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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 2012

#### 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 2012 with the comparative figures of last year as follows:

#### CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
	Notes	2012 HK\$'000	2011 HK\$'000
<b>REVENUE</b>	3	<b>13,765,827</b>	11,861,780
Cost of sales		<u>(9,691,759)</u>	<u>(7,866,089)</u>
Gross profit		<b>4,074,068</b>	3,995,691
Other income and gains		<b>342,636</b>	187,213
Selling and distribution costs		<b>(2,570,200)</b>	(2,025,218)
Administrative expenses		<b>(729,996)</b>	(725,572)
Other operating expenses, net		<b>(14,594)</b>	(2,357)
Finance costs		<b>(37,651)</b>	(25,817)
Share of profit of an associate, net of tax		<u><b>63,956</b></u>	<u>55,644</u>
<b>PROFIT BEFORE TAX</b>	3	<b>1,128,219</b>	1,459,584
Income tax expense	5	<u><b>(169,406)</b></u>	<u>(202,030)</u>
<b>PROFIT FOR THE YEAR</b>		<u><u><b>958,813</b></u></u>	<u><u>1,257,554</u></u>

\* For identification purpose only

		<b>Year ended 31 March</b>	
	<i>Notes</i>	<b>2012</b>	2011
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Attributable to:			
Ordinary equity holders of the Company		<b>930,340</b>	1,133,241
Non-controlling interests		<b>28,473</b>	124,313
		<u><b>958,813</b></u>	<u>1,257,554</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE COMPANY (<i>HK cents</i>) 7</b>			
Basic		<u><b>68.3</b></u>	<u>84.3</u>
Diluted		<u><b>67.7</b></u>	<u>83.5</u>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>958,813</b>	1,257,554
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<u>153,136</u>	<u>132,984</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>1,111,949</u></b>	<b><u>1,390,538</u></b>
Attributable to:		
Ordinary equity holders of the Company	<b>1,069,358</b>	1,270,224
Non-controlling interests	<u>42,591</u>	<u>120,314</u>
	<b><u>1,111,949</u></b>	<b><u>1,390,538</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March	
		2012	2011
		HK\$'000	HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,144,549	2,160,778
Investment properties		193,278	169,094
Prepaid land lease payments		23,149	23,469
Construction in progress		94,327	75,991
Trademarks		33,293	33,293
Investment in an associate		101,830	132,568
Long term rental deposits		122,092	110,804
Total non-current assets		<u>2,712,518</u>	<u>2,705,997</u>
<b>CURRENT ASSETS</b>			
Inventories		2,712,541	2,960,378
Trade receivables	8	683,416	593,401
Bills receivable – external trade		403,450	348,060
Bills receivable – intra-group trade		1,707,485	734,580
Prepayments, deposits and other receivables		680,550	667,784
Held-to-maturity investments		23,384	-
Derivative financial assets		12,661	17,006
Cash and cash equivalents		4,500,318	4,232,835
Total current assets		<u>10,723,805</u>	<u>9,554,044</u>
<b>CURRENT LIABILITIES</b>			
Due to an associate		9,715	45,707
Trade payables	9	1,333,828	1,400,632
Bills payable – external trade		93,469	89,438
Bills payable – intra-group trade		1,707,485	734,580
Other payables and accrued liabilities		436,288	487,575
Derivative financial liabilities		4,492	8,026
Tax payable		246,706	306,821
Interest-bearing bank borrowings		3,193,332	3,024,535
Total current liabilities		<u>7,025,315</u>	<u>6,097,314</u>
<b>Net current assets</b>		<u>3,698,490</u>	<u>3,456,730</u>
<b>Total assets less current liabilities</b>		<b>6,411,008</b>	<b>6,162,727</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		412,567	563,724
Deferred tax		129,356	86,316
Total non-current liabilities		<u>541,923</u>	<u>650,040</u>
Net assets		<u>5,869,085</u>	<u>5,512,687</u>
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		68,068	68,042
Reserves		5,151,664	4,756,324
Proposed final dividend		326,725	408,284
		<u>5,546,457</u>	<u>5,232,650</u>
Non-controlling interests		322,628	280,037
Total equity		<u>5,869,085</u>	<u>5,512,687</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 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.

### **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 2011, 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:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010* (Include other standards as appropriate), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly-controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has elected to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>4</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments : Offsetting Financial Assets and Financial Liabilities</i> <sup>4</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities</i> <sup>5</sup>
HK (IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>4</sup>
Annual Improvements Project	<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the progress of making an assessment of the impact of these new and revised HKFRS, upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

### 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 accessory segment; and
- (c) the "others" segment principally comprises the provision of motor vehicles repair and maintenance services, the provision of franchise services, and properties investment.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs and share of profit of an associate, net of tax are excluded from such measurement.

Segment assets exclude time deposits and investment in associate 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 2012 and 31 March 2011:

	<b>Production, dyeing and sale of knitted fabric and yarn</b>		<b>Retailing and distribution of casual apparel and accessory</b>		<b>Others</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	<b>6,976,171</b>	5,971,395	<b>6,766,420</b>	5,856,617	<b>23,236</b>	33,768	-	-	<b>13,765,827</b>	11,861,780
Intersegment sales	-	-	-	-	<b>5,200</b>	4,981	<b>(5,200)</b>	(4,981)	-	-
Other revenue	<b>55,076</b>	95,637	<b>41,289</b>	(3,559)	<b>68,820</b>	28,900	<b>(3,803)</b>	(9,828)	<b>161,382</b>	111,150
Total	<b><u>7,031,247</u></b>	<u>6,067,032</u>	<b><u>6,807,709</u></b>	<u>5,853,058</u>	<b><u>97,256</u></b>	<u>67,649</u>	<b><u>(9,003)</u></b>	<u>(14,809)</u>	<b><u>13,927,209</u></b>	<u>11,972,930</u>
Segment results	<b><u>691,749</u></b>	<u>908,417</u>	<b><u>157,164</u></b>	<u>407,130</u>	<b><u>71,747</u></b>	<u>38,147</u>	<u>-</u>	<u>-</u>	<b><u>920,660</u></b>	<u>1,353,694</u>
Interest income									<b>181,254</b>	76,063
Finance costs									<b>(37,651)</b>	(25,817)
Share of profit of an associate, net of tax									<b>63,956</b>	55,644
Profit before tax									<b>1,128,219</b>	1,459,584
Income tax expense									<b>(169,406)</b>	(202,030)
Profit for the year									<b><u>958,813</u></b>	<u>1,257,554</u>



- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2012 and 31 March 2011: *(continued)*

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2012 HK\$'000	2011 HK\$'000 <i>(Restated)</i>	2012 HK\$'000	2011 HK\$'000 <i>(Restated)</i>	2012 HK\$'000	2011 HK\$'000 <i>(Restated)</i>	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Assets and liabilities:</b>										
Segment assets	<b>7,321,302</b>	6,566,667	<b>2,694,515</b>	2,258,500	<b>246,797</b>	222,835	<b>(1,170,129)</b>	(666,327)	<b>9,092,485</b>	8,381,675
Interest in an associate									<b>101,830</b>	132,568
Unallocated assets									<b>4,242,008</b>	3,745,798
Total assets									<b>13,436,323</b>	12,260,041
Segment liabilities	<b>2,746,174</b>	1,808,213	<b>1,729,985</b>	1,325,144	<b>75,925</b>	66,837	<b>(966,807)</b>	(424,269)	<b>3,585,277</b>	2,775,925
Unallocated liabilities									<b>3,981,961</b>	3,971,429
Total liabilities									<b>7,567,238</b>	6,747,354
<b>Other segment information:</b>										
Depreciation and amortisation	<b>224,302</b>	228,722	<b>119,112</b>	87,512	<b>1,779</b>	1,641	-	-	<b>345,193</b>	317,875
Capital expenditure	<b>57,542</b>	80,068	<b>191,643</b>	109,188	<b>19</b>	13	-	-	<b>249,204</b>	189,269
Other non-cash expenses/(income)	<b>(1,769)</b>	32,706	<b>(30,240)</b>	20,187	<b>51</b>	55	-	-	<b>(31,958)</b>	52,948
Fair value gains on investment properties	<b>-</b>	-	<b>-</b>	-	<b>43,412</b>	9,800	-	-	<b>43,412</b>	9,800

(b) Geographical information

The following table presents geographical revenue and non-current assets information of the Group for the years ended 31 March 2012 and 31 March 2011:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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>5,096,378</b>	4,301,085	<b>6,132,924</b>	5,218,586	<b>621,227</b>	592,281	<b>747,756</b>	750,563	<b>1,167,542</b>	999,265	—	—	<b>13,765,827</b>	11,861,780
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>(ii) Non-current assets:</b>														
Non-current assets	<u>—</u>	<u>—</u>	<u><b>2,255,986</b></u>	<u>2,276,809</u>	<u>—</u>	<u>—</u>	<u><b>590,577</b></u>	<u>559,267</u>	<u><b>109,949</b></u>	<u>110,990</u>	<u><b>(366,086)</b></u>	<u>(351,873)</u>	<u><b>2,590,426</b></u>	<u>2,595,193</u>

The Group's geographical revenue and non-current assets, excluded long-term rental deposits, information are based on the locations of the markets and assets, respectively.

(c) Information about a major customer

No single external customer contributes more than 10% to the Group's revenue during the year.

#### 4. Depreciation and amortisation

	Year ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Depreciation	344,605	317,291
Recognition of prepaid land lease payments	<u>588</u>	<u>584</u>
Total depreciation and amortisation	<u><u>345,193</u></u>	<u><u>317,875</u></u>

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong and Mainland China taxes:		
Current year provision	124,621	171,822
Under-provision in prior years	1,745	350
Deferred tax	<u>43,040</u>	<u>29,858</u>
Tax charge for the year	<u><u>169,406</u></u>	<u><u>202,030</u></u>

#### 6. Dividends

	Year ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Interim of HK26.0 cents (2011: HK23.0 cents) per share	354,014	310,825
Proposed final of HK24.0 cents (2011: HK30.0 cents) per share	<u>326,725</u>	<u>408,284</u>
	<u><u>680,739</u></u>	<u><u>719,109</u></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 basic and diluted earnings per share for the years ended 31 March 2012 and 31 March 2011 have been calculated as follows:

(a) *Basic earnings per share*

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

(b) *Diluted earnings per share*

The calculation of the diluted earnings per share for the years ended 31 March 2012 and 31 March 2011 is based on the profit for that year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that 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 of all share options into ordinary shares during that year.

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

	<b>Year ended 31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>930,340</u>	<u>1,133,241</u>
	Number of shares	
	<b>2012</b>	<b>2011</b>
<u>Shares</u>		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	<b>1,361,164,738</b>	1,343,596,236
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u>12,208,245</u>	<u>14,201,889</u>
Weighted average number of shares in issue during the year used in the diluted earnings per share calculation	<u>1,373,372,983</u>	<u>1,357,798,125</u>

**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\$12,349,000 (2011: HK\$13,000), is as follows:

	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>659,076</b>	584,173
Over 90 days	<u>24,340</u>	<u>9,228</u>
	<u>683,416</u>	<u>593,401</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. 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:

	31 March	
	2012 HK\$'000	2011 HK\$'000
Within 90 days	1,301,175	1,383,556
Over 90 days	<u>32,653</u>	<u>17,076</u>
	<u>1,333,828</u>	<u>1,400,632</u>

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

## 10. Contingent liabilities

- (a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	31 March	
	2012 HK\$'000	2011 HK\$'000
Bank guarantees given in lieu of property rental deposits	6,548	6,492
Guarantees of banking facilities granted to an associate	<u>12,500</u>	<u>12,500</u>

- (b) During the year ended 31 March 2007, the Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs for the past years of certain subsidiaries of the Group. In March 2007, March 2008, February 2009, January 2010, March 2011 and March 2012, protective tax assessments totalling HK\$322,038,000, HK\$224,000,000, HK\$275,000,000, HK\$578,000,000, HK\$246,050,000 and HK\$184,625,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006, respectively, have been issued by the IRD. Objections have been raised by the Group against the protective tax assessments. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates in the sum of HK\$40,000,000, HK\$35,000,000, HK\$25,000,000, HK\$25,000,000, HK\$32,000,000 and HK\$28,000,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006, respectively. In view that the tax review is still in progress, the outcome of the case is still uncertain. Up to the date of approval of these financial statements, the directors of these subsidiaries consider that adequate tax provisions have been made in the financial statements.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK24.0 cents (2011: HK30.0 cents) per ordinary share which, together with the interim dividend of HK26.0 cents (2011: HK23.0 cents) per ordinary share paid in January 2012, will make a total dividend of HK50.0 cents (2011: HK53.0 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, 4 October 2012 to the shareholders registered on the Register of Members of the Company on Friday, 24 August 2012.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 6 August 2012 to Thursday, 9 August 2012 (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 shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 3 August 2012.

The Register of Members of the Company will be closed from Monday, 20 August 2012 to Friday, 24 August 2012 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2012. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2012, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 17 August 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For this fiscal year ended 31 March 2012, the Group's total turnover increased by 16.1% to HK\$13,766 million (2011 : HK\$11,862 million). Profit for the year attributable to the equity holders of the Company amounted to HK\$930 million (2011 : HK\$1,133 million), a decrease of 17.9%. The Group's gross profit margin was 29.6% (2011 : 33.7%), a decrease of 4.1% from last year. The Board has recommended a final dividend of HK\$24.0 cents (2011 : HK\$30.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share would be HK\$50.0 cents, a decrease of 5.7% from last year's HK\$53.0 cents.

### Textile business

Revenue of this business amounted to HK\$6,976 million ( 2011 : HK\$5,971 million), an increase of 16.8%. The amount represented 50.7% (2011 : 50.3%) of the Group's total revenue. Cotton prices started to fall from mid 2011 and lost its value by over 40% from the peak point by the end of the year. During the above mentioned period, the Group had to grant higher price discount to the customers in view of the difficult market situation. Since the Group's cotton inventories were acquired earlier at more expensive costs, the gross profit was adversely affected. By the end of March 2012, the higher prices inventories had been mostly depleted. Gross profit margin in the year dropped to 14.8% from last year's 20.4%. Average selling price was up by 7.9% and sales volume increased by 8.4%. In the period, the performance and the key financial ratios of the business were as below :

(HK\$'million)	2012	2011	2010	2009	2008
Net sales	<b>6,976</b>	5,971	5,540	5,058	5,386
Gross profit margin (%)	<b>14.8</b>	20.4	21.6	21.2	21.3
Operating profit (note)	<b>692</b>	908	853	776	910
EBITDA (note)	<b>916</b>	1,137	1,074	992	1,108
Return on total assets (%) (note)	<b>6.4</b>	8.3	12.6	13.7	14.8
Return on sales (%) (note)	<b>10.7</b>	14.6	14.9	15.1	15.4
Return on equity (%) (note)	<b>13.4</b>	17.4	18.8	18.9	22.5
Capital expenditure	<b>57</b>	80	121	104	216

Note: Exclude interest income and rental income.

## Retail and distribution business

Sales of this business increased by 15.5% to HK\$6,766 million (2011 : HK\$5,857 million). The amount was 49.2% (2011 : 49.4%) of the Group's total turnover. Domestic demand in Mainland China slowed down in the period. Meanwhile, profit margins were impacted by heavy price discounting of some competitors. Gross profit margin decreased to 44.8%. (2011 : 47.1%). In the period, the Group added 177 new stores mainly in Mainland China. At the year end:

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

<i>(HK\$'million)</i>	<b>2012</b>	2011	2010	2009	2008
Net sales	<b>6,766</b>	5,857	4,960	4,900	4,239
Gross profit margin (%)	<b>44.8</b>	47.1	46.4	45.3	49.1
Sales growth of comparable shops (%)(note 1)	<b>2.9</b>	13.8	3.7	6.5	21.4
Operating profit (note 2)	<b>157</b>	407	253	160	242
EBITDA (note 2)	<b>275</b>	495	351	279	364
Return on total assets (%) (note 2)	<b>3.2</b>	12.5	9.7	5.5	2.1
Return on sales (%) (note 2)	<b>1.3</b>	5.0	3.7	1.3	0.8
Return on equity (%) (note 2)	<b>9.0</b>	38.6	40.0	23.5	26.2
Capital expenditure	<b>192</b>	109	53	107	76

Notes: (1) Comparable shops of a year include shops with full year operation during the year and the preceding year

(2) Exclude interest income and rental income

(b) the analysis of turnover by major brand was as follows:

<i>(HK\$'million)</i>	<b>2012</b>	2011	2010	2009	2008
Baleno	<b>3,653</b>	3,089	2,463	2,311	1,589
S&K	<b>940</b>	846	757	809	826
I.P. Zone	<b>699</b>	643	601	639	528
ebase	<b>465</b>	399	326	383	462
Others	<b>1,009</b>	880	813	758	834
Total	<b>6,766</b>	5,857	4,960	4,900	4,239

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

### Mainland China

	<b>2012</b>	2011	2010	2009	2008
Net sales ( <i>HK\$' million</i> )	<b>5,811</b>	4,987	4,097	3,834	3,124
Increase in net sales (%)	<b>17</b>	22	7	23	29
Retail floor area ( <i>sq. ft.</i> )*#	<b>2,368,260</b>	2,162,123	1,748,531	1,866,008	1,692,967
Number of sales associates*#	<b>11,492</b>	11,348	9,957	10,701	10,442
Number of outlets* <sup>△</sup>	<b>4,044</b>	3,894	3,639	3,828	3,477

### Hong Kong and Macau

	<b>2012</b>	2011	2010	2009	2008
Net sales ( <i>HK\$' million</i> )	<b>460</b>	465	416	402	404
Increase/(decrease) in net sales (%)	<b>(1)</b>	12	3	(1)	(15)
Retail floor area ( <i>sq. ft.</i> )*#	<b>61,722</b>	54,960	52,555	56,131	63,957
Number of sales associates *#	<b>493</b>	482	422	398	396
Number of outlets *#	<b>70</b>	63	62	65	70

## Taiwan

	2012	2011	2010	2009	2008
Net sales ( <i>HK\$' million</i> )	495	405	375	426	397
Increase/(decrease) in net sales (%)	22	8	(12)	7	(7)
Retail floor area ( <i>sq. ft.</i> )*#	151,218	135,734	125,497	187,230	199,443
Number of sales associates*#	638	608	602	641	747
Number of outlets *△	181	161	154	194	217

## Singapore

	2012	2011	2010	2009	2008
Net sales ( <i>HK\$' million</i> )	—	—	48	166	233
Increase/(decrease) in net sales (%)	—	(100)	(71)	(29)	5
Retail floor area ( <i>sq.ft.</i> )*#	—	—	—	24,877	43,149
Number of sales associates*#	—	—	—	157	318
Number of outlets*#	—	—	—	23	44

## Malaysia

	2012	2011	2010	2009	2008
Net sales ( <i>HK\$' million</i> )	—	—	24	72	81
Increase/(decrease) in net sales (%)	—	(100)	(67)	(11)	16
Retail floor area ( <i>sq. ft.</i> )*#	—	—	—	33,185	44,630
Number of sales associates*#	—	—	—	134	149
Number of outlets*#	—	—	—	16	20

\* 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 increased 12.7 % to HK\$1,369 million (2011 : HK\$1,215 million). Net profit contribution to the Group amounted to HK\$64 million, (2011 : HK\$56 million), an increase of 14.3%. In the year, 68.9% (2011 : 66.7%) of the fabric consumed was supplied by the Group's textile division and sales to the retail segment accounted for 31.8% (2011 : 29.6%) of its revenue. Due to high cotton raw material costs, the operating environment was uneasy in the period. The Management has continued to exercise strict cost control to maintain stable profit margins. Gross profit margin was 15.2%, same as last year's 15.2%.

## FINANCIAL CONDITION

### Liquidity and financial resources

The Group continued to maintain a strong financial position. The current ratio, the total bank debts and the gearing ratio as at the year end were 1.5, HK\$3,606 million and -0.2 (2011: 1.6, HK\$3,588 million and -0.1) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity. The net cash inflow from operating activities for the year was HK\$901 million (2011: HK\$1,256 million).

During the year, the interest cover, the trade and bills receivables (excluding bills receivable for intra-group trade) to turnover and the inventory to turnover were 31 times, 29 days and 72 days (2011: 58 times, 29 days and 91 days) respectively. 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\$4,500 million, HK\$5,546 million and HK\$4,064 million (2011: HK\$4,233 million, HK\$5,233 million and HK\$4,735 million) respectively.



## **Capital expenditure**

During the year, the Group continued to expand cautiously. The capital expenditure incurred by the Group during the year was HK\$249 million (2011: HK\$189 million). HK\$57 million (2011: HK\$80 million) was incurred by the textile business for the expansion of its manufacturing plant and the addition of machinery. And HK\$192 million (2011: HK\$109 million) was incurred by the retail and distribution business for the expansion and renovation of its retail outlets.

## **Pledge of assets**

No significant assets were pledged as at 31 March 2012 and 31 March 2011.

## **Contingent liabilities**

Details of the contingent liabilities as at 31 March 2012 and 31 March 2011 have been set out in note 10 to the financial statements.

## **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 floating rate borrowings with maturity due within three years. As the global economic recovery remains sluggish during the year, the interest rate is expected to stay a low level for a prolonged period. The Group will continue to monitor the interest rate movement and arrange financial instruments to reduce its interest rate risk whenever appropriate.

During the year, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

## **Human Resources**

As at 31 March 2012, the Group had about 24,500 (2011: 24,300) 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, the Group also encourages its 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 to were:

- (1) World Wide Fund for Nature (Hong Kong);
- (2) Orbis "World Sight Day 2011";
- (3) Hong Kong Red Cross "Red Décor Day 2011";
- (4) HSBC Pok Oi Cycle for Millions ;
- (5) The Community Chest of Hong Kong "Dress Casual Day";
- (6) Agency for Volunteer Service "Walk for Volunteering";
- (7) The Community Chest "Love Teeth Day";
- (8) The Hong Kong Council of Social Service "Caring Company Scheme 2011/12";
- (9) 2012 ICBC (Asia) Charity Golf Day;
- (10) 2012 HSBC Share-to-Care Volunteer Campaign; and
- (11) World Cancer Research Fund (Hong Kong).

The Group believes that the development of a better future for our community relies on the participation of people, corporates and the government. Therefore, the Group 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 economic conditions are still unfavourable. The Management believes the operating environment will remain challenging in the coming year. The Group will continue its moderate expansion in both the textile and retail divisions. At the same time, the Management will monitor closely the market conditions to avoid making mistakes.

Stringent cost control to resist inflation pressure has been an important exercise for the Group. The Group will continue to maintain a healthy financial position and more focus will be placed on the cash flow and inventory levels.

Cotton prices have been stabilized since early 2012. The United States, the Group's major market, has shown some signs of improvement in consumer confidence. The Management believes the operating environment could gradually improve in the coming months and is confident to achieve progressive results in the year ahead.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 four 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 audited consolidated financial statements of the Group.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules throughout the financial 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 the current arrangement can help maintaining a strong management position and at the same time improving 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 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 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. Poon Kei Chak, Mr. Poon Kai Chak, Mr. Ting Kit Chung and Mr. Poon Ho Wa; 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 2011/2012 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.

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

Hong Kong, 25 June 2012