TEXWINCA Holdings Limited (321.HK) Announces FY2023/24 Annual Results

Net Profit Soars by 76% to HKD 132 Million with a Full-year Dividend Payout Ratio of 73%

Dual - location Production Network Seizes Market Recovery Opportunities

(Hong Kong – 21 June 2024) **Texwinca Holdings Limited** ("Texwinca" or the "Company", together with its subsidiaries, the "Group", stock code: 321.HK), one of the top one-stop listed textile enterprises, is pleased to announce the consolidated results for the year ended 31 March 2024.

The operating environment in the textile and garment industry was full of challenges, with weak consumer sentiment and inventory backlogs leading overseas apparel retailers to adopt cautious procurement strategies. The Group has been striving to adapt to industry changes and continuously optimise its operating model. Despite a slight decline in total revenue for this fiscal year 2023/24, the profit attributable to the ordinary equity holders of the Company recorded significant growth.

For this fiscal year ended 31 March 2024, the Group's total revenue decreased by 11.4% to HK$5,367 million. The Group's gross profit margin was 26.3%, 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, an increase of 76.0%.

The Board has recommended a final dividend of HK2.0 cents. Including the interim dividend of HK5.0 cents, total dividend per ordinary share for the year would be HK7.0 cents, representing a dividend payout ratio of 73.1%.

Textile business

For this fiscal year 2023/24, the revenue of the textile business decreased by 8.8% to HK$3,921 million, accounting for 73.1% 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 strategy, with many beginning to destock to mitigate risks. This resulted in a decline in demand for the Group's textile products.

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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.

During the fiscal year 2023/24, the Group completed the acquisition of a knitted fabric factory in Vietnam. This acquisition marked the establishment of the Group's multi-location manufacturing network in Asia, complementing its integrated textile production base in Dongguan, China. After completion of the acquisition, the new Vietnam production base has been renamed as Ecotextile (Vietnam) Company Ltd. ("Ecotextile") and has commenced operations. It is expected to reach its designed capacity by the end of 2024, with plans for capacity expansion.

Retail and distribution business

The revenue of the retail and distribution business decreased by 18.1% to HK$1,443 million, accounting for 26.9% 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. 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 optimisation 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 reorganisation costs of HK$47.3 million recognised in the statement of profit or loss during the reporting year. The Group accelerated its E-commerce sales, consignment sales, and franchising business, which gradually demonstrated the effectiveness of the optimisation 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%.
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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 Hong Kong market increased by 10.1 percentage points to 63.8%, benefiting from the launch of new product lines and their innovation and upgrades in features.

Outlook

In the fiscal year 2024/25, 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.

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 2024/25, 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, 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.

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About Texwinca Holdings Limited (Stock code: 321.HK)

Established in 1975, Texwinca was listed on The Stock Exchange of Hong Kong in 1992. The Company operates as one of the top one-stop listed textile enterprises, mainly engaging in the production and distribution of knitted fabrics, cotton yarn, and garments with dual-location manufacturing in Chinese Mainland and Vietnam. Texwinca operates its casual wear retail business under the brand name "Baleno" in Chinese Mainland, Hong Kong, and Indonesia. The Company is actively exploring global markets through consignment and franchise model, aiming to expand its presence worldwide.

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Appendix

Table 1：Overall Financial performance

	For the year ended 31 March 2024		
HK$'million	***2024***	*2023*	**Change**
Revenue	**5,367**	6,059	-11.4%
Mainly includes:			
Textile business	**3,921**	4,297	-8.8%
Retail and distribution business	**1,443**	1,761	-18.1%
Gross profit	**1,409**	1,572	-10.4%
Net profit/(loss) attributes to owners of the company	**132**	75	+76.0%
Gross profit margin *(%)*	**26.3%**	25.9%	+0.4 pp
Net profit margin *(%)*	**2.5%**	1.2%	+1.3 pp
Return on total assets *(%)*	**1.9%**	1.1%	+0.8 pp
Return on revenue *(%)*	**2.5%**	1.2%	+1.3 pp

Table 2: Textile business performance and key financial indicators

HK$'million	**2024**	2023
Net sales	**3,921**	4,297
Gross profit margin (%)	**16.3**	18.1
Operating profit (note 1)	**193**	171
Capital expenditure	**166**	246

Note: (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*

Table 3：Retail and distribution business performance and key financial indicators

HK$'million	**2024**	2023
Net sales	**1,443**	1,761
Gross profit margin (%)	**53.3**	44.9
Operating loss (note 2)	**(114)**	(267)
Capital expenditure	**31**	18

Note: (2) *Exclude interest income, rental income and finance cost*

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Table 4：Market performance in different regions

Chinese Mainland

	2024	2023
Net sales *(HK$'million)*	**816**	1,105
Increase/(decrease) in net sales *(%)*	**(26)**	(43)
Retail gross floor area *(sq. ft.)*	**681,420**	1,611,886
Number of outlets*△	**1,034**	1,687

Hong Kong

	FY2023/24	FY2022/23
Net sales *(HK$'million)*	**594**	629
Increase/(decrease) in net sales *(%)*	**(6)**	14
Retail gross floor area *(sq. ft.)*	**103,622**	93,274
Number of outlets *#	**88**	85

Indonesia

	FY2023/24	FY2022/23
Net sales *(HK$'million)*	**33**	27
Increase in net sales *(%)*	**22**	238
Retail gross floor area *(sq. ft.)*	**34,814**	23,636
Number of outlets*#	**14**	8

* *As at the end of the reporting period*

\# *For self-managed stores*

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