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## TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 321)

Websites: <http://www.texwinca.com/>

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

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2017

#### 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 2017 with the comparative figures of last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 March	
		2017 HK\$'000	2016 HK\$'000
<b>REVENUE</b>		<b>7,858,476</b>	9,343,282
Cost of sales		<b>(5,367,362)</b>	(6,170,639)
Gross profit		<b>2,491,114</b>	3,172,643
Other income and gains		<b>212,603</b>	173,518
Gain on disposal of trademarks		<b>152,400</b>	396,400
Gain on disposal of a subsidiary		—	268,918
Selling and distribution expenses		<b>(1,700,552)</b>	(1,898,701)
Administrative expenses		<b>(597,126)</b>	(774,684)
Other operating expenses, net		<b>(3,617)</b>	(13,073)
Finance costs		<b>(26,993)</b>	(14,908)
Share of profit or loss of an associate, net of tax		<b>(7,772)</b>	34,423
<b>PROFIT BEFORE TAX</b>	4	<b>520,057</b>	1,344,536
Income tax expense	5	<b>(13,521)</b>	(87,416)
<b>PROFIT FOR THE YEAR</b>		<b>506,536</b>	1,257,120

\* For identification purposes only

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2017</b>	2016
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Ordinary equity holders of the Company		<b>478,525</b>	1,050,655
Non-controlling interests		<b>28,011</b>	206,465
		<hr/> <b>506,536</b>	<hr/> 1,257,120
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (<i>HK cents</i>)</b>	<i>7</i>		
Basic		<hr/> <b>34.6</b>	76.0
Diluted		<hr/> <b>34.6</b>	76.0

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>506,536</b>	1,257,120
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive losses to be reclassified to profit or loss in subsequent periods :		
Exchange differences on translation of foreign operations	(289,566)	(211,149)
Release of exchange reserve upon disposal of a subsidiary	—	(3,790)
	<hr/>	<hr/>
Net other comprehensive losses to be reclassified to profit or loss in subsequent periods	(289,566)	(214,939)
	<hr/>	<hr/>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of asset	4,090	—
	<hr/>	<hr/>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(285,476)</b>	(214,939)
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>221,060</b>	1,042,181
	<hr/>	<hr/>
Attributable to:		
Ordinary equity holders of the Company	201,908	847,179
Non-controlling interests	19,152	195,002
	<hr/>	<hr/>
	<b>221,060</b>	1,042,181
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>31 March</b>	
	<i>Notes</i>	<b>2017</b>	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,313,688	1,427,803
Investment properties		459,403	416,734
Prepaid land lease payments		12,733	20,314
Construction in progress		27,018	51,610
Trademarks		33,293	33,293
Investment in an associate		75,243	84,251
Prepayments		37,270	42,468
Long term rental deposits		112,776	96,848
Long term held-to-maturity investments		220,003	514,111
Available-for-sale investments		54,250	—
Deferred tax asset		28,359	—
		<hr/>	<hr/>
Total non-current assets		<b>2,374,036</b>	2,687,432
<b>CURRENT ASSETS</b>			
Inventories		2,050,435	2,047,191
Trade receivables	8	665,388	584,190
Bills receivable		123,507	113,409
Prepayments, deposits and other receivables		446,273	724,813
Held-to-maturity investments		265,531	128,470
Derivative financial assets		14,315	34,050
Cash and cash equivalents		4,022,914	3,005,253
Non-current assets classified as held for sale	10	3,878	—
Assets of a disposal group classified as held for sale	10	9,188	—
		<hr/>	<hr/>
Total current assets		<b>7,601,429</b>	6,637,376
<b>CURRENT LIABILITIES</b>			
Trade payables	9	812,514	953,357
Bills payable		21,961	24,368
Other payables, accrued liabilities and deposit received		473,991	678,329
Due to an associate		57,001	73,033
Derivative financial liabilities		12,231	4,525
Tax payable		15,076	21,297
Interest-bearing bank borrowings		2,436,599	529,707
		<hr/>	<hr/>
Total current liabilities		<b>3,829,373</b>	2,284,616
<b>NET CURRENT ASSETS</b>		<hr/> <b>3,772,056</b>	4,352,760
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,146,092</b>	7,040,192
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		80,682	313,258
Deferred tax liabilities		168,007	166,305
		<hr/>	<hr/>
Total non-current liabilities		<b>248,689</b>	479,563
Net assets		<hr/> <b>5,897,403</b>	6,560,629

	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	<b>69,085</b>	69,085
Reserves	<b>4,938,405</b>	5,593,149
Proposed final and special dividends	<b>442,143</b>	469,777
	<b>5,449,633</b>	6,132,011
<b>Non-controlling interests</b>	<b>447,770</b>	428,618
Total equity	<b>5,897,403</b>	6,560,629

**Notes:**

**1. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties, certain leasehold land and buildings included in property, plant and equipment, available-for-sale investments and derivative financial instruments which have been measured at fair value. Non-current assets or disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. and These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

**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 2016, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements:

HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 28 <i>Investment Entities: Applying the Consolidation Exception</i>
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Assets</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Disclosure Initiative</i>
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 <i>Agriculture: Bearer Plants</i>

HKAS 27 (2011) Amendments	Amendments to HKAS 27 (2011) <i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant financial effect on these financial statements.

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

HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
HKFRS 10 and HKAS 28 (2011) Amendments	Amendments to HKFRS 10 and HKAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
HKFRS 15 Amendments	Amendments to HKFRS 15 <i>Clarification to HKFRS 15 Revenue from Contracts with Customers</i> <sup>3</sup>
HKFRS 16	<i>Leases</i> <sup>4</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> <sup>3</sup>
HKFRS 4 Amendments	Amendments to HKFRS 4 <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>3</sup>
HKAS 7 Amendments	Amendments to HKAS 7 <i>Disclosure Initiative</i> <sup>1</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>1</sup>
HKAS 40 Amendments	Amendments to HKAS 40 <i>Transfers of Investment Property</i> <sup>3</sup>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>3</sup>
Annual Improvements to HKFRSs 2014 – 2016 Cycle	<i>Amendments to a number of HKFRSs</i> <sup>2</sup>

*1 Effective for annual periods beginning on or after 1 January 2017*

*2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

*3 Effective for annual periods beginning on or after 1 January 2018*

*4 Effective for annual periods beginning on or after 1 January 2019*

*5 No mandatory effective date determined but available for early adoption*

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

### **3. Operating segment information**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the production, dyeing and sale of knitted fabric and yarn segment;
- (b) the retailing and distribution of casual apparel and accessory segment; and
- (c) the "others" segment principally comprises the provision of repair and maintenance services for motor vehicles, the provision of franchise services and properties investment.

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

Segment assets exclude time deposits, investment in an associate and deferred tax asset as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, deposits received, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2017 and 31 March 2016:

	<b>Production, dyeing and sale of knitted fabric and yarn</b>		<b>Retailing and distribution of casual apparel and accessories</b>		<b>Others</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2017</b>	2016	<b>2017</b>	2016	<b>2017</b>	2016	<b>2017</b>	2016	<b>2017</b>	2016
	<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>
<b>Segment revenue:</b>										
Sales to external customers	<b>3,806,760</b>	4,740,937	<b>4,044,197</b>	4,591,517	<b>7,519</b>	10,828	—	—	<b>7,858,476</b>	9,343,282
Intersegment sales	—	—	—	—	<b>6,317</b>	7,056	<b>(6,317)</b>	(7,056)	—	—
Other revenue	<b>59,903</b>	42,807	<b>7,322</b>	6,052	<b>70,508</b>	37,253	<b>(6,468)</b>	(5,679)	<b>131,265</b>	80,433
<b>Total</b>	<b>3,866,663</b>	4,783,744	<b>4,051,519</b>	4,597,569	<b>84,344</b>	55,137	<b>(12,785)</b>	(12,735)	<b>7,989,741</b>	9,423,715
<b>Segment results</b>	<b>349,674</b>	665,916	<b>(95,772)</b>	(92,533)	<b>74,009</b>	23,041	—	—	<b>327,911</b>	596,424
<b>Reconciliation</b>										
Gain on disposal of trademarks									<b>152,400</b>	396,400
Gain on disposal of a subsidiary									—	268,918
Unallocated expenses									<b>(6,827)</b>	(29,806)
Interest income									<b>81,338</b>	93,085
Finance costs									<b>(26,993)</b>	(14,908)
Share of profit or loss of an associate, net of tax									<b>(7,772)</b>	34,423
Profit before tax									<b>520,057</b>	1,344,536
Income tax expense									<b>(13,521)</b>	(87,416)
Profit for the year									<b>506,536</b>	1,257,120



- (a) The following tables present revenue, profit and certain asset, liability and expenditure information of the Group for the years ended 31 March 2017 and 31 March 2016 (*continued*):

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Assets and liabilities:</b>										
Segment assets	<b>4,104,125</b>	4,419,434	<b>1,977,840</b>	2,273,749	<b>502,149</b>	463,259	<b>(428,139)</b>	(614,206)	<b>6,155,975</b>	6,542,236
Investment in an associate									<b>75,243</b>	84,251
Unallocated assets									<b>3,744,247</b>	2,698,321
Total assets									<b>9,975,465</b>	9,324,808
Segment liabilities	<b>723,180</b>	653,345	<b>731,317</b>	1,178,902	<b>84,018</b>	95,849	<b>(160,817)</b>	(346,884)	<b>1,377,698</b>	1,581,212
Unallocated liabilities									<b>2,700,364</b>	1,182,967
Total liabilities									<b>4,078,062</b>	2,764,179
<b>Other segment information:</b>										
Depreciation and amortisation	<b>168,656</b>	175,954	<b>85,038</b>	100,088	<b>2,709</b>	1,326	—	—	<b>256,403</b>	277,368
Capital expenditure	<b>142,528</b>	110,852	<b>73,079</b>	96,473	—	—	—	—	<b>215,607</b>	207,325
Provision/(write-back of provision) for slow- moving inventories	<b>1,700</b>	2,200	<b>(18,426)</b>	12,179	<b>(940)</b>	—	—	—	<b>(17,666)</b>	14,379
Impairment/(write-back of impairment) of trade receivables	—	—	<b>(1,061)</b>	2,154	—	—	—	—	<b>(1,061)</b>	2,154
Net fair value loss/(gain) on investment properties	—	—	—	—	<b>(34,479)</b>	6,520	—	—	<b>(34,479)</b>	6,520

(b) Geographical information

The following table presents geographical revenue and non-current asset information of the Group for the years ended 31 March 2017 and 31 March 2016:

	USA		Mainland China		Japan		Hong Kong		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<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>
(i) Revenue from external customers:														
Segment revenue:														
Sales to external customers	<b>1,947,120</b>	2,704,253	<b>4,035,970</b>	4,439,339	<b>869,614</b>	1,068,698	<b>860,295</b>	972,465	<b>145,477</b>	158,527	—	—	<b>7,858,476</b>	9,343,282
(ii) Non-current assets:														
Non-current assets	—	—	<b>1,454,005</b>	1,597,719	—	—	<b>584,599</b>	839,950	<b>54,820</b>	56,220	<b>(134,776)</b>	(417,416)	<b>1,958,648</b>	2,076,473

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, long term held-to-maturity investments, available-for-sale investments and deferred tax asset, are based on the locations of the markets and assets, respectively.

(c) Information about major customers

No single external customer (2016: nil) contributed 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 / (crediting):-

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Depreciation	255,848	276,690
Recognition of prepaid land lease payments	552	678
Gain on disposal of items of property, plant and equipment	(2,941)	(2,848)
	<u>255,848</u>	<u>276,690</u>

#### 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong and Mainland China :		
Current year provision	39,247	73,003
Under / (over-provision) in prior years	931	(1,190)
Deferred tax	(26,657)	15,600
Elsewhere :		
Current year provision	—	3
	<u>13,521</u>	<u>87,416</u>
Total charge for the year	<u>13,521</u>	<u>87,416</u>

#### 6. Dividends

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend of HK30.0 cents (2016: HK28.0 cents) per share	414,509	386,875
Proposed final dividend of HK32.0 cents (2016: HK16.0 cents) per share	442,143	221,071
Proposed special dividend of HK18.0 cents per share	—	248,706
	<u>856,652</u>	<u>856,652</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The 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 in issue of 1,381,696,104 (2016: 1,381,696,104) during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2017 and 2016.

## 8. Trade receivables

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment of HK\$10,856,000 (2016: HK\$11,917,000), is as follows:

	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>606,928</b>	555,084
Over 90 days	<b>58,460</b>	29,106
	<b>665,388</b>	584,190

Payment terms of 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 or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 9. Trade payables

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

	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>778,532</b>	927,524
Over 90 days	<b>33,982</b>	25,833
	<b>812,514</b>	953,357

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

## 10. Non-current assets classified as held for sale/assets of a disposal group classified as held for sale

Non-current assets classified as held for sale

During the year, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain buildings. Accordingly, such buildings were classified as non-current assets held for sale as their carrying amounts will be recovered principally through sale. The transaction has not been completed as at 31 March 2017.

The disposal transaction was subsequently completed in April and May 2017.

Assets of a disposal group classified as held for sale

During the year, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain subsidiaries (the "Disposed Group"). The Disposed Group was classified as a disposal group held for sale as its carrying amount will be recovered principally through sale. The transaction has not been completed as at 31 March 2017.

The major classes of assets of the Disposal Group classified as held for sale as at 31 March 2017 are as follows:

	<b>31 March 2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	<b>2,589</b>	—
Property, plant and equipment	<b>6,599</b>	—
	<hr/>	<hr/>
Assets classified as held for sale	<b>9,188</b>	—
	<hr/>	<hr/>

The disposal transaction was subsequently completed in April 2017.

## 11. Contingent liabilities

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

	<b>31 March 2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank guarantees given in lieu of property rental deposits	<b>4,603</b>	3,471
Guarantees for banking facilities granted to an associate	<b>12,500</b>	12,500
	<hr/>	<hr/>

As at 31 March 2017, the banking facilities granted to an associate with guarantees given to banks by the Group were not utilised (2016: nil).

- (b) The Hong Kong Inland Revenue Department (the “IRD”) initiated a review on the prior years’ tax affairs of certain subsidiaries of the Group.

The protective tax assessments for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011 issued by the IRD in March 2012, March 2013, March 2014, March 2015, March 2016 and January 2017 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000, HK\$376,200,000, HK\$323,648,000 and HK\$237,600,000, respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed, the IRD agreed to hold over the tax claimed completely subject to the purchases of tax reserve certificates. The Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000 and HK\$38,000,000 for years of assessment 2005/2006, 2006/2007, 2007/2008 and 2008/2009, respectively, in previous years, and additional tax reserve certificates of HK\$38,000,000 and HK\$50,000,000 for the years of assessment 2009/2010 and 2010/2011, respectively during the year ended 31 March 2017.

In view that the tax review for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011 is still in progress, the outcome of the case is still uncertain. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provisions have been made in the financial statements.

## 12. Events after the reporting period

- (i) In April and May 2017, the disposal transaction set out in note 10 above was completed with an estimated gain on disposal of items of property, plant and equipment of HK\$21,400,000.
- (ii) Subsequent to the end of the reporting period in April 2017, the disposal of Disposed Group set out in note 10 above was completed with an aggregate consideration of HK\$65,300,000. The directors of the Company are assessing the financial effect of the disposal on the Group.

## **FINAL DIVIDEND**

The Board recommends the payment of final dividend of HK32.0 cents (2016: final dividend of HK16.0 cents and special dividend of HK18.0 cents) per ordinary share which, together with the interim dividend of HK30.0 cents (2016: HK28.0 cents) per ordinary share paid in January 2017, will make a total dividend of HK62.0 cents (2016: HK62.0 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, 11 October 2017 to the shareholders registered on the Register of Members of the Company on Wednesday, 23 August 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 7 August 2017 to Thursday, 10 August 2017 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. During which period no transfer of shares of the Company will be registered and no share 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 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 4 August 2017.

The Register of Members of the Company will be closed from Monday, 21 August 2017 to Wednesday, 23 August 2017 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2017. During which period no transfer of shares of the Company will be registered and no share will be allotted and issued. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 18 August 2017.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENT**

For this fiscal year ended 31 March 2017, the Group's total revenue decreased by 15.9% to HK\$7,858 million (2016 : HK\$9,343 million). Profit for the year attributable to the ordinary equity holders of the Company amounted to HK\$479 million (2016 : HK\$1,051 million), a drop of 54.4%. The Group's gross profit margin was 31.7% (2016 : 34.0%), a decrease of 2.3 percentage points from last year. In the period, the decrease in profit after tax was primarily due to the following reasons :

1. the decrease in sales by 19.7% and gross profit margin by 4.8 percentage points of the Group's textile business ;
2. the one-off gain on disposal of a subsidiary of HK\$269 million recorded in the year ended 31 March 2016; and
3. the decrease in net gain on disposal of trademarks of HK\$244 million.

Net profit contributed by an associate also decreased by HK\$42 million. The Board has recommended a final dividend of HK32.0 cents (2016 : final dividend of HK16.0 cents and special dividend of HK18.0 cents) per ordinary share. Including interim dividend, total dividend per ordinary share would be HK62.0 cents, the same as last year.

### **Textile business**

Turnover of the textile business decreased by 19.7% to HK\$3,807 million (2016 : HK\$4,741 million). The amount represented 48.4% (2016 : 50.7%) of the Group's total revenue. Operating environment was unfavourable owing to the volatile global economy and weak demand from the U.S. The situation was worse when raw material prices went up substantially in the second half year. The Group was unable to pass on all the increased costs to the customers. The gross profit margin decreased to 16.9% from last year's 21.7%. The average selling price fell by 2.5%. The performance and the key financial ratios of the business were as below :

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

	2017	2016	2015	2014	2013
Net sales	<b>3,807</b>	4,741	4,718	5,026	5,460
Gross profit margin (%)	<b>16.9</b>	21.7	21.7	20.4	16.0
Operating profit (note 1)	<b>350</b>	666	622	671	546
EBITDA (note 1)	<b>518</b>	842	802	871	765
Return on total assets (%) (note 2)	<b>4.9</b>	9.6	8.5	8.4	6.3
Return on sales (%) (note 2)	<b>10.2</b>	14.2	15.3	14.3	12.4
Return on equity (%) (note 2)	<b>8.4</b>	12.5	12.8	12.8	11.2
Capital expenditure	<b>143</b>	111	56	121	45

Notes : (1) Exclude interest income and rental income.  
(2) Exclude rental income.

### Retail and distribution business

Sales of the business amounted to HK\$4,044 million (2016 : HK\$4,592 million), a decrease of 11.9%. The sum was 51.5% (2016 : 49.1%) of the Group's total turnover. In the period, the retail environment in the Mainland China remained sluggish. The Group continued to close non-performing stores in order to improve the retail network efficiency. Strict inventory control was also exercised. Product mix has been refined to enhance profit margins. The performance and the key financial ratios of the business were as below :

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

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

	2017	2016	2015	2014	2013
Net sales	<b>4,044</b>	4,592	4,591	4,816	5,768
Gross profit margin (%)	<b>45.5</b>	46.6	46.8	46.7	44.9
Sales growth of comparable shops (%) (note 1)	<b>(7.8)</b>	7.3	6.0	(7.6)	(12.0)
Operating profit/(loss) (note 2)	<b>(96)</b>	(93)	13	(245)	(202)
EBITDA (note 2)	<b>(11)</b>	8	113	(107)	(52)
Return on total assets (%) (note 3)	<b>(4.8)</b>	(4.3)	(0.7)	(13.9)	(7.6)
Return on sales (%) (note 3)	<b>(2.3)</b>	(2.4)	(0.3)	(5.2)	(3.0)
Return on equity (%) (note 3)	<b>(15.9)</b>	(9.5)	(2.1)	(42.5)	(20.4)
Capital expenditure	<b>73</b>	96	72	43	119

Notes : (1) Comparable shops include shops with full year operation during the year and the preceding year.  
(2) Exclude interest income and rental income.  
(3) Exclude rental income.

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

(HK\$'million)	2017	2016	2015	2014	2013
Baleno	<b>3,144</b>	3,260	2,821	2,754	3,038
S&K	<b>293</b>	415	476	552	742
I.P. Zone	<b>215</b>	304	320	417	555
ebase	<b>5</b>	98	336	497	609
Others	<b>387</b>	515	638	596	824
Total	<b>4,044</b>	4,592	4,591	4,816	5,768

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

### Mainland China

	2017	2016	2015	2014	2013
Net sales ( <i>HK\$' million</i> )	<b>3,476</b>	4,013	4,014	4,098	4,920
Decrease in net sales (%)	<b>(13)</b>	—	(2)	(17)	(15)
Retail floor area ( <i>sq. ft.</i> )*#	<b>1,723,190</b>	1,779,340	1,700,135	1,959,394	2,147,536
Number of sales associates*#	<b>5,493</b>	6,425	6,971	7,710	9,168
Number of outlets* <sup>△</sup>	<b>2,841</b>	2,770	2,865	2,928	3,424

### Hong Kong

	2017	2016	2015	2014	2013
Net sales ( <i>HK\$' million</i> )	<b>568</b>	579	486	445	435
(Decrease)/increase in net sales (%)	<b>(2)</b>	19	9	2	(5)
Retail floor area ( <i>sq. ft.</i> )*#	<b>65,515</b>	64,543	62,440	66,184	63,254
Number of sales associates*#	<b>385</b>	395	393	392	425
Number of outlets*#	<b>60</b>	64	59	66	68

### Taiwan

	2017	2016	2015	2014	2013
Net sales ( <i>HK\$' million</i> )	—	—	91	273	413
Decrease in net sales (%)	—	(100)	(67)	(34)	(17)
Retail floor area ( <i>sq. ft.</i> )*#	—	—	—	90,689	142,079
Number of sales associates*#	—	—	—	290	488
Number of outlets* <sup>△</sup>	—	—	—	91	166

\* As at the end of the reporting period

# For self-managed stores

△ Including self-managed and franchise stores

### Garment manufacturing business

Revenue of this associate decreased by 36.3% to HK\$738 million (2016 : HK\$1,159 million). Net loss contribution to the Group amounted to HK\$8 million (2016 : profit HK\$34 million). The operating environment was tough in the year mainly due to the marked slowdown of global consumer sentiment. In the year, 51.0% (2016 : 69.2%) of the fabric consumed was supplied by the textile division and sales to retail division represented 30.3% (2016 : 28.7%) of its revenue.

### 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 2.0, HK\$2,517 million and -0.3 (2016: 2.9, HK\$843 million and -0.3) respectively. The increase in bank borrowing was mainly for the repayment of the trade payables and the financing of 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 20 times, 37 days and 95 days (2016: 91 times, 27 days and 80 days) respectively. The decrease in the interest cover was mainly due to the decrease in the gain on disposal of trademarks of HK\$244 million during the year and the gain on disposal of a subsidiary of HK\$269 million in last year. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the year end, the cash and cash equivalents, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$4,023 million, HK\$5,450 million and HK\$6,099 million (2016: HK\$3,005 million, HK\$6,132 million and HK\$7,772 million), respectively. The increase in cash and cash equivalents compared with last year was mainly for enhancing the return on short term bank deposit.

### **Capital expenditure**

The Capital expenditure incurred by the Group during the year was HK\$216 million (2016: HK\$207 million). The capital expenditure incurred by the textile business for the year was HK\$143 million (2016: HK\$111 million) mainly for the addition of plant and machinery. For the retail and distribution business, our capital expenditure incurred for the year mainly for the leasehold improvements of shops amounted to HK\$73 million (2016: HK\$96 million).

### **Pledge of assets**

No significant assets were pledged as at 31 March 2017 and 31 March 2016.

### **Contingent liabilities**

Details of the contingent liabilities as at 31 March 2017 and 31 March 2016 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 YEN floating rate borrowings with maturity due within two years (2016: three years). At the year end, the cash and cash equivalents and the held-to-maturity and available-for-sale investments amounted to HK\$4,023 million and HK\$540 million (2016 : HK\$3,005 million and HK\$643 million), respectively, 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 (2016 : one year). And, the held-to-maturity and available for sale investments were mainly investments with maturity due within three years (2016 : six years). As the US economic condition is becoming more healthy and stable, we expect the interest rate will rise steadily in the year to come. 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 , YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

## **HUMAN RESOURCES**

As at 31 March 2017, the Group had about 13,979 (2016 : 15,400) 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) World Wide Fund For Nature Hong Kong;
- (2) The Community Chest of Hong Kong “Love Teeth Day”;
- (3) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (4) Evangelical Lutheran Church Social Service – Hong Kong “Outing with mental disabilities and their families in Mid-Autumn Festival”;
- (5) Sowers Action;
- (6) Ocean Park Conservation Foundation Hong Kong;
- (7) St. James’ Settlement; and
- (8) The Hong Kong Council of Social Service “Caring Company”.

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**

With the withdrawal of the U.S.’s participation in the Trans-Pacific Partnership, the economic benefits enjoyed by Vietnam could be diminished. The Group has stopped the plan to establish another textile plant in Vietnam. The Group will increase production capacity in China more substantially. More automated machinery and equipment will be installed in Dongguan factory to focus on new functional fabrics and value-added orders in the coming year. As the U.S. economy is volatile, the Group has collaborated successfully with many reputed China retail brands to diversify the customer base. Now the China market is already the second largest market for our textile business.

For the retail business, the Group will continue to consolidate the stores to save rental costs and upgrade operating efficiencies. More trendy and quality products have been introduced to raise profit margins. The Group will further invest in e-commerce to broaden the revenue source.

The Group will closely monitor the ever-changing economic conditions to apply responding business strategies. Despite the uncertainties ahead, the Group will continue to exercise a positive business approach. Recently, business environment has shown signs of improvement. With solid financial position, the Group is quite optimistic to achieve improved 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 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, 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 five 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 E.1.2 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 the chief executive officer of the Company. The chairman considers the chief executive officer a suitable person for taking up such duty as the chief executive officer has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")**

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, they have all complied with the required standard set out in the Model Code throughout the year.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak and Mr. Ting Kit Chung; 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 2016/2017 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website of the Company at [www.texwinca.com](http://www.texwinca.com) under "Investor Relations" in due course.

On behalf of the Board  
**Poon Bun Chak**  
*Executive Chairman*

Hong Kong, 16 June 2017