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 2006

RESULTS

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 2006 with the comparative figures of last year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2006 *HK$'000*	2005 *HK$'000* (Restated)
REVENUE	4	**7,749,112**	7,302,697
Cost of sales		**(5,371,343)**	(5,118,121)
Gross profit		**2,377,769**	2,184,576
Other income and gains		**74,545**	88,919
Selling and distribution costs		**(1,458,618)**	(1,294,989)
Administrative expenses		**(506,539)**	(450,362)
Other operating expenses, net		**4,361**	(9,395)
Finance costs		**(38,533)**	(10,224)
Share of profit of an associate, net of tax		**52,705**	36,273
PROFIT BEFORE TAX	4	**505,690**	544,798
Tax	6	**(70,473)**	(61,113)
PROFIT FOR THE YEAR		**435,217**	483,685
Attributable to:			
Equity holders of the parent		**480,253**	461,799
Minority interests		**(45,036)**	21,886
		435,217	483,685
DIVIDENDS			
Interim		**145,889**	132,598
Proposed final		**145,892**	145,881
		291,781	278,479
Interim dividend paid per share *(HK cents)*		**11.0**	10.0
Final dividend per share proposed *(HK cents)*		**11.0**	11.0
		22.0	21.0
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(HK cents)*	7		
Basic		**36.2**	34.8
Diluted		**36.1**	34.5

CONSOLIDATED BALANCE SHEET

	Notes	At 31 March 2006 *HK$'000*	2005 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,936,397**	1,905,805
Investment properties		**66,822**	52,850
Prepaid land lease payments		**25,175**	22,117
Construction in progress		**83,540**	19,589
Trademarks		**33,227**	33,119
Interest in an associate		**157,253**	139,548
Long term rental deposits		**107,763**	115,323
Long term time deposit		**—**	15,600
Total non-current assets		**2,410,177**	2,303,951
CURRENT ASSETS			
Inventories		**1,298,085**	1,055,106
Trade and bills receivable	8	**879,700**	424,015
Prepayments, deposits and other receivables		**415,150**	339,375
Derivative financial assets		**11,807**	18,249
Cash and cash equivalents		**250,921**	681,590
Total current assets		**2,855,663**	2,518,335
CURRENT LIABILITIES			
Due to an associate		**83,813**	55,536
Trade and bills payable	9	**1,008,500**	875,323
Other payables and accrued liabilities		**178,422**	210,150
Derivative financial liabilities		**2,852**	1,854
Tax payable		**156,627**	116,574
Interest-bearing bank borrowings		**415,316**	418,684
Total current liabilities		**1,845,530**	1,678,121
NET CURRENT ASSETS		**1,010,133**	840,214
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,420,310**	3,144,165
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**478,000**	135,278
Long term shareholder loan		**—**	266,376
Provision for long service payments		**8,773**	8,111
Deferred tax		**3,588**	3,059
Total non-current liabilities		**490,361**	412,824
Net assets		**2,929,949**	2,731,341
EQUITY			
Equity attributable to equity holders of parent			
Issued capital		**66,314**	66,305
Reserves		**2,659,595**	2,415,657
Proposed final dividend		**145,892**	145,881
		2,871,801	2,627,843
Minority interests		**58,148**	103,498
Total equity		**2,929,949**	2,731,341

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 2005, 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 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(IFRIC)-Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements.

The effects of the changes pursuant to the new and revised HKFRSs are summarised in note 3.

3. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, certain accounting policies were changed and the opening balances of the following accounts were adjusted. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) *Effect on the consolidated balance sheet*

Effect of new policies (Increase/(decrease))	Effect of adopting: HKAS 17# Prepaid land lease payments *HK$'000*	HKAS 39* Derivative financial instruments *HK$'000*	HKAS 39* Discounted bills with recourse *HK$'000*	HKAS 40* Surplus on revaluation of investment properties *HK$'000*	HKFRS 2# Equity-settled share option arrangement *HK$'000*	HKFRS 3* Derecognition of goodwill and negative goodwill previously eliminated against reserves *HK$'000*	HK(SIC)-Int 21# Deferred tax on revaluation of investment properties *HK$'000*	HK(IFRIC)-Int 1# Provision for obligations on decommissioning, restoration and similar liabilities *HK$'000*	Total *HK$'000*
At 1 April 2005									
Assets									
Property, plant and equipment	(19,052)	—	—	—	—	—	—	1,869	(17,183)
Prepaid land lease payments	22,117	—	—	—	—	—	—	—	22,117
Prepayments, deposits and other receivables	(3,065)	—	—	—	—	—	—	—	(3,065)
Derivative financial assets	—	17,915	—	—	—	—	—	—	17,915
Trade and bills receivable	—	—	239,543	—	—	—	—	—	239,543
									259,327
Liabilities/equity									
Deferred tax liabilities	—	3,009	—	—	—	—	1,886	—	4,895
Interest-bearing bank borrowings	—	—	239,543	—	—	—	—	—	239,543
Other payables and accrued liabilities	—	—	—	—	—	—	—	3,025	3,025
Goodwill on acquisition reserve	—	—	—	—	—	110,603	—	—	110,603
Investment property revaluation reserve	—	—	—	(1,421)	—	—	(301)	—	(1,722)
Asset revaluation reserve	—	—	—	—	—	—	(1,585)	—	(1,585)
Share option reserve	—	—	—	—	5,369	—	—	—	5,369
Retained profits	—	14,906	—	1,421	(5,369)	(110,603)	—	(1,156)	(100,801)
									259,327

* *Adjustments taken effect prospectively from 1 April 2005*

\# *Adjustments/presentation taken effect retrospectively*

(a) *Effect on the consolidated balance sheet (continued)*

Effect of new policies (Increase/(decrease))	Effect of adopting: HKAS 17 Prepaid land lease payments *HK$'000*	HKAS 39 Derivative financial instruments *HK$'000*	HKAS 39 Discounted bills with recourse *HK$'000*	HKAS 40 Surplus on revaluation of investment properties *HK$'000*	HKFRS 2 Equity-settled share option arrangements *HK$'000*	HKFRS 3 Derecognition of goodwill and negative goodwill previously eliminated against reserves *HK$'000*	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties *HK$'000*	HK(IFRIC)-Int 1 Provision for obligations on decommissioning, restoration and similar liabilities *HK$'000*	Total *HK$'000*
31 March 2006									
Assets									
Property, plant and equipment	(22,093)	—	—	—	—	—	—	3,453	(18,640)
Prepaid land lease payments	25,175	—	—	—	—	—	—	—	25,175
Prepayments, deposits and other receivables	(3,082)	—	—	—	—	—	—	—	(3,082)
Trade and bills receivable	—	—	149,069	—	—	—	—	—	149,069
									152,522
Liabilities/equity									
Deferred tax liabilities	—	—	—	—	—	—	2,584	—	2,584
Interest-bearing bank borrowings	—	—	149,069	—	—	—	—	—	149,069
Other payables and accrued liabilities	—	—	—	—	—	—	—	5,200	5,200
Goodwill on acquisition reserve	—	—	—	—	—	110,603	—	—	110,603
Investment property revaluation reserve	—	—	—	(4,714)	—	—	—	—	(4,714)
Asset revaluation reserve	—	—	—	—	—	—	(1,585)	—	(1,585)
Share option reserve	—	—	—	—	10,276	—	—	—	10,276
Retained profits	—	—	—	4,714	(10,276)	(110,603)	(999)	(1,747)	(118,911)
									152,522

(b) *Effect on opening balances of total equity*

Effect of new policies (Increase/(decrease))	Effect of adopting: HKAS 39 Derivative financial instruments *HK$'000*	HKAS 40 Surplus on revaluation of investment properties *HK$'000*	HKFRS 2 Equity-settled share option arrangements *HK$'000*	HKFRS 3 Derecognition of goodwill and negative goodwill previously eliminated against reserves *HK$'000*	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties *HK$'000*	HK(IFRIC)-Int 1 Provision for obligations on decommissioning, restoration and similar liabilities *HK$'000*	Total *HK$'000*
1 April 2005							
Goodwill on acquisition reserve	—	—	—	110,603	—	—	110,603
Investment property revaluation reserve	—	(1,421)	—	—	(301)	—	(1,722)
Asset revaluation reserve	—	—	—	—	(1,585)	—	(1,585)
Share option reserve	—	—	5,369	—	—	—	5,369
Retained profits	14,906	1,421	(5,369)	(110,603)	—	(1,156)	(100,801)
	14,906	—	—	—	(1,886)	(1,156)	11,864
1 April 2004							
Investment property revaluation reserve	—	—	—	—	(301)	—	(301)
Asset revaluation reserve	—	—	—	—	(1,585)	—	(1,585)
Share option reserve	—	—	93	—	—	—	93
Retained profits	—	—	(93)	—	—	—	(93)
	—	—	—	—	(1,886)	—	(1,886)

(c) *Effect on profit after tax for the years ended 31 March 2006 and 2005*

Effect of new policies	Effect of adopting: HKAS 40 Surplus on revaluation of investment properties *HK$'000*	HKAS 38 Intangible assets *HK$000*	HKFRS 2 Employee share option scheme *HK$'000*	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties *HK$'000*	HK(IFRIC)-Int 1 Provision for obligations on decommissioning, restoration and similar liabilities *HK$'000*	Total *HK$'000*
Year ended 31 March 2006						
Total increase/(decrease) in profit after tax	(3,991)	2,926	(4,907)	698	(1,747)	(7,021)
Increase/(decrease) in basic earnings per share (HK cents)	(0.30)	0.22	(0.37)	0.05	(0.13)	(0.53)
Increase/(decrease) in diluted earnings per share (HK cents)	(0.30)	0.22	(0.37)	0.05	(0.13)	(0.53)
Year ended 31 March 2005						
Total increase/(decrease) in profit after tax	—	—	(5,276)	—	(1,156)	(6,432)
Increase/(decrease) in basic earnings per share (HK cents)	—	—	(0.40)	—	(0.09)	(0.49)
Increase/(decrease) in diluted earnings per share (HK cents)	—	—	(0.39)	—	(0.09)	(0.48)

4. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the production, dyeing and sale of knitted fabric and yarn segment;

(b) the casual apparel and accessory retailing and distribution segment; and

(c) the "others" segment 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 table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005:

	Production, dyeing and sale of knitted fabric and yarn 2006 *HK$'000*	2005 *HK$'000* (Restated)	Casual apparel and accessory retailing and distribution 2006 *HK$'000*	2005 *HK$'000* (Restated)	Others 2006 *HK$'000*	2005 *HK$'000* (Restated)	Eliminations 2006 *HK$'000*	2005 *HK$'000*	Consolidated 2006 *HK$'000*	2005 *HK$'000* (Restated)
Segment revenue:										
Sales to external customers	**4,257,965**	4,108,693	**3,443,855**	3,146,485	**47,292**	47,519	**—**	—	**7,749,112**	7,302,697
Intersegment sales	**—**	—	**—**	—	**1,293**	1,765	**(1,293)**	(1,765)	**—**	—
Other revenue	**39,385**	48,639	**18,752**	23,597	**2,972**	4,517	**—**	(1,375)	**61,109**	75,378
Total	**4,297,350**	4,157,332	**3,462,607**	3,170,082	**51,557**	53,801	**(1,293)**	(3,140)	**7,810,221**	7,378,075
Segment results	**516,882**	425,209	**(50,976)**	64,237	**14,857**	15,943	**(2,681)**	(181)	**478,082**	505,208
Interest income									**13,436**	13,541
Share of profit of an associate, net of tax									**52,705**	36,273
Finance costs									**(38,533)**	(10,224)
Profit before tax									**505,690**	544,798
Tax									**(70,473)**	(61,113)
Profit for the year									**435,217**	483,685
Assets and liabilities										
Segment assets	**4,455,015**	3,558,901	**1,373,195**	1,241,177	**77,012**	73,153	**(880,215)**	(600,136)	**5,025,007**	4,273,095
Interest in an associate									**157,253**	139,548
Unallocated assets									**83,580**	409,643
Total assets									**5,265,840**	4,822,286
Segment liabilities	**800,638**	906,387	**1,249,548**	1,004,839	**103,145**	99,069	**(867,358)**	(589,887)	**1,285,973**	1,420,408
Unallocated liabilities									**1,049,918**	670,537
Total liabilities									**2,335,891**	2,090,945
Other segment information:										
Depreciation and amortisation	**162,646**	145,409	**117,244**	86,409	**2,131**	4,994	**—**	—	**282,021**	236,812
Capital expenditure	**147,609**	391,700	**203,515**	235,558	**136**	385	**—**	—	**351,260**	627,643
Other non-cash expenses/(income)	**(10,541)**	(11,620)	**5,435**	7,637	**4,902**	5,276	**—**	—	**(204)**	1,293
Changes in fair value of investment properties	**—**	—	**—**	—	**(8,354)**	(6,881)	**—**	—	**(8,354)**	(6,881)

(b) *Geographical segments*

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005:

	USA 2006 *HK$'000*	2005 *HK$'000*	Mainland China 2006 *HK$'000*	2005 *HK$'000* (Restated)	Japan 2006 *HK$'000*	2005 *HK$'000*	Hong Kong 2006 *HK$'000*	2005 *HK$'000* (Restated)	Others 2006 *HK$'000*	2005 *HK$'000*	Eliminations 2006 *HK$'000*	2005 *HK$'000* (Restated)	Consolidated 2006 *HK$'000*	2005 *HK$'000* (Restated)
Segment revenue:														
Sales to external customers	**3,074,517**	2,836,065	**2,386,343**	2,130,067	**358,199**	399,994	**808,387**	798,575	**1,121,666**	1,137,996	**—**	—	**7,749,112**	7,302,697
Other segment information:														
Segment assets			**6,276,532**	4,119,301			**4,660,192**	3,701,386	**579,532**	874,412	**(6,250,416)**	(3,872,813)	**5,265,840**	4,822,286
Capital expenditure			**277,870**	496,969			**18,663**	26,096	**54,727**	104,578	**—**	—	**351,260**	627,643

5. Depreciation and amortisation

	Year ended 31 March 2006 *HK$'000*	2005 *HK$'000* (Restated)
Recognition of prepaid land lease payments	**567**	558
Amortisation of trademarks included in cost of sales	**—**	2,926
Depreciation	**281,454**	233,328
Total depreciation and amortisation	**282,021**	236,812

No amortisation of trademark has been provided for the current year pursuant to HKAS 38, as detailed in note 3.

6. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Hong Kong and the People's Republic of China taxes:		
Current year provision	**72,953**	62,940
Deferred tax credit	**(2,480)**	(1,827)
Tax charge for the year	**70,473**	61,113

7. **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 net profit for the year attributable to ordinary equity holders of the parent of HK$480,253,000 (2005: HK$461,799,000, as restated) and the weighted average number of 1,326,212,625 (2005: 1,325,596,142) shares in issue during the year.

(b) *Diluted earnings per share*

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

	Year ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Net profit attributable to ordinary equity holders of the parent	**480,253**	461,799

	Number of shares	
Weighted average number of shares in issue during the year used in the calculation of basic earnings per share	**1,326,212,625**	1,325,596,142
Effect of dilution — weighted average number of ordinary shares:		
Share options	**5,221,935**	11,783,568
	1,331,434,560	1,337,379,710

8. **Trade and bills receivable**

An aged analysis of trade and bills receivable, based on invoice date and net of impairment, is as follows:

	At 31 March	
	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**841,355**	413,541
Over 90 days	**38,345**	10,474
	879,700	424,015

The trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issue, except for certain well-established customers, where the terms are extended up to 120 days, subject to the approval of directors. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by directors.

The Group discounted certain export bills of exchange amounting to HK$149,069,000 to banks with recourse in exchange for cash during the year ended 31 March 2006 and pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount were included in the Group's "Trade and bills receivable" and "Interest-bearing bank borrowings" balances of the financial statements as at 31 March 2006. In accordance with the transitional provisions of HKAS 39, comparative amount as at 31 March 2005 of HK$ 239,543,000 has not been restated.

9. **Trade and bills payable**

An aged analysis of trade and bills payable, based on invoice date, is as follows:

	At 31 March	
	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**939,351**	827,498
Over 90 days	**69,149**	47,825
	1,008,500	875,323

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK11.0 cents (2005: HK11.0 cents) per ordinary share which, together with the interim dividend of HK11.0 cents (2005: HK10.0 cents) per ordinary share paid in February 2006, will make a total dividend of HK22.0 cents (2005: HK21.0 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, 4 October 2006 to the shareholders registered on the Register of Members on Friday, 25 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 18 August 2006 to Friday, 25 August 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 17 August 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

For this financial year ended 31 March 2006, the Group's total turnover increased by 6%, to HK$7,749 million (2005: HK$7,303 million). Net profit for the period attributable to the equity holders of the parent was HK$480 million (2005: HK$462 million, restated), an increase of 4% over last year. The Board has recommended a final dividend of HK11.0 cents (2005: HK11.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share amounts to HK22.0 cents, an increase of 5% over last year's HK21.0 cents.

Textile business

The fabric business had a turnover of HK$4,258 million (2005: HK$4,109 million), a growth of 4% compared with last year. The amount was 55% of the Group's total turnover. Despite the Group had a capacity expansion of about 20% in the year, only slight revenue growth was achieved mainly due to the reduction of the average selling price as a result of the decrease of raw material prices. Business environment was more favourable that operating profit margin increased to 12.1% from last year's 10.3%. However, operating costs increased due to the upsurge of fuel prices, wage inflation, rise in interest expenses and the appreciation of Renminbi. The Group maintained strict control on costs in order to improve the profit margin. Order flow had been stable throughout the year. For the year under review, USA remained our major market and accounted for about 72% of the textile revenue.

Retail and distribution business

Sales of this operation amounted to HK$3,444 million (2005: HK$3,146 million), a rise of 9%, and represented 44% of the Group's total turnover. The business made a loss in the year mainly due to the rapid store expansion in the previous year that incurred substantial expenses. The business performance improved in the second half of the fiscal year to resume a small profit. Mainland China remains the focus of our retail operation where shops are existed in over 260 cities.

Garment business

Turnover of our garment associate amounted to HK$979 million (2005: HK$816 million), a growth of 20%. Net profit contribution to the Group was HK$54 million (2005: HK$38 million), a sharp increase of 42%. During the fiscal year, about 33% of the fabric consumed was supplied by our textile business. Sales to the retail division was about 21% of its revenue.

FINANCIAL CONDITION

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the cash and cash equivalents and the total equity were 1.5, HK$251 million and HK$2,930 million at the year end respectively. The net cash inflow from operating activities for the year was HK$51 million. The receivable turnover days increased by 20 days to 41 days over the last year. The receivables turnover days refer to the ratio of the year-end balance of receivables to the turnover of the year in days. The reasons for the increase were twofold. First, the discounted bills of HK$240 million were not accounted for in the financial statements of last year. Following the adoption of the HKAS 39 this year, the discounted bills of HK$149 million was included in the trade and bills receivable and interest-bearing bank borrowings in the financial statements in current year. Second, the surge in customer demand in the later part of the year has resulted in the significant increase in the sales and the undue receivable balance at the year end. The inventory turnover days increased by 8 days to 61 days over the last year. The increase in current year was mainly for satisfying the short delivery time of rush orders from customers. During the year, the Group financed its expansion mainly by cash inflow from its operation and bank borrowings. At the year end, the unutilised banking facilities amounted to HK$2,363 million and the gearing ratio was 0.8. The gearing ratio refers to the ratio of total liabilities to total equity. With ample financial resources, the Group will continue to increase its production capacity to satisfy the increasing customer orders.

Contingent liabilities

As at 31 March 2006, the contingent liabilities of the Group amounted to HK$38 million. These mainly represented (1) the corporate guarantee of HK$13 million made for the banking facilities of an associated company; (2) the corporate guarantee of HK$9 million made for the issuance of bank guarantee in lieu of property rental deposits for certain subsidiaries; (3) the contingent liabilities of HK$12 million related to the claim of business tax against a subsidiary of the Group in Taiwan.

Capital expenditure

Total capital expenditures of the Group for the year amounted to HK$351 million, of which HK$148 million was incurred by the textile business for the expansion of its production facilities. On the other hand, HK$203 million was incurred by the retail and distribution business mainly for the addition of retail outlets.

Pledge of assets

No significant assets were pledged as at 31 March 2006.

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 three 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 contracts to reduce its currency exchange risk.

HUMAN RESOURCES

As at 31 March 2006, the Group had about 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

Raw material prices have been stable and export disputes on textile products have been temporarily resolved. Interest rates will most likely to decline by early next year. Looking into 2007, the Management expects business environment will continue to improve.

The knitted-fabric industry is still under consolidation mainly due to high entry barrier and strict environmental regulations imposed by most countries. The Group will continue to grow its textile capacity to enlarge market shares. Production expansion will still be centralized in our existing Dongguan site where the Group occupies about 10 million sq.ft. of land. The factories at the site are equipped with most advanced production and environmental facilities. The Group also operates an environmentally friendly coal-fired system to supply in house electricity. Ample space adjacent to the site has also been reserved for future capacity expansion.

The garment associate will also expand its capacity by about 20% in the coming year. The business has a good customer base and improved results are still expected in the new year.

The retail operation will slow down its store expansion but to focus on performance acceleration. Many new outlets opened in 2005 are now having mature performance. The business is anticipated to have a significant improvement in the year ahead.

The Management will maintain firm control on costs and will place the greatest effort to improve the Group's business competitiveness. The Management remains optimistic to report positive results in the coming year.

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 Company's listed securities during the year.

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 four 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 because 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, the directors have 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

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.

By order of the Board
Poon Bun Chak
Chairman

Hong Kong, 17 July 2006

* *For identification purposes only.*