

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022 with the comparative figures of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2022	2021
		HK\$'000	HK\$'000
REVENUE		8,043,172	7,351,573
Cost of sales		<u>(5,714,222)</u>	<u>(5,071,441)</u>
Gross profit		2,328,950	2,280,132
Other income and gains		154,085	165,516
Selling and distribution expenses		(1,254,294)	(1,228,761)
Administrative expenses		(808,651)	(723,896)
Other operating expenses, net		(53,744)	(51,745)
Finance costs		(34,345)	(30,392)
Share of profit of an associate		<u>28,795</u>	<u>8,838</u>
PROFIT BEFORE TAX AND LOSS OF INVENTORIES DUE TO A FIRE ACCIDENT		360,796	419,692
Loss of inventories due to a fire accident	4	<u>(162,278)</u>	—
PROFIT BEFORE TAX	4	198,518	419,692
Income tax expense	5	<u>(11,809)</u>	(145,733)
PROFIT FOR THE YEAR		<u>186,709</u>	<u>273,959</u>

* For identification purposes only

	<i>Note</i>	Year ended 31 March	
		2022	2021
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		191,064	274,213
Non-controlling interests		(4,355)	(254)
		<hr/> 186,709	<hr/> 273,959
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (<i>HK cents</i>)	7	<hr/> 13.8	<hr/> 19.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	186,709	273,959
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>95,096</u>	264,666
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>95,096</u>	264,666
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>281,805</u>	538,625
Attributable to:		
Ordinary equity holders of the Company	286,076	538,876
Non-controlling interests	<u>(4,271)</u>	<u>(251)</u>
	<u>281,805</u>	538,625

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March	
	<i>Notes</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,139,878	1,146,482
Right-of-use assets		524,651	530,753
Investment properties		532,077	517,995
Construction in progress		128,657	28,358
Trademarks		33,293	33,293
Investment in an associate		—	7,126
Prepayments		14,530	23,752
Long term rental deposits		69,518	93,029
Financial assets at fair value through profit or loss		50,786	70,683
Long term debt instruments at amortised cost		30,102	45,241
Deferred tax assets		73,293	39,261
		<hr/>	<hr/>
Total non-current assets		2,596,785	2,535,973
CURRENT ASSETS			
Inventories		2,484,148	2,388,533
Trade receivables	8	906,551	894,881
Bills receivable		219,877	262,320
Prepayments, deposits and other receivables		316,793	893,593
Financial assets at fair value through profit or loss		2,346	2,346
Debt instruments at amortised cost		79,009	60,653
Derivative financial assets		8,251	1,802
Cash and cash equivalents		2,363,988	1,700,293
		<hr/>	<hr/>
Total current assets		6,380,963	6,204,421
CURRENT LIABILITIES			
Trade payables	9	908,449	858,693
Bills payable		10,108	2,388
Other payables and accrued liabilities		580,686	654,320
Lease liabilities		176,824	194,809
Derivative financial liabilities		5,395	2,527
Interest-bearing bank borrowings		1,308,278	855,330
Tax payable		42,875	304,338
		<hr/>	<hr/>
Total current liabilities		3,032,615	2,872,405
NET CURRENT ASSETS		<hr/>	<hr/>
		3,348,348	3,332,016
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		5,945,133	5,867,989

	31 March	
	2022	2021
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payables and accrued liabilities	9,160	14,853
Lease liabilities	400,412	346,178
Deferred tax liabilities	100,042	107,205
	<hr/>	<hr/>
Total non-current liabilities	509,614	468,236
	<hr/>	<hr/>
Net assets	5,435,519	5,399,753
	<hr/>	<hr/>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	69,085	69,085
Reserves	5,230,119	5,192,749
Proposed final dividend	138,170	138,170
	<hr/>	<hr/>
	5,437,374	5,400,004
Non-controlling interests	(1,855)	(251)
	<hr/>	<hr/>
Total equity	5,435,519	5,399,753
	<hr/>	<hr/>

Notes:

1. Basis of preparation

These 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings included in property, plant and equipment, financial assets at fair value through profit or loss and derivative financial assets and liabilities which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform - Phase 2*
 HKAS 39, HKFRS 7,
 HKFRS 4 and HKFRS 16

Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 April 2021 and applied the practical expedient during the year ended 31 March 2022 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$4,493,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2022. There was no impact on the opening balance of equity as at 1 April 2021.

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, yarn and garments segment;
- (b) the retailing and distribution of casual apparel and accessories segment; and
- (c) the "others" segment comprises, principally, the provision of franchise services and property investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except interest income, loss of inventories due to a fire accident, non-lease related finance costs and share of profit of an associate, are excluded from such measurement.

Segment assets exclude time deposits, an investment in an associate and deferred tax assets 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 prevailing market prices.

- (a) The following tables present revenue, profit and certain assets, liabilities and expenditures information of the Group for the years ended 31 March 2022 and 31 March 2021:

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:										
Sales to external customers	5,543,575	4,643,647	2,495,864	2,704,904	3,733	3,022	—	—	8,043,172	7,351,573
Intersegment sales	154,532	138,766	9,561	—	8,334	8,361	(172,427)	(147,127)	—	—
Other revenue	46,277	71,821	35,461	33,942	46,234	34,703	(2,726)	(2,726)	125,246	137,740
	5,744,384	4,854,234	2,540,886	2,738,846	58,301	46,086	(175,153)	(149,853)	8,168,418	7,489,313
Segment results	563,944	566,653	(288,795)	(199,127)	22,383	42,918	12,887	(19,630)	310,419	390,814
<i>Reconciliation:</i>										
Interest income									28,839	27,776
Loss of inventories due to a fire accident									(162,278)	—
Finance costs (excluding interest on lease liabilities)									(7,257)	(7,736)
Share of profit of an associate									28,795	8,838
Profit before tax									198,518	419,692
Income tax expense									(11,809)	(145,733)
Profit for the year									186,709	273,959

- (a) The following tables present revenue, profit and certain assets, liabilities and expenditures information of the Group for the years ended 31 March 2022 and 31 March 2021 (*continued*):

	Production, dyeing and sale of knitted fabric, yarn and garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,727,516	5,731,479	2,541,870	2,694,430	574,296	541,330	(1,671,433)	(1,435,230)	7,172,249	7,532,009
<i>Reconciliation :</i>										
Investment in an associate									—	7,126
Unallocated assets									1,805,499	1,201,259
Total assets									8,977,748	8,740,394
Segment liabilities	1,159,284	1,082,163	2,226,301	2,040,587	39,529	48,894	(1,334,080)	(1,097,876)	2,091,034	2,073,768
<i>Reconciliation :</i>										
Unallocated liabilities									1,451,195	1,266,873
Total liabilities									3,542,229	3,340,641
Other segment information:										
Depreciation and amortisation	194,978	180,554	269,934	283,073	—	—	—	—	464,912	463,627
Capital expenditure *	251,417	125,850	48,699	57,386	—	—	—	—	300,116	183,236
Write-down/(reversal of write-down) of inventories	107,128	(52,451)	(32,064)	50,306	—	—	—	—	75,064	(2,145)
Impairment/(reversal of impairment) of trade receivables	(4,397)	4,397	(17,729)	13,687	—	—	—	—	(22,126)	18,084
Impairment of right-of-use assets	—	—	40,769	15,004	—	—	—	—	40,769	15,004
Impairment/(reversal of impairment) of debt instruments at amortised cost	—	—	(2,820)	13,211	—	—	—	—	(2,820)	13,211
Net fair value gain on investment properties	—	—	—	—	(14,082)	(1,258)	—	—	(14,082)	(1,258)

* Capital expenditure consists of additions to property, plant and equipment, construction in progress and the land portion classified under right-of-use assets.

(b) Geographical information

The following table presents geographical revenue and non-current assets information of the Group for the years ended 31 March 2022 and 31 March 2021:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	2,694,177	2,551,595	3,829,672	3,407,964	692,169	370,066	717,612	822,151	109,542	199,797	—	—	8,043,172	7,351,573
Non-current assets	—	—	1,660,509	1,606,087	—	—	843,768	825,387	12,892	—	(144,083)	(143,715)	2,373,086	2,287,759

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, long term debt instruments at amortised cost, financial assets at fair value through profit or loss and deferred tax assets, are based on the locations of the markets and assets, respectively.

(c) Information about major customers

No sales to a single external customer (2021: nil) contributed to more than 10% to the Group's revenue during the year.

4. Profit before tax

The Group's profit before tax is arrived at after charging:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	225,798	236,302
Depreciation of right-of-use assets	239,114	227,325
Net loss on disposal of items of property, plant and equipment	6,121	2,555
Loss of inventories due to a fire accident*	162,278	—

* During the year, certain inventories located in Mainland China were damaged in a fire accident which occurred at a third party warehouse. The carrying amount of the damaged inventories and related customs and value-added tax amounting to HK\$162,278,000 was written off. The Group is in the process of liaising with the insurance company for compensation. Based on the directors' assessment, since there are uncertainties involved in the insurance claim and it is still at the stage of negotiation, it is not practicable to estimate the potential compensation at this stage.

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). 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	
	2022	2021
	HK\$'000	HK\$'000
Current - Hong Kong and Mainland China:		
Charge for the year	76,711	58,227
Under/(over)-provision in prior years *	(24,826)	95,316
Deferred	(40,076)	(7,810)
Total tax charge for the year	11,809	145,733

* Included in the balance of underprovision in prior years for the year ended 31 March 2021 was an additional tax provision of HK\$94,250,000 made in the prior year in relation to tax affairs as detailed in note 10(b) to the announcement.

6. Dividends

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – HK8.0 cents (2021: HK5.0 cents) per ordinary share	110,536	69,085
Proposed final dividend – HK10.0 cents (2021: 10.0 cents) per ordinary share	138,170	138,170
	248,706	207,255

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,381,696,104 (2021: 1,381,696,104) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 31 March 2021.

8. Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance of HK\$29,346,000 (2021: HK\$51,472,000), is as follows:

	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	831,462	846,068
Over 90 days	75,089	48,813
	906,551	894,881

Payment terms for the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers trades with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral over its trade receivable balances, certain trade receivable balances are covered by trade insurance policy arranged by the Group for minimising the credit risk. Trade receivables are non-interest-bearing.

9. Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	860,984	769,962
Over 90 days	47,465	88,731
	<hr/>	<hr/>
	908,449	858,693

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank guarantees given in lieu of property rental deposits	5,130	4,115
	<hr/>	<hr/>

- (b) In prior years, the Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs of certain subsidiaries of the Group for the years of assessment from 2005/2006 to 2016/2017.

Details of protective tax assessments issued by the IRD to certain subsidiaries of the Group:

Related to the year of assessment	Protective tax assessments		Amount of tax reserve certificates purchased HK\$'000
	Issued in month/year	Tax amount HK\$'000	
2005/2006	March 2012	69,125	4,500
2006/2007	March 2013	189,000	31,500
2007/2008	March 2014	388,878	34,000
2008/2009	March 2015	376,200	38,000
2009/2010	March 2016	323,648	38,000
2010/2011	January 2017	237,600	50,000
2011/2012	January 2018	183,745	7,090
2012/2013	April 2018 and January 2019	175,049	46,069
2013/2014	April 2018 and January 2020	502,200	166,320
2014/2015	April 2018 and November 2020	250,680	82,500
2015/2016	April 2018	230,400	71,710
2016/2017	April 2018	129,628	49,808
Total		3,056,153	619,497

The IRD has not issued any protective tax assessments to the Group for the years of assessment from 2017/2018 to 2018/2019, but the tax review of certain subsidiaries of the Group also covered the aforesaid years of assessment. Having considered the professional tax advice and the legal opinion as well as all available information, the Group genuinely believed that the Group was in a favorable technical position in dispelling the IRD's concern through years of legal trials. However, in order to release the Group's resources back to the daily business operation and avoid further protracted argument over the long tax dispute with the IRD, the Group submitted a settlement proposal (the "Settlement Proposal") to the IRD for compromising the tax affairs during the year ended 31 March 2022. After the submission, the Group received assessments and a letter dated 29 July 2021 and 3 August 2021 respectively from the IRD confirming the acceptance of the Settlement Proposal.

With the Settlement Proposal accepted by the IRD, the tax affairs have been fully and finally resolved. Based on the Settlement Proposal, the total net additional tax and interest payable in regard of the tax affairs was HK\$351,021,000. The Group has already made sufficient tax provisions in the financial statement for the year ended 31 March 2021, and therefore the Group does not need to make additional tax provision for the year ended 31 March 2022. After utilization of HK\$285,201,000 tax reserve certificates and HK\$65,820,000 provisional tax kept by the IRD for the additional tax charged, the IRD refunded the overpaid provisional tax and the unutilized amount of tax reserve certificates to the Group, totaling HK\$368,860,000.

FINAL DIVIDEND

The Board recommends the payment of final dividend of HK10.0 cents (2021: HK10.0 cents) per ordinary share which, together with the interim dividend of HK8.0 cents (2021: HK5.0 cents) per ordinary share paid in January 2022, will make a total dividend of HK18.0 cents (2021: HK15.0 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, 5 October 2022 to the shareholders registered on the Register of Members of the Company on Wednesday, 7 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 August 2022 to Thursday, 25 August 2022 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 August 2022.

The Register of Members of the Company will be closed from Monday, 5 September 2022 to Wednesday, 7 September 2022 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2022. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 September 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2022, the Group's total revenue increased by 9.4% to HK\$8,043 million (2021: HK\$7,352 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$191 million (2021: HK\$274 million), a drop of 30.3%. The Group's gross profit margin was 29.0% (2021: 31.0%), a slight decrease of 2.0 percentage points from last year.

The Board has recommended a final dividend of HK10.0 cents (2021: HK10.0 cents). Including the interim dividend of HK8.0 cents (2021: HK5.0 cents), total dividend per ordinary share for the year would be HK18.0 cents (2021: HK15.0 cents), an increase of 20.0% from last year.

Textile business

Turnover of the textile business increased by 19.4% to HK\$5,544 million (2021: HK\$4,644 million). The amount represented 68.9% (2021: 63.2%) of the Group's total revenue. As the world's major economies resumed their economic activities and the economy of Mainland China recovered steadily, global demand rebounded, resulting in an improvement in the sale of the textile business during the period. However, due to the fire accident causing the damage of cotton and yarn, the loss caused by such accident was recorded in full for the current year. Besides, higher prices for energy and raw materials were resulted due to high inflation. The Group continued focusing on cost reduction to enhance operating profitability. In the year, revenue increased by 19.4% and gross profit margin decreased by 2.5 percentage points. The performance and the key financial ratios of the business were as follows:

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

	2022	2021	2020	2019	2018
Net sales	5,544	4,644	4,919	4,759	4,535
Gross profit margin (%)	21.3	23.8	23.2	18.3	15.9
Operating profit (note 1)	564	567	540	354	241
EBITDA (note 1)	790	771	770	526	410
Return on total assets (%) (note 2)	7.5	6.1	6.9	4.2	1.9
Return on sales (%) (note 2)	10.1	9.2	8.9	5.9	2.9
Return on equity (%) (note 2)	11.4	9.1	10.8	6.8	3.0
Capital expenditure	251	126	76	160	162

Notes: (1) Exclude interest income, rental income, finance cost and of inventories due to a fire accident.

(2) Exclude rental income.

Retail and distribution business

Sales of the business amounted to HK\$2,496 million (2021: HK\$2,705 million). The amount was 31.0% (2021: 36.8%) of the Group's total turnover. Although epidemic in Mainland China was generally stable in the first half year, some large cities in China have carried out strict measures to prevent and control the spread of epidemic due to new cases in individual provinces in the second half year. The Group's retail operation in Mainland China has not returned to the level before the COVID-19 outbreak. Meanwhile, Hong Kong's retail business faced the impact of local epidemic and preventive measures in the second half year, the number of visitors remains low given the impact of the preventive measures, and thus the Group's retail operations in Hong Kong has not improved significantly. The gross profit margin was 45.3%, a slight increase from last year's 44.1%. The performance and the key financial ratios of the business were as follows:

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

<i>(Amounts expressed in HK\$'million, unless specified)</i>	2022	2021	2020	2019	2018
Net sales	2,496	2,705	2,709	3,448	3,989
Gross profit margin (%)	45.3	44.1	47.5	50.1	47.4
Sales growth of comparable shops (%) <i>(note 1)</i>	(4.8)	(8.4)	(17.1)	(12.8)	(6.9)
Operating profit/(loss) <i>(note 2)</i>	(289)	(199)	(316)	(110)	14
EBITDA <i>(note 2)</i>	(26)	108	3	(24)	102
Return on total assets (%) <i>(note 3)</i>	(10.4)	(6.9)	(11.1)	(4.3)	0.4
Return on sales (%) <i>(note 3)</i>	(10.9)	(6.8)	(10.6)	(2.9)	0.2
Return on equity (%) <i>(note 3)</i>	(73.4)	(29.6)	(53.4)	(8.8)	0.7
Capital expenditure	49	57	146	76	94

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

(2) Exclude interest income, rental income and finance cost.

(3) Exclude rental income.

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

<i>(HK\$'million)</i>	2022	2021	2020	2019	2018
Baleno	2,380	2,525	2,484	3,073	3,274
Others	116	180	225	375	715
Total	2,496	2,705	2,709	3,448	3,989

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

Mainland China	2022	2021	2020	2019	2018
Net sales <i>(HK\$'million)</i>	1,936	2,184	2,085	2,767	3,414
Increase/(decrease) in net sales (%)	(11)	5	(25)	(19)	(2)
Retail floor area <i>(sq. ft.)</i> *#	1,554,031	1,867,355	1,690,117	1,626,047	1,781,314
Number of sales associates*#	3,319	3,919	3,446	4,182	4,946
Number of outlets* Δ	1,666	2,026	1,838	2,183	2,499

Hong Kong

	2022	2021	2020	2019	2018
Net sales (<i>HK\$'million</i>)	552	521	624	681	575
Increase/(decrease) in net sales (%)	6	(17)	(8)	18	1
Retail floor area (<i>sq. ft.</i>)*#	91,597	96,516	90,281	87,752	79,822
Number of sales associates *#	407	377	288	571	484
Number of outlets *#	85	88	83	78	73

Others

	2022	2021	2020	2019	2018
Net sales (<i>HK\$'million</i>)	8	—	—	—	—
Increase/(decrease) in net sales (%)	N/A	—	—	—	—
Retail floor area (<i>sq. ft.</i>)*#	11,679	—	—	—	—
Number of sales associates *#	62	—	—	—	—
Number of outlets *#+	4	—	—	—	—

* *As at the end of the reporting period*

For self-managed stores

△ *Including self-managed stores, consignment stores and franchise stores*

+ *Outlets gradually opened since May 2021 and increased to 4 outlets in January 2022*

Income tax expense

Income tax expenses decreased by HK\$134 million to HK\$12 million (2021: HK\$146 million) mainly due to the additional tax provided for the tax affairs of certain subsidiaries of the Group last year. Details of the tax affairs have been set out in note 10(b) to the announcement.

Share of profit of an associate

Share of profit of an associate accounted for using equity method was HK\$28.8 million (2021: HK\$8.8 million), which was mainly contributed by the gain on disposal of property, plant and equipment.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a sound financial position. The current ratio, the total bank borrowings and the gearing ratio as at the year end were 2.1, HK\$1,308 million and -0.2 (2021: 2.2, HK\$855 million and -0.2) respectively. Bank borrowings increased during the period mainly due to the increase in short term investments of the Group. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity.

During the year, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 7 times, 51 days and 113 days (2021: 15 times, 58 days and 119 days) respectively. The trade and bills receivables to turnover days dropped during the period as sales of the textile business in the Mainland China improved due to stabilised epidemic situation. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the year end, the cash and cash equivalents, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$2,364 million, HK\$5,437 million and HK\$5,530 million (2021: HK\$1,700 million, HK\$5,400 million and HK\$5,910 million), respectively.

Capital expenditure

The capital expenditure incurred by the Group during the year was HK\$300 million (2021: HK\$183 million). The capital expenditure incurred by the textile and garment business for the year was HK\$251 million (2021: HK\$126 million), of which HK\$115 million was for the addition of plant and machinery for the dyeing, knitting and garment factories and HK\$136 million (2021: HK\$29 million) was for “Coal to Gas” conversion project. For the retail and distribution business, our capital expenditure incurred for the year amounted to HK\$49 million (2021: HK\$57 million) was mainly for the addition of leasehold improvements of the retail outlets.

Pledge of assets

No significant assets were pledged as at 31 March 2022 and 31 March 2021.

Contingent liabilities

Details of the contingent liabilities as at 31 March 2022 and 31 March 2021 have been set out in note 10 to the announcement.

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest bearing bank borrowings of the Group were HKD, USD and RMB fixed or floating rate borrowings with maturity due within one year (2021: within one year). At the year end, the cash and cash equivalents, debt instruments at amortised cost and financial assets at fair value through profit or loss were mainly denominated in HKD, RMB and USD. The cash and cash equivalents were placed as fixed deposits with well established financial institutions at fixed interest rate with maturity due within one year (2021: within one year). And, the debt instruments at amortised cost and financial assets at fair value through profit or loss were mainly fixed interest rate investments with maturity due within four years or at perpetuity (2021: within four years or at perpetuity). Following the containment of the widespread of COVID-19 pandemic, the economic activities continue to accelerate. It is expected that the USD interest rate will rise steadily in the coming year. As the global economy is facing the risk of stagflation, the risk of upsurge of interest rate is expected to be low. The Group will continue to monitor the interest rate risk and arrange appropriate financial instruments to reduce its risk whenever appropriate.

During the year, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, RMB and YEN (2021: HKD, USD, RMB and YEN) and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

HUMAN RESOURCES

At the year end, the Group had about 12,427 (2021: 12,536) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, the Group has been active in participating in charitable donation, caring for the needy people and supporting and sponsoring educational and environmental protection activities. In addition, we also encourage our employees, customers and business partners to partake in the aforesaid activities with a view to developing a better future for our community.

During the year, some of the activities/organisations the Group participated in / donated or sponsored to were:

- (1) Educational Fund in Dongguan City of Guangdong Province ;
- (2) The Community Chest of Hong Kong " Love Teeth Day";
- (3) The Community Chest of Hong Kong " Green Low Carbon Day";
- (4) Evangelical Lutheran Church Social Service – Hong Kong;
- (5) The Hong Kong Council of Social Service "Caring Company"; and
- (6) Hong Kong Red Cross “Red Twinkle Star Campaign 2021” .

The Group believes that the development of a better future for our community relies on the participation of people, corporations and the government. Therefore, we will continue to invest resources in all major social, educational and environmental protection activities to strive for a better future for our community.

OUTLOOK

The business environment remains challenging. The COVID-19 outbreak is still not under control in many places of the world and the implementation of strict preventive measures affects our business, especially retail and distribution business. Under this environment, the Group has devoted more resources to e-commerce. During the year, increasing sale in retail and distribution business is contributed by online e-commerce sale with satisfactory profit.

In general, some major economies have resumed their economic activities and the global economy recovered steadily. The Group will keep maintaining a strong cash flow to meet future challenge and continue to enhance business market share. During the year, the Group has established new sale outlets in Indonesia to expand our market share in Southeast Asia. In the foreseeable future, the Group will continue to seek opportunities in Southeast Asia in order to diversify business weight.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules. The members of the Audit Committee comprise the three independent non-executive directors of the Company, namely 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 six meetings to review the internal controls and financial reporting matters and provide recommendations to the Board. For this fiscal year, the Audit Committee has reviewed and discussed with the management the consolidated financial statements of the Group.

The Committee has also met with the external auditors of the Company and reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the financial year, except for the following deviation:

Under code provision F.2.2^(Note) of the CG Code, the chairman of the Board should attend the annual general meeting of the Company.

The chairman of the Board has delegated the duty of attending the annual general meeting to one of the executive directors of the Company. The chairman considers the executive director a suitable person for taking up such duty as the executive director has good knowledge in each operating segment of the Group.

Note: The code provision numbers in the CG Code have been re-arranged with effect from 1 January 2022. This code provision was formerly E.1.2.

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.

SCOPE OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2022 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Ting Kit Chung and Mr. Poon Ho Tak; and the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Cheng Shu Wing and Mr. Law Brian Chung Nin.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report for 2021/2022 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 under "Latest Listed Company Information" and on the website of the Company at www.texwinca.com under "Investor Relations" in due course.

On behalf of the Board
Poon Bun Chak
Executive Chairman

Hong Kong, 17 June 2022