609,281</b>	351,260
Other non-cash expenses /(income)	<b>41,611</b>	(10,541)	<b>3,151</b>	5,435	<b>46</b>	4,902	-	-	<b>44,808</b>	(204)
Fair value gains on investment properties	<b>-</b>	-	<b>-</b>	-	<b>(460)</b>	(8,354)	-	-	<b>(460)</b>	(8,354)

(b) *Geographical segments*

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Segment revenue:</b>														
Sales to external customers	<u>3,622,174</u>	<u>3,074,517</u>	<u>2,489,632</u>	<u>2,386,343</u>	<u>513,083</u>	<u>358,199</u>	<u>627,887</u>	<u>808,387</u>	<u>1,045,776</u>	<u>1,121,666</u>	<u>-</u>	<u>-</u>	<u>8,298,552</u>	<u>7,749,112</u>
<b>Other segment information:</b>														
Segment assets	-	-	7,162,705	6,276,532	-	-	3,474,714	4,660,192	396,839	579,532	(5,191,859)	(6,250,416)	5,842,399	5,265,840
Capital expenditure	<u>-</u>	<u>-</u>	<u>541,744</u>	<u>277,870</u>	<u>-</u>	<u>-</u>	<u>12,466</u>	<u>18,663</u>	<u>55,071</u>	<u>54,727</u>	<u>-</u>	<u>-</u>	<u>609,281</u>	<u>351,260</u>

#### 4. Depreciation and amortisation

	Year ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Amortisation of prepaid land lease payments	644	567
Depreciation	<u>292,939</u>	<u>281,454</u>
Total depreciation and amortisation	<u>293,583</u>	<u>282,021</u>

#### 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Hong Kong and the Mainland China taxes:		
Current year provision	76,443	72,953
Underprovision in prior years	28,632	-
Deferred tax charge/(credit)	<u>1,972</u>	<u>( 2,480)</u>
Tax charge for the year	<u>107,047</u>	<u>70,473</u>

#### 6. Earnings per share attributable to ordinary equity holders of the parent

##### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

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

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.



The calculations of basic and diluted earnings per share are based on:

	<b>Year ended 31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><b>625,148</b></u>	<u>480,253</u>
<b>Shares</b>		
	<b>Number of shares</b>	
	<b>2007</b>	2006
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	<b>1,326,288,104</b>	1,326,212,625
Effect of dilution - weighted average number of ordinary shares:		
Share options*	<u><b>1,502,978</b></u>	<u>5,221,935</u>
	<u><b>1,327,791,082</b></u>	<u>1,331,434,560</u>

\* The share options with exercise price of HK\$5.6 per share outstanding during the year ended 31 March 2007 had an anti-dilutive effect on the basic earnings per share for the year and were not considered in the calculation of diluted earning per share.

## 7. Trade and bills receivables

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of impairment, is as follows:

	<b>At 31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>1,037,043</b>	841,355
Over 90 days	<u><b>53,344</b></u>	<u>38,345</u>
	<u><b>1,090,387</b></u>	<u>879,700</u>

Payment terms of the Group's customers mainly range from "cash before delivery" to "within 90 days from the date of invoice". A significant portion of the customers trade 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. Trade receivables are non-interest-bearing.

## 8. Trade and bills payables

An aged analysis of the trade and bills payables as at balance sheet date, based on the invoice date, is as follows:

	At 31 March	
	2007	2006
	HK\$'000	HK\$'000
Within 90 days	921,419	939,351
Over 90 days	<u>29,499</u>	<u>69,149</u>
	<u>950,918</u>	<u>1,008,500</u>

## 9. Contingent liabilities

- (a) At the balance sheet date, the following contingent liabilities were not provided for in the financial statements:

	At 31 March	
	2007	2006
	HK\$'000	HK\$'000
Bank guarantees given in lieu of property rental deposits	4,823	8,921
Guarantees of banking facilities granted to an associate	<u>12,500</u>	<u>12,500</u>

- (b) In respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, the Group has made a provision of HK\$11,303,000 (2006: HK\$8,773,000) and has a further contingent liability with a maximum possible amount of HK\$2,215,000 (2006: HK\$4,744,000) as at 31 March 2007.
- (c) A subsidiary of the Group in Taiwan is currently subject to a claim from the National Tax Authority (the "NTA") of Taiwan for the underpayment of business tax on sales made through certain local stores in Taiwan during the period from November 1998 to December 2002 together with penalties, of NTD50,219,000 in aggregate (equivalent to HK\$11,861,000). An amendment letter against the claims was filed by the local tax representative of the subsidiary in a prior year. The directors, based on the advice from the local tax representative of the subsidiary, consider that the subsidiary has a valid ground to object the claims from the NTA, and accordingly, the Group has not made any provision for the tax claim as at 31 March 2007 (2006: Nil).
- (d) During the year, the Hong Kong Inland Revenue Department (the "IRD") has initiated a review on the tax affairs for past years of certain subsidiaries of the Group. Protective tax assessments totaling HK\$322,038,000 for the year of assessment 2000/2001 have been issued by the IRD. Objections have been raised by the Group against those protective tax assessments. The directors of the subsidiaries believe that there are valid grounds to object the tax claimed. Subsequent to the balance sheet date, the IRD agreed to hold over the tax claimed completely subject to the purchase of HK\$40,000,000 tax reserve certificate by the subsidiaries. In view that the tax review is only at the initial stage, there are still certain uncertainty about the outcome of the

case. Up to the date of approval of these financial statements, the directors of the subsidiaries consider that adequate tax provision has been made in the financial statements.

## **10. Comparative amounts**

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## **FINAL DIVIDEND**

The Directors recommend the payment of a final dividend of HK15.0 cents (2006: HK11.0 cents) per ordinary share which, together with the interim dividend of HK12.0 cents (2006: HK11.0 cents) per ordinary share paid in February 2007, will make a total dividend of HK27.0 cents (2006: HK22.0 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, 3 October 2007 to the shareholders registered on the Register of Members on Friday, 24 August 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 17 August 2007 to Friday, 24 August 2007 (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 (name will be changed to Tricor Tengis Limited with effect from 1 August 2007) at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 16 August 2007.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

For this financial year ended 31 March 2007, the Group's total turnover was HK\$8,299 million (2006 : HK\$7,749 million), a rise of 7%. Net profit for the year attributable to the equity holders of the parent was HK\$625 million (2006 : HK\$480 million), a surge of 30%. The Board has recommended a final dividend of HK15.0 cents (2006 : HK11.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share amounts to HK27.0 cents, an increase of 23% over last year's HK22.0 cents.

### *Textile business*

This business achieved a turnover of HK\$4,627 million (2006 : HK\$4,258 million), an increase of 9%. The amount represented 56% of the Group's total turnover. The Group maintained solid control on costs in order to improve the profit margin. Operating environment was more favourable mainly due to the industry consolidation as a result of the stricter environmental measures imposed in mainland China. Operating profit margin improved to 14% from last year's 12%. In the year, fabric production capacity grew by about 15%. Yarn spinning capacity was also doubled to accommodate about 30% of the in-house consumption.

## Retail and distribution business

Revenue of this business amounted to HK\$3,625 million (2006 : HK\$3,444 million), an increase of 5%, and was 44% of the Group's total turnover. The Group continued to consolidate its retail business in Hong Kong and Taiwan but maintained moderate expansion in the mainland market. The performance of this business had much improvement in the second half year making the whole year to record a slight net profit. In the period, store expansion had been scaled down and the management concentrated on store performance acceleration. At the balance sheet date, the development in different markets was as below :

<b>Mainland China</b>	<b>2007</b>	2006	2005	2004	2003
Net sales (HK\$million)	<b>2,431</b>	2,219	1,963	1,598	1,432
Net sales increase in percentage	<b>10</b>	13	23	12	5
Retail floor area (sq. ft.)*#	<b>1,672,807</b>	1,601,473	1,322,547	621,294	411,454
Number of sales associates*#	<b>11,089</b>	10,119	10,534	6,395	4,770
Number of outlets*▲	<b>3,347</b>	3,143	2,837	1,750	1,060
<b>Hong Kong and Macau</b>	<b>2007</b>	2006	2005	2004	2003
Net sales (HK\$million)	<b>476</b>	496	463	393	330
Net sales increase / (decrease) in percentage	<b>(4)</b>	7	18	19	6
Retail floor area (sq. ft.)*#	<b>74,907</b>	78,285	81,442	64,930	55,096
Number of sales associates*#	<b>447</b>	624	536	382	298
Number of outlets*#	<b>87</b>	94	85	62	45
<b>Taiwan</b>	<b>2007</b>	2006	2005	2004	2003
Net sales (HK\$million)	<b>427</b>	513	557	440	319
Net sales increase / (decrease) in percentage	<b>(17)</b>	(8)	27	38	13
Retail floor area (sq. ft.)*#	<b>202,080</b>	208,925	219,625	150,965	124,649
Number of sales associates*#	<b>528</b>	603	706	614	541
Number of outlets*#	<b>259</b>	266	270	196	155
<b>Singapore</b>	<b>2007</b>	2006	2005	2004	2003
Net sales (HK\$million)	<b>221</b>	175	154	117	64
Net sales increase in percentage	<b>26</b>	14	32	83	49
Retail floor area (sq. ft.)*#	<b>61,601</b>	55,781	32,548	31,289	12,894
Number of sales associates*#	<b>456</b>	408	289	234	119
Number of outlets*#	<b>64</b>	56	43	32	17
<b>Malaysia</b>	<b>2007</b>	2006	2005	2004	2003
Net sales (HK\$million)	<b>70</b>	41	9	N/A	N/A
Net sales increase in percentage	<b>71</b>	356	N/A	N/A	N/A
Retail floor area (sq. ft.)*#	<b>59,170</b>	36,681	17,200	N/A	N/A
Number of sales associates*#	<b>243</b>	155	66	N/A	N/A
Number of outlets*#	<b>30</b>	20	31	N/A	N/A

- \* As at 31 March
- # For self-managed stores
- ▲ Including self-managed and franchise stores

### *Garment manufacturing business*

The business had a very stable performance in the year. Turnover was HK\$1,036 million (2006 : HK\$979 million), an increase of 6%. Net profit contribution to the Group amounted to HK\$48 million (2006 : HK\$53 million), a slight decrease of 9%. During the period, about 63% of the fabric consumption was supplied by our fabric division. Sales to our retail arm accounted for about 17% of its revenue.

## **Financial Condition**

### *Liquidity and financial resources*

The Group continued to maintain a strong financial position. During the year, the net cash inflow from operating activities amounted to HK\$645 million (2006 : HK\$51 million). The significant increase was mainly attributable to the rise in sales and gross profit of the Group during the year and the cash outflow of last year resulted from the change in inventories and trade and bills receivable balances. At the year end, the current ratio, the total bank debts and the gearing ratio were 1.6, HK\$1,105 million and 0.3 (2006 : 1.5, HK\$ 893 million, 0.3), respectively. The gearing ratio refers to the ratio of the total interest-bearing debts to the total equity. The rise in the total bank debts was mainly for financing the establishment of the 2<sup>nd</sup> phase of the spinning factory of the textile business. The interest cover, the trade and bills receivable to turnover and the inventory to turnover for the year were 16 times, 48 days and 57 days (2006 : 14 times, 41 days, 61 days), respectively. At the year end, the cash and cash equivalents, the equity attributable to equity holders of the parent company and the unutilized banking facilities were HK\$245 million, HK\$3,248 million and HK\$2,030 million (2006 : HK\$251 million, HK\$2,872 million, HK\$1,942 million) respectively.

### *Capital expenditure*

Total capital expenditures of the Group for the year amounted to HK\$609 million (2006 : HK\$351 million), of which HK\$468 million (2006 : HK\$148 million) was incurred by the textile business for the expansion of its production facilities. On the other hand, HK\$141 million (2006 : HK\$203 million) was incurred by the retail and distribution business mainly for the renovation of its retail outlets and additions of computer equipment mainly in the mainland China.

### *Pledge of assets*

No significant assets were pledged as at 31 March 2007.

### *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 HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international financial institutions. During the year, the major revenues, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, Yen, EURO and NTD. The Group had entered into forward exchange contracts to reduce its currency exchange risk exposure.

## Human Resources

As at 31 March 2007, the Group had about 23,400 (2006 : 22,800) employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

## Outlook

The knitted fabric industry consolidation is expected to be continued in a fast manner. Stringent environmental regulations and rising costs are putting pressures on small players and creating barriers to new entrants. In this environment, the Group can benefit by taking higher market share. In the coming year, the Group will further grow its capacity by about 15% to 20%. The management also expects to have greater pricing power to improve the profit margin.

The garment associate will expand its production capacity in Vietnam as the quota system has been eliminated there. The textile export disputes will be reviewed again in 2008 and the Group will closely monitor the outcome to adjust its development strategies.

Outlet expansion will be continued to slow down for the retail operation in the coming year. Network growth is targeted at about 100 stores. More resources will be put in design, merchandising and marketing of our products. The management will concentrate on improving store productivity and profit margins. Mainland China will remain the key growth market.

The Group will dedicate its effort to achieve larger market share and to improve its competitiveness and profitability. The management is of great confidence to report positive results in the year to come.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the grant of the share repurchase mandate in the last annual general meeting, the Company has made the following share repurchases of its own share on the Stock Exchange as follows:-

<u>Month/Year</u>	Number of shares <u>repurchased</u>	Price per share		Aggregate <u>consideration</u> <i>HK\$</i>
		<u>Highest</u> <i>HK\$</i>	<u>Lowest</u> <i>HK\$</i>	
June 2007	526,000	5.40	5.36	2,838,000

The repurchases were effected by the directors pursuant to the general mandate granted with a view to benefit the shareholders as a whole by enhancing the net assets, and/or earnings per share of the Company. All shares repurchased were subsequently cancelled.

Saved as disclosed herein, neither the Company nor any of its subsidiary companies purchased, sold or redeemed any of this listed securities of the Company.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Committee”) in compliance with Rule 3.21 of the Listing Rules. The members of the Committee comprise the three independent non-executive directors of the Group, Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David. The Committee is chaired by Mr. Wong Tze Kin, David, a qualified accounting professional.

The terms of reference and duties have been laid down as guidelines for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting processes and internal controls of the Group. During the year, the Committee held three meetings to review the internal controls and financial reporting matters and provide recommendations to the board of directors. For this fiscal year, the Committee has reviewed and discussed with the management the audited financial statements of the Group.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules throughout the year, except for the following deviations:

- (1) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

All the existing non-executive directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance with Clause 86(1) of the bye-laws of the Company.

- (2) Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a policy of separating the roles of chairman and chief executive officer of the Board. The Board considers that the current arrangement can help maintaining a strong management position and at the same time improve the communication efficiency. The Board may consider the separation of the roles of chairman and chief executive officer upon the then circumstances.

- (3) Under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company.

The chairman of the Board of the Company has delegated the duty of attending the annual general meeting to an executive director of the Company. The chairman considers the executive director a suitable person for taking up such duty as the executive director has been serving for similar duties for many years and he has good understanding of each business 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 Messrs. Poon Bun Chak, Poon Kai Chak, Poon Kei Chak, Poon Kwan Chak, Ting Kit Chung and the independent non-executive directors are Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David.

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

The Company's annual report for 2006/2007 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.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information" and on the website of the Company at [www.texwinca.com](http://www.texwinca.com) under "Financial Results Publication" in due course.

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

Hong Kong, 16 July 2007