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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

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 2024 with the comparative figures of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Year ended 31 March** **2024** ***HK$'000***	2023 *HK$'000*
REVENUE		**5,366,540**	6,058,755
Cost of sales		**(3,957,563)**	(4,486,790)
Gross profit		**1,408,977**	1,571,965
Other income and gains		**201,000**	201,967
Selling and distribution expenses		**(725,859)**	(971,391)
Administrative expenses		**(677,512)**	(753,747)
Other operating expenses, net		**(23,197)**	(45,425)
Finance costs		**(51,197)**	(34,329)
PROFIT/(LOSS) BEFORE TAX AND COMPENSATION FOR THE LOSS OF INVENTORIES DUE TO A FIRE ACCIDENT		**132,212**	(30,960)
Compensation for the loss of inventories due to a fire accident	*4*	**29,582**	107,128
PROFIT BEFORE TAX	*4*	**161,794**	76,168
Income tax expense	*5*	**(22,848)**	(13,067)
PROFIT FOR THE YEAR		**138,946**	63,101

* *For identification purposes only*

	Note	Year ended 31 March	
		2024	2023
		HK$'000	*HK$'000*
Attributable to:			
Ordinary equity holders of the Company		**132,334**	75,149
Non-controlling interests		**6,612**	(12,048)
		138,946	63,101
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(HK cents)*	*7*	**9.6**	5.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2024	2023
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**138,946**	63,101
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Release of exchange reserve upon deregistration of a subsidiary	**(3,387)**	-
Exchange differences on translation of foreign operations	**(159,056)**	(206,717)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(162,443)**	(206,717)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(23,497)**	(143,616)
Attributable to:		
Ordinary equity holders of the Company	**(30,363)**	(135,223)
Non-controlling interests	**6,866**	(8,393)
	(23,497)	(143,616)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2024** **HK$'000**	31 March 2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,408,871**	1,204,066
Right-of-use assets		**611,506**	404,793
Investment properties		**530,213**	543,405
Construction in progress		**88,140**	5,218
Goodwill		**18,576**	—
Trademarks		**33,293**	33,293
Prepayments		**21,764**	1,799
Long term rental deposits		**78,280**	66,540
Financial assets at fair value through profit or loss		**22,752**	23,986
Long term debt instruments at amortised cost		—	14,860
Deferred tax assets		**19,845**	47,954
Total non-current assets		**2,833,240**	2,345,914
CURRENT ASSETS			
Inventories		**1,541,213**	1,519,889
Trade receivables	*8*	**680,774**	562,372
Bills receivable		**242,003**	239,822
Prepayments, deposits and other receivables		**214,327**	252,326
Financial assets at fair value through profit or loss		**15,772**	17,364
Debt instruments at amortised cost		**20,258**	25,357
Derivative financial assets		**444**	7,513
Tax recoverable		**5,025**	48,629
Cash and cash equivalents		**1,555,102**	1,927,436
Total current assets		**4,274,918**	4,600,708
CURRENT LIABILITIES			
Trade payables	*9*	**573,470**	435,979
Other payables and accrued liabilities		**392,727**	531,762
Lease liabilities		**118,374**	117,871
Derivative financial liabilities		**4,839**	5,829
Interest-bearing bank borrowings		**315,100**	431,688
Tax payable		**10,194**	3,964
Total current liabilities		**1,414,704**	1,527,093
NET CURRENT ASSETS		**2,860,214**	3,073,615
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,693,454**	5,419,529

	31 March	
	2024	2023
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables and accrued liabilities	**7,691**	9,999
Lease liabilities	**306,439**	298,152
Interest-bearing bank borrowings	**504,837**	—
Deferred tax liabilities	**81,922**	95,815
Total non-current liabilities	**900,889**	403,966
Net assets	**4,792,565**	5,015,563
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**69,085**	69,085
Reserves	**4,691,474**	4,818,556
Proposed final dividend	**27,634**	138,170
	4,788,193	5,025,811
Non-controlling interests	**4,372**	(10,248)
Total equity	**4,792,565**	5,015,563

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"), 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 new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described as below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

    Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 April 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 April 2022.

    Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively.

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, compensation for the loss of inventories due to a fire accident and non-lease related finance costs are excluded from such measurement.

Segment assets exclude time deposits, tax recoverable 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 2024 and 31 March 2023:

	Production, dyeing and sale of knitted fabric, yarn and garments		**Retailing and distribution of casual apparel and accessories**		**Others**		**Eliminations**		**Consolidated**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**3,920,887**	4,296,693	**1,443,408**	1,760,944	**2,245**	1,118	**—**	—	**5,366,540**	6,058,755
Intersegment sales	**68,877**	85,406	**13,423**	13,857	**—**	6,987	**(82,300)**	(106,250)	**—**	—
Other revenue	**65,999**	51,137	**43,971**	80,938	**8,313**	33,085	**(2,799)**	(4,727)	**115,484**	160,433
Total segment revenue	**4,055,763**	4,433,236	**1,500,802**	1,855,739	**10,558**	41,190	**(85,099)**	(110,977)	**5,482,024**	6,219,188
Segment results	**193,265**	171,027	**(113,928)**	(267,349)	**1,878**	39,230	**(3,664)**	(1,971)	**77,551**	(59,063)
Reconciliation:										
Interest income									**85,516**	41,534
Compensation for the loss of inventories due to a fire accident									**29,582**	107,128
Finance costs (excluding interest on lease liabilities)									**(30,855)**	(13,431)
Profit before tax									**161,794**	76,168
Income tax expense									**(22,848)**	(13,067)
Profit for the year									**138,946**	63,101

(a) The following tables present revenue, profit and certain assets, liabilities and expenditures information of the Group for the years ended 31 March 2024 and 31 March 2023 *(continued)*:

	Production, dyeing and sale of knitted fabric, yarn and garments		**Retailing and distribution of casual apparel and accessories**		**Others**		**Eliminations**		**Consolidated**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**5,616,282**	4,652,287	**1,597,425**	2,122,077	**561,673**	595,261	**(1,791,112)**	(1,894,721)	**5,984,268**	5,474,904
Reconciliation :										
Unallocated assets									**1,123,890**	1,471,718
Total assets									**7,108,158**	6,946,622
Segment liabilities	**874,575**	906,272	**1,947,544**	2,002,339	**35,180**	48,348	**(1,453,759)**	(1,557,367)	**1,403,540**	1,399,592
Reconciliation :										
Unallocated liabilities									**912,053**	531,467
Total liabilities									**2,315,593**	1,931,059
Other segment information:										
Depreciation of property, plant and equipment and right-of-use assets	**207,621**	191,840	**168,312**	189,600	**—**	—	**—**	—	**375,933**	381,440
Capital expenditure*	**165,473**	246,350	**31,275**	17,554	**—**	—	**—**	—	**196,748**	263,904
Write-down/(reversal of write-down) of inventories	**3,639**	(94,908)	**(13,608)**	6,755	**—**	—	**—**	—	**(9,969)**	(88,153)
Reversal of impairment of trade receivables	**—**	—	**(1,567)**	(2,639)	**—**	—	**—**	—	**(1,567)**	(2,639)
Impairment of right-of-use assets	**—**	—	**—**	6,013	**—**	—	**—**	—	**—**	6,013
Impairment of items of property, plant and equipment	**—**	198	**—**	339	**—**	—	**—**	—	**—**	537
Impairment/(reversal of impairment) of debt instruments at amortised cost	**—**	—	**3,751**	(517)	**—**	—	**—**	—	**3,751**	(517)
Net fair value loss/(gain) on investment properties	**—**	—	**—**	—	**13,192**	(11,328)	**—**	—	**13,192**	(11,328)

* Capital expenditure consists of additions to property, plant and equipment and construction in progress.

(b) Geographical information

The following table presents geographical revenue and non-current assets information of the Group for the years ended 31 March 2024 and 31 March 2023:

	USA		**Chinese Mainland**		**Japan**		**Hong Kong**		**Others**		**Eliminations**		**Consolidated**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,564,037**	1,733,597	**2,411,446**	2,525,380	**527,785**	894,443	**720,482**	669,921	**142,790**	235,414	**—**	—	**5,366,540**	6,058,755
Non-current assets	**—**	—	**1,240,114**	1,477,385	**—**	—	**849,535**	830,682	**622,714**	20,071	**—**	(135,564)	**2,712,363**	2,192,574

The Group's geographical revenue and non-current assets information, excluding long term rental deposits, financial assets at fair value through profit or loss, long term debt instruments at amortised cost 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 contributed to more than 10% to the Group's revenue during the year.

In the prior year, revenue from customers individually contributing over 10% to the total revenue of the Group during that year was as follows:

	2024	2023
	HK$'000	*HK$'000*
Customer A	N/A*	872,462

* This customer individually contributed less than 10% of the total revenue from the Group during the year ended 31 March 2024.

4. Profit before tax

The Group's profit before tax is arrived at after charging /(crediting):

	Year ended 31 March	
	2024	2023
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**218,145**	222,829
Depreciation of right-of-use assets	**157,788**	158,611
Net gains on disposal of items of property, plant and equipment	**(10,518)**	(3,702)
Compensation for the loss of inventories due to a fire accident	**(29,582)**	(107,128)

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Pursuant to the People's Republic of China Income Tax Law and the respective regulations, companies of the Group which operate in Chinese Mainland were subject to Corporate Income Tax ("CIT") at the rate of 25% (2023: 25%) on the taxable profit for the years ended 31 March 2024 and 2023.

Certain companies of the Group which operate in Chinese Mainland were subject to CIT at the rate of 15% (2023: 15%) as a qualified high and new technology enterprise and entitled to deduct qualifying research and development expense from taxable profit during the years ended 31 March 2024 and 2023.

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	
	2024	2023
	HK$'000	*HK$'000*
Current - Hong Kong and Chinese Mainland:		
Charge for the year	**12,469**	19,239
Overprovision in prior years	**(232)**	(20,081)
Deferred	**10,611**	13,909
Total tax charge for the year	**22,848**	13,067

6. Dividends

	Year ended 31 March	
	2024	2023
	HK$'000	*HK$'000*
Interim dividend – HK5.0 cents (2023: HK10.0 cents) per ordinary share	**69,085**	138,170
Proposed final dividend – HK2.0 cents (2023: HK10.0 cents) per ordinary share	**27,634**	138,170
	96,719	276,340

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 (2023: 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 2024 and 31 March 2023.

8. Trade receivables

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 trade with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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$25,140,000 (2023: HK$26,707,000), is as follows:

	31 March	
	2024	2023
	HK$'000	*HK$'000*
Within 90 days	**591,657**	417,019
Over 90 days	**89,117**	145,353
Total	**680,774**	562,372

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	
	2024	2023
	HK$'000	*HK$'000*
Within 90 days	**545,165**	425,380
Over 90 days	**28,305**	10,599
Total	**573,470**	435,979

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

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

	31 March	
	2024	2023
	HK$'000	*HK$'000*
Bank guarantees given in lieu of property rental deposits	**7,345**	5,966

11. Events after the Reporting Period

In June 2024, a subsidiary of the Company and an independent third party preliminarily agreed the terms of the Resumption Compensation Agreement (the "Agreement") for the resumption of land and buildings after arm's length negotiation. As at the date of this announcement, the subsidiary is still waiting for the signed confirmation of the Agreement from the independent third party. Upon signing the Agreement by both parties, it is expected that the subsidiary will receive the resumption compensation for the relocation matter.

FINAL DIVIDEND

The Board recommends the payment of final dividend of HK2.0 cents (2023: HK10.0 cents) per ordinary share which, together with the interim dividend of HK5.0 cents (2023: HK10.0 cents) per ordinary share paid on 4 January 2024, will make a total dividend of HK7.0 cents (2023: HK20.0 cents) per ordinary share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable on Thursday, 3 October 2024 to the shareholders registered on the Register of Members of the Company on Wednesday, 4 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 August 2024 to Thursday, 22 August 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 August 2024.

The Register of Members of the Company will be closed from Monday, 2 September 2024 to Wednesday, 4 September 2024 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2024. 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 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 August 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For this fiscal year ended 31 March 2024, the Group's total revenue decreased by 11.4% to HK$5,367 million (2023: HK$6,059 million). The Group's gross profit margin was 26.3% (2023: 25.9%), an increase of 0.4 percentage points from last year. Profit for the year attributable to the ordinary equity holders of the Company amounted to HK$132 million (2023: HK$75 million), an increase of 76.0%.

Despite the challenging business environment, the Group maintained a healthy cash flow position. As at the reporting date, the production utilization rate of the newly acquired knitted fabric factory in Vietnam has reached 70% of its designed production capacity. It is expected to reach its full capacity by the end of the financial year 2024/2025, with plans for capacity expansion to cope with the surge in customer orders. To preserve resources for further expansion, the Board has recommended a final dividend of HK2.0 cents (2023: HK10.0 cents). Including the interim dividend of HK5.0 cents (2023: HK10.0 cents), total dividend per ordinary share for the year would be HK7.0 cents (2023: HK20.0 cents), representing a dividend payout ratio of 73.1%.

Textile business

The revenue of the textile business decreased by 8.8% to HK$3,921 million (2023: HK$4,297 million), accounting for 73.1% (2023: 70.9%) of the Group's total revenue.

During the reporting year, due to weakened consumer sentiment in the apparel market, overseas apparel retailers adopted a prudent procurement approach, with many beginning to destock to mitigate risks. This resulted in a decline in demand for the Group's textile products.

At the same time, the post-COVID economic rebound in Chinese Mainland fell below expectations, intensifying competition among textile manufacturers in Chinese Mainland. Additionally, the Group's major raw material costs remained high due to commodity price surges triggered by the ongoing Russo-Ukrainian war, leading to a squeeze on profitability. Consequently, the gross profit margin decreased by 1.8 percentage points to 16.3% for the reporting year.

Towards the end of the reporting period, signs of recovery emerged as destocking by western market retailers came to an end. The Group's orderbook gradually improved in the second half due to rebound in the number of oversea orders, with better margins.

The performance and key financial ratios of the business were as follows:

(Amounts expressed in HK$'million, unless specified)	**2024**	2023	2022	2021	2020
Net sales	**3,921**	4,297	5,544	4,644	4,919
Gross profit margin *(%)*	**16.3**	18.1	21.3	23.8	23.2
Operating profit *(note 1)*	**193**	171	564	567	540
EBITDA *(note 1)*	**476**	408	790	771	770
Return on total assets *(%) (note 2)*	**3.5**	3.0	7.5	6.1	6.9
Return on sales *(%) (note 2)*	**5.7**	4.3	10.1	9.2	8.9
Return on equity *(%) (note 2)*	**4.8**	3.9	11.4	9.1	10.8
Capital expenditure	**166**	246	251	126	76

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

(2) Exclude rental income.

Retail and distribution business

The revenue of the retail and distribution business decreased by 18.1% to HK$1,443 million (2023: HK$1,761 million), accounting for 26.9% (2023: 29.1%) of the Group's total turnover. The gross profit margin of retail and distribution business was 53.3%, representing an increase of 8.4 percentage points from last year's 44.9%. The revenue from the Chinese Mainland, Hong Kong and Indonesia accounted for 56.6%, 41.1% and 2.3% of the segment revenue, respectively.

In the Chinese Mainland market, the Group launched an optimization plan by the continued reduction of inefficient and underperforming shops, with a net closure of 381 self-operated shops in the Chinese Mainland during the reporting year, representing 54.8% of its self-operated shops in the market. Due to closure of self-operated shops, there were one-off reorganization costs of HK$47.3 million recognised in the statement of profit or loss during the reporting year, including but are not limited to, forfeiture of rental deposits for early termination of retail shops and employee redundancy compensation. The Group accelerated its E-commerce sales, consignment sales, and franchising business, which gradually demonstrated the effectiveness of the optimization plan in the second half. For this market, net sales decreased by 26.2% to HK$816 million and gross profit margin increased by 6.7 percentage points to 45.2% (2023: 38.5%).

For Hong Kong market, the retail business in Hong Kong recorded a slight drop in sales to HK$594 million due to the "northbound consumption" trend. Nonetheless, gross profit margin of this market increased by 10.1 percentage points to 63.8% (2023: 53.7%), benefiting from the launch of new product lines and their innovation and upgrades in features..

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

(Amounts expressed in HK$'million, unless specified)	**2024**	2023	2022	2021	2020
Net sales	**1,443**	1,761	2,496	2,705	2,709
Gross profit margin *(%)*	**53.3**	44.9	45.3	44.1	47.5
Sales growth of comparable shops *(%)* *(note 1)*	**(5.5)**	(17.7)	(4.8)	(8.4)	(17.1)
Operating loss *(note 2)*	**(114)**	(267)	(289)	(199)	(316)
EBITDA *(note 2)*	**74**	(126)	(26)	108	3
Return on total assets *(%) (note 3)*	**(6.0)**	(12.8)	(10.4)	(6.9)	(11.1)
Return on sales *(%) (note 3)*	**(8.2)**	(15.4)	(10.9)	(6.8)	(10.6)
Return on equity *(%) (note 3)*	**(847.7)**	(226.0)	(73.4)	(29.6)	(53.4)
Capital expenditure	**31**	18	49	57	146

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:

(HK$'million)	**2024**	2023	2022	2021	2020
Baleno	**1,395**	1,711	2,380	2,525	2,484
Others	**48**	50	116	180	225
Total	**1,443**	1,761	2,496	2,705	2,709

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

Chinese Mainland

	2024	2023	2022	2021	2020
Net sales *(HK$'million)*	**816**	1,105	1,936	2,184	2,085
Increase/(decrease) in net sales *(%)*	**(26)**	(43)	(11)	5	(25)
Retail gross floor area *(sq. ft.)**#	**681,420**	1,611,886	1,554,031	1,867,355	1,690,117
Number of sales associates*#	**1,243**	2,895	3,319	3,919	3,446
Number of outlets*△	**1,034**	1,687	1,666	2,026	1,838

Hong Kong

	2024	2023	2022	2021	2020
Net sales *(HK$'million)*	**594**	629	552	521	624
Increase/(decrease) in net sales *(%)*	**(6)**	14	6	(17)	(8)
Retail gross floor area *(sq. ft.)**#	**103,622**	93,274	91,597	96,516	90,281
Number of sales associates *#	**464**	504	407	377	288
Number of outlets *#	**88**	85	85	88	83

Indonesia

	2024	2023	2022	2021	2020
Net sales *(HK$'million)*	**33**	27	8	—	—
Increase in net sales *(%)*	**22**	238	N/A	—	—
Retail gross floor area *(sq. ft.)**#	**34,814**	23,636	11,679	—	—
Number of sales associates *#	**146**	110	62	—	—
Number of outlets *#	**14**	8	4	—	—

* *As at the end of the reporting period*
\# *For self-managed stores*
△ *Including self-managed stores, consignment stores and franchise stores*

Other income and gains
Other income and gains decreased by HK$1 million to HK$201 million (2023: HK$202 million).

Compensation for the loss of inventories due to a fire accident
The insurance company paid part of the compensation for the loss of inventories due to a fire accident to the Group last year, amounting to approximately HK$107 million, and the Group recognised the remaining compensation amounting to approximately HK$30 million during the year.

Finance costs
Finance costs increased by HK$17 million to HK$51 million (2023: HK$34 million) mainly due to high interest rate and the increase in interest-bearing bank borrowings during the year.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a sound financial position. The current ratio, the total interest-bearing bank borrowings and the gearing ratio as at the year end were 3.0, HK$820 million and -0.2 (2023: 3.0, HK$432 million and -0.3) respectively. Interest-bearing bank borrowings increased during the year as the Group acquired a subsidiary in Vietnam. 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 5 times, 63 days and 105 days (2023: 3 times, 48 days and 92 days) respectively. In the fourth quarter of the reporting year, due to a gradual recovery of our order volumes resulting from stock replenishments by retailers and a growing number of orders after acquisition of a knitted fabric factory in Vietnam, the trade and bill receivable, the inventories and the trade payable increased as at the reporting date, compared with that of last year. As a result, the trade and bill receivable to turnover and the inventories to turnover increased accordingly. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and interest-bearing 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$1,555 million, HK$4,788 million and HK$6,399 million (2023: HK$1,927 million, HK$5,026 million and HK$6,036 million), respectively. During the reporting year, the Group completed the acquisition of the knitted fabric factory in Vietnam by cash and bank borrowings, resulting in a decrease in the cash and cash equivalents.

Capital expenditure

The capital expenditure incurred by the Group during the year was HK$197 million (2023: HK$264 million). The capital expenditure incurred by the textile and garment business for the year was HK$166 million (2023: HK$246 million), of which HK$123 million (2023: HK$143 million) was for the addition of plant and machinery for the dyeing, knitting and garment factories and HK$43 million (2023: HK$103 million) was for “Coal to Gas” conversion project. For the retail and distribution business, our capital expenditure incurred for the year amounted to HK$31 million (2023: HK$18 million), mainly for the addition of leasehold improvements of the retail outlets.

Pledge of assets

No significant assets were pledged as at 31 March 2024 and 31 March 2023.

Contingent liabilities

Details of the contingent liabilities as at 31 March 2024 and 31 March 2023 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 three years (2023: 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 (2023: 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 at perpetuity (2023: within two years or at perpetuity). 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 and RMB (2023: HKD, USD and RMB) and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed below, neither the Company nor any of its subsidiaries had material acquisition or disposal during the year ended 31 March 2024.

On 4 August 2023, Nice View Dyeing & Bleaching Limited (the "Purchaser"), being an indirect wholly-owned subsidiary of the Company, and the Company (as the Purchaser's Guarantor) entered into a sale and purchase agreement (the "Acquisition Agreement") with Fashion Time Vietnam Holdings Limited (the "Vendor") and Texhong International Group Limited (as the Vendor's Guarantor), pursuant to which the Purchaser had conditionally agreed to acquire 100% of the registered charter capital (the "Sale Shares") of Fashion Time Viet Nam Limited (currently renamed as Ecotextile (Vietnam) Company Limited ("Ecotextile")), a direct wholly-owned subsidiary of the Vendor before the acquisition and purchase the benefit of, by way of an assignment, the aggregate amount outstanding and owing as at completion of the acquisition in accordance with the terms and conditions of the Acquisition Agreement (the "Loan"), and the Vendor has conditionally agreed to sell the Sale Shares and assign the Loan to the Purchaser at the consideration which was subject to the completion adjustment in accordance with the terms and conditions of the Acquisition Agreement. Accordingly, the above acquisition constituted a major transaction of the Company under Chapter 14 of the Listing Rules.

On 30 November 2023, all of the conditions precedent set out in the Acquisition Agreement had been fulfilled or waived, and the completion of the acquisition took place on the same day pursuant to the Acquisition Agreement (including its supplemental agreements). The consideration paid by the Purchaser to the Vendor for the acquisition was US$78,765,864, which was satisfied by cash. After the completion of the acquisition, Ecotextile became an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Ecotextile were consolidated into the accounts of the Group during the year.

Details of the above matters in respect of Acquisition Agreement and its supplemental agreements can be referred to the announcements of the Company dated 4 August 2023, 28 September 2023, 31 October 2023, 30 November 2023 and 12 December 2023 respectively.

HUMAN RESOURCES

At the year end, the Group had about 9,849 (2023: 9,654) employees in the Greater China, Vietnam and Indonesia. 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) Sponsorship for Dongguan Dragon Boat Competition;
(3) The Community Chest of Hong Kong "Love Teeth Day";
(4) The Community Chest of Hong Kong "Green Low Carbon Day";
(5) Evangelical Lutheran Church Social Service – Hong Kong;
(6) St. James' Settlement;
(7) The Hong Kong Council of Social Service "Caring Company"; and
(8) WWF-Hong Kong.

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

In the fiscal year 2024/2025, potential recession in export markets, price fluctuations, geopolitical risks, and Chinese Mainland's economic recovery pace continue to pose uncertainties to the global economy, challenging the continuity of its growth momentum. Nevertheless, the global rise of domestic fashion brands in Chinese Mainland as well as the growing demand of functional and comfortable clothing, have infused fresh energy to the knitted textile industry. With a strong order book for the first half of the year, the Group remains optimistic about its prospects. Additionally, the Group has also developed adaptive strategies and established resilient operations to navigate the dynamic and rapidly evolving business environment.

Following the successful acquisition of Ecotextile in Vietnam, the Group has expanded its dual-location manufacturing network in Asia, leading to an increase in customer inquiries and new orders. This strategic move has proven effective in aligning with customers' demand for multi-country procurement to mitigate regional risks. The additional capacity in Vietnam, complementing the existing integrated textile production in Chinese Mainland, allows the Group to capture the recovering market demand and diversify its global customer base. Leveraging the distinct competitive advantages of each location, the Group now offers differentiated end-to-end products and solutions to customers. In the first half of the fiscal year 2024/2025, the Group will continue to integrate and ramp up the Vietnam factory to its designed capacity, aiming to create greater synergy and efficiency within its production bases. Given the positive feedback from customers on its business diversification in Vietnam, the Group plans to double its production capacity there in the medium term, further strengthening its leadership in the global textile market.

For the retail and distribution business, the Group aims to further narrow losses. Building on the success transformation to a lighter asset operating model in the Chinese Mainland business over the past few years, the Group will enhance its operating efficiency by strengthening E-commerce sales in the region. Additionally, the Group will continue to upgrade its retail brand image and product lines by introducing a wider range of functional apparel with advanced technical features to meet the growing consumer demand for high-value, comfortable, functional, and aesthetically pleasing clothing. Furthermore, the Group will actively seek expansions in the Southeast Asia and other regions through consignment and franchise model to create new revenue streams.

Having navigated nearly two challenging years marked by post-pandemic complications and geopolitical conflicts, the Group firmly believes that the worst is behind and is now well-equipped to embrace new opportunities in the forthcoming economic cycle.

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. Cheng Shu Wing and Ms. Lin Kit Yee Anna. 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 nine meetings to review the internal controls and financial reporting matters and make 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 auditor 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 C1 to the Listing Rules throughout the financial year, except for the following:

1. Under code provision F.2.2 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 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.

2. Mr. Ho Lai Hong was re-designated from an Independent Non-executive Director ("INED") of the Company to an executive director ("ED") of the Company with effect from 9 November 2023. Upon the re-designation of Mr. Ho as an ED, (i) the number of INEDs and the number of INEDs of the Company's Audit Committee fell below the minimum number of three, as required respectively under Rules 3.10(1) and 3.21 of the Listing Rules; and (ii) the number of INEDs of the Remuneration Committee and the Nomination Committee failed to meet the majority requirement under Rules 3.25 and 3.27A of the Listing Rules respectively.

   Ms. Lin Kit Yee Anna was appointed as an independent non-executive director of the Company with effect from 1 January 2024. Following Ms. Lin's appointment as INED, the Company has re-complied with Rules 3.10(1), 3.21, 3.25 and 3.27A of the Listing Rules since then.

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

The Company has adopted the Model Code as set out in Appendix C3 to 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 WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2024, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2024 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 and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report for 2023/2024 will be despatched to the shareholders of the Company upon request 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, 21 June 2024

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Ho Lai Hong, Mr. Poon Ho Tak and Mr. Ng Mo Ping; the independent non-executive directors of the Company are Mr. Cheng Shu Wing, Mr. Law Brian Chung Nin and Ms. Lin Kit Yee Anna.