



TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司

(Incorporated in Bermuda with limited liability)

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2001

The Board of Directors of Texwinca Holdings Limited (the "Company") has pleasure in presenting the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001 with comparative figures of last year as follows:

	Notes	For the year ended 31 March	
		2001 (HK\$'000)	2000 (HK\$'000)
TURNOVER			
Cost of sales	1	4,309,436 (3,091,540)	3,092,784 (2,239,441)
Gross profit		1,217,896	853,343
Other revenue		29,581	32,997
Selling and distribution costs		(483,880)	(272,475)
Administrative expenses		(274,491)	(279,203)
Other operating expenses		(8,631)	(13,781)
PROFIT FROM OPERATING ACTIVITIES	1	480,475	320,881
Share of profit of an associate		56,299	30,685
Finance costs		(6,229)	(22,963)
PROFIT BEFORE TAX		530,545	328,603
Tax	2	(59,089)	(27,011)
PROFIT BEFORE MINORITY INTERESTS		471,456	301,592
Minority interests		(7,568)	
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		463,888	301,592
Interim dividend		(76,422)	(38,419)
Proposed final dividend		(114,903)	(76,615)
RETAINED PROFIT FOR THE YEAR		272,563	186,558
Earnings per share (cents)	3		
Basic		<u>36.3</u>	<u>23.6</u>
Diluted		<u>35.7</u>	<u>23.3</u>
Interim dividend per share (cents)		6.00	3.00
Final dividend per share proposed/paid (cents)		9.00	6.00
		<u>15.00</u>	<u>9.00</u>

Notes:

1. Segmental information

The Group's turnover and profit from operating activities are predominately derived from activities in the People's Republic of China (the "PRC"), including Hong Kong.

An analysis of the Group's turnover and profit from operating activities by principal activity for the year ended 31 March 2001 is as follows:

	Turnover		Profit from operating activities	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
By principal activity:				
Production, dyeing and sale of knitted fabric	1,886,215	1,605,758	327,215	244,186
Production, dyeing and sale of yarn	706,385	418,796	82,804	41,568
Retailing and distribution of casual apparel and accessories	1,682,424	1,030,751	68,524	34,272
Repair and maintenance services for motors and generators and trading of generators	24,787	25,247	(1,908)	(2,952)
Franchise income	9,625	12,232	3,840	3,807
Total	4,309,436	3,092,784	480,475	320,881

2. Tax

Hong Kong profits tax has been provided at the rate of 16.0% (2000: 16.0%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits in respect of subsidiaries operating overseas have been calculated at the rates of tax prevailing in the respective tax jurisdiction in which they operate based on existing legislation, interpretations and practices in respect thereof.

	For the year ended 31 March	
	2001 (HK\$'000)	2000 (HK\$'000)
Group:		
Hong Kong and PRC tax:		
Current year provision	50,392	24,127
Under/(Over) provision in prior years	30	(95)
Deferred tax	7,710	1,628
Associate	58,132	25,660
	957	1,351
Tax charge for the year	59,089	27,011

3. Earnings per share

The basic and diluted earnings per share for the year ended 31 March 2001 have been calculated as follows:

a) Basic earnings per share

The calculation of basic earnings per share was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$463,888,000 (2000: HK\$301,592,000) and the weighted average number of 1,276,235,068 (2000: 1,279,611,906) shares in issue during the year.

b) Diluted earnings per share

The calculation of diluted earnings per share for the year was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$463,888,000 (2000: HK\$301,592,000) and the weighted average number of 1,300,471,734 (2000: 1,296,156,769) shares in issue and adjusted to reflect the effects of all dilutive potential shares during the year.

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share and diluted earnings per share is as follows:

	2001	2000
Weighted average number of shares used in calculation of basic earnings per share	1,276,235,068	1,279,611,906
Shares deemed to be issued for no consideration on deemed exercise of share option	24,236,666	16,544,863
Weighted average number of shares used in calculation of diluted earnings per share	1,300,471,734	1,296,156,769

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 9.0 cents (2000: 6.0 cents) per share which, together with the interim dividend of 6.0 cents (2000: 3.0 cents) per share paid in February 2001 will make a total dividend of 15.0 cents (2000: 9.0 cents) per share.

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be payable on Thursday, 20 September 2001 to the shareholders registered on the Register of Members on Tuesday, 28 August 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 21 August 2001 to Tuesday, 28 August 2001 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong Tengis Limited at 4/F., Hutchison House, 10 Harcourt Road, Hong Kong registration not later than 4:00 p.m. on Monday, 20 August 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ending 31 March 2001, the Group's total turnover was HK\$4,309 million, an increase of 39% over 2000. Net profit from ordinary activities attributable to shareholders was HK\$464 million, an increase of 54% over last year. Gross profit margin increased by 0.7 percentage point from last year.

Turnover for the knitted fabric business was HK\$2,593 million, a rise of 28%, and represented 60% of total turnover. About 13% of sales were to the Group's associated garment business. All our customers are renowned international brandnames. We are able to maintain very good relationship with them because of the good quality of our products, and also because of our punctual deliveries. As there was no room for price increases, the management had tried to lower costs in order to improve profit margins. Production was still concentrated in Dongguan, China. The factory measures about 5 million sq.ft., and employs about 5,700 workers.

Turnover for the retail and wholesales business was HK\$1,682 million, a rise of 63%, and represented 39% of total turnover. Sales in the three major markets, Mainland China, Taiwan and Hong Kong all recorded strong growth. Besides these markets, there are franchised shops in South Korea, Malaysia, Jordan, Iran, Kuwait and Macau. At the end of this financial year, retail outlets in Asia totalled 802. An advanced computer network had also been installed in preparation for future development. The bulk of our retail products consisted of good quality casual wear at reasonable prices, about 40% of which was produced by the Group's associate. In face of fierce competition, the excellent quality of our retail goods continued to be the selling point. In China, besides the brandname 'Baleno', 'Samuel & Kevin', 'IP Zone', 'Bambini' and 'Baleno Attitude' had also been created for different types of customers.

The management believes that there is still a lot of space for development before the huge China market reaches saturation point. The development in Mainland China, Hong Kong and Taiwan until the end of this year are shown below:

Mainland China

	2001	2000	1999	1998	1997
Net sales (HK\$M)	1,199	783	557	522	137
Net sales increase in percentage	53%	41%	7%	281%	—
Retail floor area (sq.ft.)*#	204,296	119,502	85,084	92,340	26,182
Number of sales associates*	2,732	1,487	1,291	1,155	535
Number of outlets*	637	377	232	193	70

Hong Kong

	2001	2000	1999	1998	1997
Net sales (HK\$M)	295	179	159	166	59
Net sales increase/(decrease) in percentage	65%	13%	(4%)	181%	0
Retail floor area (sq.ft.)*#	33,684	23,748	16,448	13,306	12,198
Number of sales associates*	251	142	124	117	63
Number of outlets*	39	21	18	19	13

Taiwan

	2001	2000	1999	1998	1997
Net sales (HK\$M)	188	69	80	64	0
Net sales increase/(decrease) in percentage	172%	(14%)	25%	0	0
Retail floor area (sq.ft.)*#	82,979	23,273	26,060	27,409	0
Number of sales associates*	365	98	105	120	0
Number of outlets*	96	39	39	37	0

* As at 31 March 2001

For Self-managed Stores

Profit contributed by the associated garment manufacturing business was HK\$55 million, an increase of 89% over last year. 80% of the fabric used was supplied by our knitted fabric division. Our major customers consisted mainly of Asian brandnames. About 18% of its sales was to the Group's retail division. Productivity was increased by 50% during the period to co-ordinate with the development of the group, and to satisfy customers' demands. At the end of this year, the two factories in China and Vietnam employed about 12,600 workers in total.

FINANCIAL CONDITION

Liquidity & Capital Structure

The financial position of the Group remained sound. At 31 March 2001, cash and cash equivalents amounted to HK\$355 million (2000: HK\$228 million). Total bank borrowings were at a low level of HK\$50 million (2000: HK\$109 million).

The interest coverage ratio of the Group continued to improve from 15 times of last year to 86 times this year as significant amount of bank loans was repaid during the year. At the year end, the unutilized banking facilities were HK\$803 million (2000: HK\$592 million). Major capital expenditures were sourced from cash inflow from operating activities and long term bank loans.

Total debt to equity ratio was 0.6 (2000: 0.6). It is the objective of the management to maintain the ratio at a healthy level. The revenue and procurement of the Group were mainly denominated in US dollar, HK dollar and Reminbi. During the year, the Group had entered into forward contracts and other financial instruments to reduce foreign exchange risks.

At the year end, the Group's contingent liabilities were HK\$99 million (2000: HK\$51 million) which were mainly related to discounted export bills.

HUMAN RESOURCES

As at year end, the Group's total number of employees was about 10,100 (2000: 6,300). The Group's remuneration package for its employees is competitive in the market. In addition, discretionary bonus and share options are granted to eligible staff based on individual's performance. Substantial resources are also put on staff training and development programs.

OUTLOOK

All sectors of the Group's business have reached a mature stage of development, and are competitive within their respective fields. Although the US economy seems to be slowing down, and the Asian economies have not rebounded significantly, the management is still confident about the results of the coming year. In the longer term, the admittance of China into the WTO and her hosting of 2008 Olympic Games will surely benefit the business of the Group.

Productivity of the knitted fabric business will continue to be raised to meet customers' demand. For the coming year we estimate the increase to be about 20%. Recently, 1.8 million sq.ft. of additional land in Dongguan had been acquired as a reserve for future expansion. The Group will also invest about \$130 million in an environmentally friendly coal-fired power generating system for use in this factory. The system is estimated to start operating in 2002, and thereafter savings on fuel will be substantial.

The first five years had been the investment stage of the retail business. With the expansion of its sales network and growing recognition of its brandnames, we expect more profit to come from this business next year. Mainland China will remain the principal market and approximately 100 retail outlets will be opened there in the coming year. Taiwan being the next important market will see its retail outlets increased to about 135. In view of the uncertainty clouding over Hong Kong's retail sector, the number of outlets there will remain the same. Singapore as a new market to be developed will see the opening of about 10 self-owned shops next year. The focus of our retail business will mainly be on Greater China, development in other Asian countries will depend on their economic situations.

In order to meet market demand and to synchronize with the Group's development, productivity of the associated garment manufacturing business is expected to increase by 35% next year, both in the factories in China and Vietnam. If Vietnam were to be granted the Most Favoured Nation Status by the United States, our business there would be further strengthened.

As for previous years, a detailed development plan has been made up for next year, which the management will strive to follow through. At the moment the management does not see any serious obstacles or difficulties lying ahead, and is confident that results for the next year will reach another record high.

ARRANGEMENTS TO PURCHASE, REDEEM AND SELL SHARES OF THE COMPANY

During the year ended 31 March 2001, the Company repurchased a total of 10,114,000 of its listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/Year	Number of shares repurchased	Price per share		Consideration HK\$'000
		Highest HK\$	Lowest HK\$	
April 2000	1,574,000	0.88	0.78	1,290
May 2000	1,420,000	0.88	0.82	1,218
June 2000	702,000	1.19	0.84	715
August 2000	140,000	1.28	1.25	178
September 2000	562,000	1.11	1.05	610
October 2000	660,000	1.11	1.05	712
November 2000	50,000	1.10	1.10	55
December 2000	2,330,000	1.41	1.28	3,168
January 2001	200,000	1.40	1.36	276
February 2001	1,924,000	2.10	1.73	3,762
March 2001	552,000	2.00	1.93	1,088
	10,114,000			13,072

Add: Brokerage and commission charges

75

Total cash paid

13,147

The above repurchased shares have been duly cancelled and the issued share capital of the Company has been reduced according to the par value of the cancelled shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed, or sold any of the Company's securities during the year.

AUDIT COMMITTEE

Pursuant to the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company established an Audit Committee (the "Committee") on 15 March 1999. The members of the Committee comprise the two independent non-executive directors of the Group, Mr. Au Sun Yiu and Mr. Cheng Shu Wing.

The terms of reference and duties have been laid down as a guideline for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group. During the year, the Committee held two meetings to review the internal controls and annual results and provided recommendations to the Board of Directors.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the annual report.

By order of the Board
Poon Bun Chak
Chairman

Hong Kong, 18 July 2001

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the Members of the Company will be held at Grand Royal Club, Level 6, Metropalaza Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong at 11:45 A.M. on Tuesday, 28 August 2001 for the following purposes:

- To receive and consider the audited consolidated financial statements and the Reports of the Directors and the Auditors for the year ended 31 March 2001;
- To declare a final dividend;
- To elect Directors and to authorize the Board of Directors to fix their remuneration;
- To appoint Auditors and to authorize the Board of Directors to fix their remuneration;
- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"That:

- subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to purchase shares of HK\$0.05 each in the capital of the Company, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next Annual General Meeting of the Company;
 - the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members in general meeting; and
 - the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Bye-laws or any applicable laws to be held.";

- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"That:

- subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

 - the conclusion of the next Annual General Meeting of the Company;
 - the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members in general meeting; and

- the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Bye-laws or any applicable laws to be held.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange."

- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"That the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition to the total nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.";

- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

"THAT 德永佳集團有限公司 be adopted as the Company's Chinese name for the purpose of registration under Part XI of the Companies Ordinance in Hong Kong."

By order of the Board
Chan Chi Hon
Secretary

Hong Kong, 18 July 2001

Notes:

- The Register of Members will be closed from Tuesday, 21 August 2001 to Tuesday, 28 August 2001 (both days inclusive), during which period no transfer of shares can be registered.
- In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 20 August 2001.
- A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Member of the Company.
- To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of authority, must be lodged