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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

#### RESULTS

The board of directors (the “Board”) of Texwinca Holdings Limited (the “Company”) has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2012. The interim results have been reviewed by the Company’s audit committee.

#### Condensed Consolidated Income Statement

	Notes	Six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>5,519,207</b>	6,711,689
Cost of sales		<b>(3,853,113)</b>	(4,698,543)
Gross profit		<b>1,666,094</b>	2,013,146
Other income and gains	5	<b>221,600</b>	110,129
Selling and distribution costs		<b>(1,236,076)</b>	(1,139,410)
Administrative expenses		<b>(420,898)</b>	(352,543)
Other operating expenses, net		<b>(871)</b>	(2,453)
Finance costs		<b>(28,452)</b>	(16,827)
Share of profit of an associate, net of tax		<b>21,969</b>	31,505
<b>PROFIT BEFORE TAX</b>	6	<b>223,366</b>	643,547
Income tax expense	7	<b>(16,276)</b>	(67,173)
<b>PROFIT FOR THE PERIOD</b>		<b>207,090</b>	576,374

\*For identification purpose only

Attributable to:			
Ordinary equity holders of the Company		<b>232,272</b>	570,500
Non-controlling interests		<b>(25,182)</b>	5,874
		<hr/>	
		<b>207,090</b>	<b>576,374</b>
<hr/>			
<b>Earnings per share attributable to ordinary equity holders of the Company</b>			
<i>(HK cents)</i>	9		
Basic		<b>17.1</b>	41.9
Diluted		<b>17.0</b>	41.5
		<hr/>	

Details of the dividends for the period are disclosed in note 8 to the financial statements.

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>207,090</b>	576,374
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations	<b>16,282</b>	132,138
<b>Total comprehensive income for the period</b>	<b>223,372</b>	708,512
Attributable to:		
Ordinary equity holders of the Company	<b>213,803</b>	691,604
Non-controlling interests	<b>9,569</b>	16,908
	<b>223,372</b>	708,512

## Condensed Consolidated Statement of Financial Position

		At 30 September 2012	At 31 March 2012 (Restated) (Audited)
	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>2,130,940</b>	2,144,549
Investment properties		<b>193,566</b>	193,278
Prepaid land lease payments		<b>22,827</b>	23,149
Construction in progress		<b>2,118</b>	94,327
Trademarks		<b>33,293</b>	33,293
Investment in an associate		<b>122,844</b>	101,830
Long term rental deposits		<b>141,785</b>	122,092
<b>Total non-current assets</b>		<b>2,647,373</b>	2,712,518
<b>CURRENT ASSETS</b>			
Inventories		<b>2,383,560</b>	2,712,541
Trade receivables	<i>11</i>	<b>572,572</b>	683,416
Bills receivable – external trade		<b>350,981</b>	403,450
Bills receivable – intra-group trade		<b>1,806,400</b>	1,707,485
Due from an associate		<b>22,174</b>	-
Prepayments, deposits and other receivables		<b>637,954</b>	680,550
Held-to-maturity investments		<b>15,532</b>	23,384
Derivative financial assets		<b>12,274</b>	12,661
Cash and cash equivalents		<b>5,401,080</b>	4,500,318
<b>Total current assets</b>		<b>11,202,527</b>	10,723,805
<b>CURRENT LIABILITIES</b>			
Due to an associate		-	9,715
Trade payables	<i>12</i>	<b>1,244,828</b>	1,333,828
Bills payable – external trade		<b>35,706</b>	93,469
Bills payable – intra-group trade		<b>1,806,400</b>	1,707,485
Other payables and accrued liabilities		<b>480,253</b>	436,288
Derivative financial liabilities		<b>2,924</b>	4,492
Tax payable		<b>163,053</b>	246,706
Interest-bearing bank borrowings		<b>3,879,085</b>	3,193,332
Dividend payable		<b>326,725</b>	-
<b>Total current liabilities</b>		<b>7,938,974</b>	7,025,315
<b>Net current assets</b>		<b>3,263,553</b>	3,698,490
<b>Total assets less current liabilities</b>		<b>5,910,926</b>	6,411,008

	<i>Note</i>	<b>At 30 September 2012 (Unaudited) HK\$'000</b>	<b>At 31 March 2012 (Restated) (Audited) HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		-	412,567
Deferred tax liabilities		<b>118,243</b>	112,461
Total non-current liabilities		<b>118,243</b>	525,028
Net assets		<b>5,792,683</b>	5,885,980
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		<b>68,168</b>	68,068
Reserves		<b>5,214,958</b>	5,168,559
Interim/final dividends	8	<b>177,360</b>	326,725
		<b>5,460,486</b>	5,563,352
<b>Non-controlling interests</b>		<b>332,197</b>	322,628
Total equity		<b>5,792,683</b>	5,885,980

## Condensed Consolidated Statement of Changes in Equity

	Attributable to ordinary equity holders of the Company												
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Asset revaluation reserve	Legal reserve	Retained profits	Dividends	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 April 2012 as previously reported	68,068	589,666	2,370	1,695	3,986	421,583	29,344	49	4,102,971	326,725	5,546,457	322,628	5,869,085
Change in accounting policy – Adoption of HKAS 12 amendment	-	-	-	-	-	-	-	-	16,895	-	16,895	-	16,895
At 1 April 2012 as restated	68,068	589,666	2,370	1,695	3,986	421,583	29,344	49	4,119,866	326,725	5,563,352	322,628	5,885,980
Exchange realignment	-	-	-	-	-	(18,469)	-	-	-	-	(18,469)	34,751	16,282
Profit for the period	-	-	-	-	-	-	-	-	232,272	-	232,272	(25,182)	207,090
Total comprehensive income for the period	-	-	-	-	-	(18,469)	-	-	232,272	-	213,803	9,569	223,372
Exercise of share options	100	10,121	(165)	-	-	-	-	-	-	-	10,056	-	10,056
Cancellation of share options	-	-	(75)	-	-	-	-	-	75	-	-	-	-
2011/2012 final dividend	-	-	-	-	-	-	-	-	-	(326,725)	(326,725)	-	(326,725)
2012/2013 interim dividend	-	-	-	-	-	-	-	-	(177,360)	177,360	-	-	-
At 30 September 2012	68,168	599,787	2,130	1,695	3,986	403,114	29,344	49	4,174,853	177,360	5,460,486	332,197	5,792,683
At 1 April 2011 as previously reported	68,042	586,285	2,985	1,695	3,986	282,565	25,389	49	3,853,370	408,284	5,232,650	280,037	5,512,687
Change in accounting policy – Adoption of HKAS 12 amendment	-	-	-	-	-	-	-	-	9,049	-	9,049	-	9,049
At 1 April 2011 as restated	68,042	586,285	2,985	1,695	3,986	282,565	25,389	49	3,862,419	408,284	5,241,699	280,037	5,521,736
Exchange realignment	-	-	-	-	-	121,104	-	-	-	-	121,104	11,034	132,138
Profit for the period	-	-	-	-	-	-	-	-	570,500	-	570,500	5,874	576,374
Total comprehensive income for the period	-	-	-	-	-	121,104	-	-	570,500	-	691,604	16,908	708,512
Exercise of share options	20	2,604	(450)	-	-	-	-	-	-	-	2,174	-	2,174
2010/2011 final dividend	-	-	-	-	-	-	-	-	-	(408,284)	(408,284)	-	(408,284)
2011/2012 interim dividend	-	-	-	-	-	-	-	-	(353,924)	353,924	-	-	-
At 30 September 2011	68,062	588,889	2,535	1,695	3,986	403,669	25,389	49	4,078,995	353,924	5,527,193	296,945	5,824,138

## Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>524,189</b>	799,097
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(1,111,142)</b>	568,515
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>290,793</b>	(462,482)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(296,160)</b>	905,130
Cash and cash equivalents at beginning of period	<b>1,294,564</b>	1,466,935
Foreign exchange adjustments	<b>(11,422)</b>	63,365
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>986,982</b>	2,435,430
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>212,621</b>	507,957
Non-pledged time deposits with original maturity within three months when acquired	<b>774,361</b>	1,927,473
Non-pledged time deposits with original maturity over three months when acquired	<b>4,414,098</b>	2,172,850
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>5,401,080</b>	4,608,280
Less : Non-pledged time deposits with original maturity over three months when acquired	<b>(4,414,098)</b>	(2,172,850)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>986,982</b>	2,435,430

### Notes to the Financial Statements

#### 1. BASIS OF PREPARATION

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2012, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments : Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Deferred Tax : Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the HKFRSs listed above has had no significant impact on the Group's unaudited condensed interim financial statements for the six months ended 30 September 2012.

The principal effects of adopting the new and revised HKAS are as follows:

### Amendments to HKAS 12 — *Deferred Tax: Recovery of Underlying Assets*

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through use. Following the adoption of HKAS 12 Amendments, deferred tax is provided on the basis that the carrying amounts of the investment properties will be recovered through sale except that the basis of recovery through use will continue to apply to those investment properties which are depreciable and are held with an objective to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. This change in accounting policy has been applied retrospectively.

The impact of the said change in accounting policy has effects on the Group's financial statements as follows:

	<b>30 September 2012</b>	31 March 2012	1 April 2011
	<b>(Unaudited)</b>	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Decrease in deferred tax liabilities	<b>16,895</b>	16,895	9,049
<b>Increase in net assets</b>	<b>16,895</b>	16,895	9,049
Increase in retained profits	<b>16,895</b>	16,895	9,049
<b>Increase in total equity</b>	<b>16,895</b>	16,895	9,049

For the following new and revised HKFRSs which have not yet been effective, the Group is in the process of assessing their impact on the Group's results and financial position.



HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Disclosures — Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HK (IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
Annual Improvements Project	<i>Annual Improvements 2009 – 2011 Cycle</i> <sup>2</sup>
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 <i>Financial Instruments</i> and HKFRS 7 <i>Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates adopted in the preparation of the unaudited condensed interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2012.

#### **4. 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 interest income, finance costs and share of profit of an associate, net of tax are excluded from such measurement.

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.

The following table presents revenue and profit information of the Group for the six months ended 30 September 2012 and 30 September 2011:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,766,992	3,752,976	2,738,876	2,945,991	13,339	12,722	-	-	5,519,207	6,711,689
Intersegment sales	-	-	-	-	3,668	2,585	(3,668)	(2,585)	-	-
Other revenue	32,816	12,138	57,619	9,476	12,784	13,051	(1,687)	(2,079)	101,532	32,586
Total	2,799,808	3,765,114	2,796,495	2,955,467	29,791	28,358	(5,355)	(4,664)	5,620,739	6,744,275
Segment results	167,916	505,365	(73,954)	30,164	15,819	15,797	-	-	109,781	551,326
Interest income									120,068	77,543
Finance costs									(28,452)	(16,827)
Share of profit of an associate, net of tax									21,969	31,505
Profit before tax									223,366	643,547
Income tax expense									(16,276)	(67,173)
Profit for the period									207,090	576,374

## 5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest income	120,068	77,543
Net fair value gains on foreign exchange derivative financial instruments	20,273	-
Gross rental income on investment properties	8,475	9,135
Government subsidies	1,241	2,531
Gain on disposal of items of property, plant and equipment	58,501	5,305
Sundry income	13,042	15,615
	<b>221,600</b>	<b>110,129</b>

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	187,340	165,778
Recognition of prepaid land lease payments	295	294
Provision/(write-back of provision) for slow-moving inventories	(45,552)	100,857
Write-back of impairment of trade receivables	(42)	-
Gain on disposal of items of property, plant and equipment	58,501	5,305

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hong Kong and mainland China taxes:		
Current period provision	10,348	52,296
Under-provision in prior years	-	5,803
Deferred tax	5,782	8,841
Elsewhere tax:		
Current period provision	146	233
Tax charge for the period	<b>16,276</b>	<b>67,173</b>

## 8. DIVIDENDS

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interim dividend	177,360	353,924
Interim dividend per share ( <i>HK cents</i> )	13.0	26.0

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$232,272,000 (six months ended 30 September 2011: HK\$570,500,000) and the weighted average number of 1,361,762,989 (six months ended 30 September 2011: 1,361,073,153) ordinary shares in issue during the period.

### (b) Diluted earnings per share

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

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	232,272	570,500
<b>Shares</b>		
Number of shares Six months ended 30 September		
	2012 (Unaudited)	2011 (Unaudited)
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,361,762,989	1,361,073,153
Effect of dilution — weighted average number of ordinary shares:		
Share options	8,463,954	12,145,470
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	1,370,226,943	1,373,218,623

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired items of property, plant and equipment with a cost of HK\$91,456,000 (six months ended 30 September 2011: HK\$107,158,000). Items of property, plant and equipment with a net book value of HK\$11,972,000 (six months ended 30 September 2011: HK\$2,139,000) were disposed of during the six months ended 30 September 2012.

## 11. 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\$12,307,000 (31 March 2012: HK\$12,349,000), is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within 90 days	561,764	659,076
Over 90 days	10,808	24,340
	<b>572,572</b>	<b>683,416</b>

Payment terms of the Group's customers mainly range from "cash before delivery" to "within 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 12. TRADE PAYABLES

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

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within 90 days	1,219,355	1,301,175
Over 90 days	25,473	32,653
	<b>1,244,828</b>	<b>1,333,828</b>

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

### 13. CONTINGENT LIABILITIES

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

	<b>At 30 September 2012 (Unaudited) HK\$'000</b>	<b>At 31 March 2012 (Audited) HK\$'000</b>
Bank guarantees given in lieu of property rental deposits	<b>6,437</b>	6,548
Guarantees of banking facilities granted to an associate	<b>12,500</b>	12,500

- (b) During the year ended 31 March 2007, the Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs for the past years of certain subsidiaries of the Group. In March 2007, March 2008, February 2009, January 2010, March 2011 and March 2012, protective tax assessments totalling HK\$322,038,000, HK\$224,000,000, HK\$275,000,000, HK\$578,000,000, HK\$246,050,000 and HK\$184,625,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006 respectively, have been issued by the IRD. Objections have been raised by the Group against the protective tax assessments. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates in the sums of HK\$40,000,000, HK\$35,000,000, HK\$25,000,000, HK\$25,000,000, HK\$32,000,000 and HK\$28,000,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006, respectively. In view that the tax review 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 these subsidiaries consider that adequate tax provisions have been made in the financial statements.

### 14. CAPITAL COMMITMENTS

The commitments for capital expenditure of the Group at the end of the reporting period were as follows:

	<b>At 30 September 2012 (Unaudited) HK\$'000</b>	<b>At 31 March 2012 (Audited) HK\$'000</b>
In respect of property, plant and equipment, contracted but not provided for	<b>1,443</b>	2,698
In respect of property, plant and equipment, authorised but not contracted for	<b>113,606</b>	113,994
	<b>115,049</b>	116,692

## 15. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following related party transactions:

		Six months ended 30 September	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Sales to Megawell	(i)	177,050	289,666
Purchases from Megawell	(ii)	145,261	240,484
Rental expenses paid to related companies	(iii)	11,912	12,141

### Notes:

- (i) *The sales to Megawell, an associate of the Group, were made according to the prices and conditions offered to the major customers of the Group.*
- (ii) *The directors considered that the purchases from Megawell were made according to the prices and conditions similar to those offered to other customers of Megawell.*
- (iii) *The rental expenses were paid to related companies, of which certain directors of the Company are also the directors and beneficial shareholders, for the provision of directors' quarters, retail outlets and a training centre for certain subsidiaries in Hong Kong and mainland China. The directors considered that the monthly rentals were charged based on the prevailing market rates at the dates of entering into the tenancy agreements.*

In addition, the Company and the Group have provided certain guarantees for banking facilities granted to Megawell, as detailed in note 13(a) to the financial statements.

(b) As at 30 September 2012, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advance of HK\$64,192,000 (31 March 2012: HK\$23,233,000) to Baleno Kingdom Limited, a non-wholly-owned subsidiary of the Company, at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.6% (31 March 2012: HIBOR plus 2.6%) per annum. The advance is unsecured and has no fixed terms of repayment.

As at 30 September 2012, Nice Dyeing Factory (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company, has provided advance of HK\$201,769,000 (31 March 2012: HK\$311,638,000) to Baleno Holdings Limited, a non-wholly-owned subsidiary of the Company, at 5.3% (31 March 2012: 5.3%) per annum. The advance is unsecured and has no fixed terms of repayment.

As at 30 September 2012, Dongguan Texwinca Textile and Garment Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$508,677,000 (31 March 2012: HK\$517,395,000) to Guangzhou Friendship Baleno Company Limited, a non-wholly-owned subsidiary of the Company, at 1.6% (31 March 2012 : 1.2%) per annum. The advance is unsecured and has no fixed terms of repayment.

The principal purpose of the above advances is to finance the operations of Baleno Holdings Limited and its subsidiaries. The transactions were entered into based on normal commercial terms agreed between the relevant parties.



- (c) On 26 March 2012, the Group entered into a lease agreement with Mountain Rich Limited ( “MRL” ), a company controlled and owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease Tianjin Bin Jiang Fu Shi Commercial Building at Tianjin City, He Ping Qu, Bin Jiang Road 282 – 286, Tianjin, China from MRL as a retail outlet for the retail and distribution business of the Group for a term of two years commencing from 1 April 2012 at the monthly rent of RMB948,000 and RMB995,000 for the first year and the second year, respectively.

On 26 March 2012, the Group entered into a lease agreement with Latex (Hong Kong) Limited ( “Latex” ), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease 22 Perkins Road, Jardine’s Lookout, Hong Kong from Latex as a director’s quarter of the Group for a term of two years commencing from 1 April 2012 at the monthly rent of HK\$360,000.

On 26 March 2012, the Group entered into a lease agreement with Winson Link Enterprises Limited ( “WLEL” ), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease Room 4207B, 42nd Floor, Metroplaza Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong from WLEL as a training center of the Group for a term of two years commencing from 1 April 2012 at the monthly rent of HK\$42,000.

On 26 March 2012, the Group entered into a lease agreement with Grand Treasure Investment Limited ( “GTL” ), a company wholly-owned by Mr. Poon Kei Chak, an executive director and a shareholder of the Company, and his spouse, to lease 28 La Salle Road, House 5, Kowloon from GTL as a director’s quarter of the Group for a term of one year commencing from 1 April 2012 at the monthly rent of HK\$300,000.

On 26 March 2012, the Group entered into a lease agreement with Essential Guide Limited ( “EGL” ), a company wholly-owned by Mr. Poon Kai Chak, an executive director and a shareholder of the Company, and Mr. Poon Ho Wa, an executive director of the Company, and their respective spouses, to lease Flat H, 28/F, Tower 1, The Belcher’s, 89 Pok Fu Lam Road, Pok Fu Lam, Hong Kong from EGL as a director’s quarter of the Group for a term of one year commencing from 1 April 2012 at the monthly rent of HK\$89,000.

On 26 March 2012, the Group entered into a lease agreement with Sonway Enterprises Limited ( “SWL” ), a company wholly-owned by Mr. Ting Kit Chung, an executive director and a shareholder of the Company, and his spouse, to lease 3/F, Ernest Court, 27 Ngan Mok Street, Hong Kong from SWL as a director’s quarter of the Group for a term of one year commencing from 1 April 2012 at the monthly rent of HK\$30,000.

On 26 March 2012, the Group entered into a lease agreement with Million World Limited ( “MWL” ), a company wholly-owned by a son of Mr. Poon Kai Chak, an executive director and a shareholder of the Company, and their respective spouse, to lease Flat A, 31/F, Tower 8, Bel-air on the Peak, Hong Kong from MWL as a staff quarter of the Group for a term of one year commencing from 1 April 2012 at the monthly rent of HK\$25,500.

- (d) A non-controlling shareholder of the Group’s 64%-owned subsidiary (31 March 2012 : 64%) had provided an unconditional guarantee to indemnify the Group from any loss arising from the recoverability of prepayments made to a supplier of the Group of HK\$8,175,000 (31 March 2012: HK\$9,755,000) as included in the balance of the prepayments, deposits and other receivables of the Group as at the end of the reporting period.

(e) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	35,845	58,662
Post-employment benefits	35	30
Compensation for non-competition undertaking	-	4,960
Total compensation paid to key management personnel	35,880	63,652

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK13.0 cents (six months ended 30 September 2011: HK26.0 cents) per ordinary share for the six months ended 30 September 2012. The interim dividend will be payable on Wednesday, 9 January 2013 to shareholders registered on the Register of Members of the Company on Friday, 21 December 2012.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 17 December 2012 to Friday, 21 December 2012 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2012. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2012, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 14 December 2012.

### BUSINESS REVIEW

The Group's total sales for the six months ended 30 September 2012 amounted to HK\$5,519 million (six months ended 30 September 2011 : HK\$6,712 million), a decrease of 17.8% compared to last year. Net profit attributable to the equity holders of the Company was HK\$232 million (six months ended 30 September 2011 : HK\$571 million), a drop of 59.4%. The Board has proposed an interim dividend of HK13.0 cents per ordinary share, a decrease of 50.0% compared to last interim period's HK26.0 cents per ordinary share.

#### *Textile business*

Turnover of the textile business decreased by 26.3% to HK\$2,767 million (six months ended 30 September 2011 : HK\$3,753 million). The amount was 50.1% (six months ended 30 September 2011 : 55.9%) of the Group's total turnover. The textile business experienced quite a challenging time in the first half. The global market conditions were extremely sluggish in the period. At the same time, the China cotton price was much higher than the international cotton price as the China government offered a relatively high guaranteed price to the cotton growers. Since the Group's business orders were mainly to use China cotton, raw material cost thus increased substantially. As a result, the gross profit margin dropped adversely to 13.3% from last year's 17.6%. The average selling price decreased by 18.0% and the sales volume reduced by 9.6%. In the period, the performance and the key financial ratios of the business were as below :

<i>(HK\$' million)</i>	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales	<b>2,767</b>	6,976	3,753	5,971	5,540
Gross profit margin (%)	<b>13.3</b>	14.8	17.6	20.4	21.6
Operating profit <i>(note)</i>	<b>168</b>	692	505	908	853
EBITDA <i>(note)</i>	<b>279</b>	916	618	1,137	1,074
Return on total assets (%) <i>(note)</i>	<b>2.1</b>	6.4	4.7	8.3	12.6
Return on sales (%) <i>(note)</i>	<b>9.1</b>	10.7	14.0	14.6	14.9
Return on equity (%) <i>(note)</i>	<b>4.9</b>	13.4	10.1	17.4	18.8
Capital expenditure	<b>39</b>	57	34	80	121

*Note : Exclude interest income and rental income.*

### **Retail and distribution business**

The business also experienced a tough time in the first half. Sales of the business decreased by 7.0% to HK\$2,739 million (six months ended 30 September 2011 : HK\$2,946 million). The amount represented 49.6% (six months ended 30 September 2011 : 43.9%) of the Group's total turnover. In the period, the consumer demand in the Mainland China was further slowdown. We continued to see heavy price discounting of some related competitors. The gross profit margin increased slightly to 47.2% from last year's 45.7%. In the first half, the Group reduced 29 stores mainly in the Mainland China. At the period end :

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

<i>(HK\$' million)</i>	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales	<b>2,739</b>	6,766	2,946	5,857	4,960
Gross profit margin (%)	<b>47.2</b>	44.8	45.7	47.1	46.4
Sales growth of comparable shops (%) <i>(note 1)</i>	<b>(11.9)</b>	2.9	13.9	13.8	3.7
Operating profit/(loss) <i>(note 2)</i>	<b>(74)</b>	157	30	407	253
EBITDA <i>(note 2)</i>	<b>1</b>	276	82	495	351
Return on total assets (%) <i>(note 2)</i>	<b>(3.2)</b>	3.2	0.1	12.5	9.7
Return on sales (%) <i>(note 2)</i>	<b>(3.0)</b>	1.3	0.1	5.0	3.7
Return on equity (%) <i>(note 2)</i>	<b>(9.0)</b>	9.0	0.5	38.6	40.0
Capital expenditure	<b>62</b>	192	83	109	53

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

*(2) Exclude interest income and rental income.*

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

<i>(HK\$' million)</i>	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Baleno	<b>1,451</b>	3,653	1,619	3,089	2,463
S&K	<b>341</b>	940	403	846	757
I.P. Zone	<b>262</b>	699	303	643	601
ebase	<b>190</b>	465	204	399	326
Others	<b>495</b>	1,009	417	880	813
Total	<b>2,739</b>	6,766	2,946	5,857	4,960

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

#### Mainland China

	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales (HK\$'million)	2,323	5,811	2,506	4,987	4,097
Increase / (decrease) in net sales (%)	(7)	17	32	22	7
Retail floor area (sq. ft.) <sup>*#</sup>	2,425,964	2,368,260	2,258,546	2,162,123	1,748,531
Number of sales associates <sup>*#</sup>	10,445	11,492	11,618	11,348	9,957
Number of outlets <sup>*△</sup>	4,016	4,044	3,934	3,894	3,639

#### Hong Kong and Macau

	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales (HK\$'million)	218	460	247	465	416
Increase/(decrease) in net sales (%)	(12)	(1)	27	12	3
Retail floor area (sq. ft.) <sup>*#</sup>	63,616	61,722	59,203	54,960	52,555
Number of sales associates <sup>*#</sup>	445	493	485	482	422
Number of outlets <sup>*#</sup>	69	70	68	63	62

#### Taiwan

	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales (HK\$'million)	198	495	193	405	375
Increase/(decrease) in net sales (%)	3	22	13	8	(12)
Retail floor area (sq. ft.) <sup>*#</sup>	15,819	151,218	154,502	135,734	125,497
Number of sales associates <sup>*#</sup>	533	638	629	608	602
Number of outlets <sup>*△</sup>	181	181	172	161	154

#### Singapore

	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales (HK\$'million)	-	-	-	-	48
Decrease in net sales (%)	-	-	-	(100)	(71)
Retail floor area (sq. ft.) <sup>*#</sup>	-	-	-	-	-
Number of sales associates <sup>*#</sup>	-	-	-	-	-
Number of outlets <sup>*#</sup>	-	-	-	-	-

#### Malaysia

	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Six months ended 30 Sep 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2010
Net sales (HK\$'million)	-	-	-	-	24
Decrease in net sales (%)	-	-	-	(100)	(67)
Retail floor area (sq. ft.) <sup>*#</sup>	-	-	-	-	-
Number of sales associates <sup>*#</sup>	-	-	-	-	-
Number of outlets <sup>*#</sup>	-	-	-	-	-

\* As at the end of the reporting period

# For self-managed stores

△ Include self-managed and franchise stores

### Garment manufacturing business

Turnover of this associate dropped by 23.5% to HK\$563 million (six months ended 30 September 2011 : HK\$736 million). Net profit contribution to the Group amounted to HK\$22 million (six months ended 30 September 2011 : HK\$32 million), a decrease of 31.3%. The business conditions were unfavourable mainly due to the high China cotton price. In the period, 70.3% (six months ended 30 September 2011 : 74.2%) of the fabric consumed was supplied by our textile division and sales to the retail business of the Group was 25.8% (six months ended 30 September 2011 : 32.7%) of its revenue.

## **FINANCIAL CONDITION**

### ***Liquidity and financial resources***

The Group continued to maintain a sound financial condition. The current ratio, the total bank debts and the gearing ratio as at the period end were 1.4, HK\$3,879 million and -0.3 (31 March 2012: 1.5, HK\$3,606 million and -0.2) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity. The net cash inflow from operating activities for the period was HK\$524 million (six months ended 30 September 2011: HK\$799 million).

During the period, the interest cover, the trade and bills receivables (excluding bills receivable for intra-group trade) to turnover and the inventory to turnover were 9 times, 31 days and 79 days (six months ended 30 September 2011: 39 times, 33 days and 67 days) respectively. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the period end, the cash and cash equivalents, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$5,401 million, HK\$5,460 million and HK\$4,900 million (31 March 2012: HK\$4,500 million, HK\$5,563 million and HK\$4,064 million) respectively.

### ***Capital expenditure***

During the period, the Group continued to slow down its expansion. The capital expenditure incurred by the Group during the period was HK\$101 million (six months ended 30 September 2011: HK\$117 million). HK\$39 million (six months ended 30 September 2011: HK\$34 million) was incurred by the textile business for the expansion of its manufacturing plant and the addition of machinery. And HK\$62 million (six months ended 30 September 2011: HK\$83 million) was incurred by the retail and distribution business for the renovation of its retail outlets.

### ***Pledge of assets***

No significant assets were pledged as at 30 September 2012 and 31 March 2012.

### ***Contingent Liabilities***

Details of the contingent liabilities as at 30 September 2012 and 31 March 2012 have been set out in note 13 to the financial statements.

### ***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 floating rate borrowings with maturity due within three years. As the global economic recovery remains sluggish during the period, the interest rate is expected to stay at a low level for a prolonged period. The Group will continue to monitor the interest rate movement and arrange financial instruments to reduce its interest rate risk whenever appropriate.

During the period, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

## **HUMAN RESOURCES**

As at 30 September 2012, the Group had about 21,600 (31 March 2012: 24,500) 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, the Group also encourages its employees, customers and business partners to partake in the aforesaid activities with a view to developing a better future for our community.

During the period, some of the activities/organisations the Group participated in / donated were:

- (1) World Wide Fund For Nature Hong Kong;
- (2) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (3) The Community Chest of Hong Kong “Dress Casual Day”.

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

## **OUTLOOK**

The Group experienced a difficult time in the first half. As the global economic environment is still uncertain, the business conditions will remain challenging in the days ahead.

Recently, the China cotton price has been getting closer to the international cotton price. The Management believes the market conditions would be more favourable in the second half period. Meanwhile, there are some signs of recovery in the U.S., our major market. The Management also believes the consumer sentiment in the mainland China would gradually improve.

The Group will continue its expansion to extend market share. With solid financial position, the Management is still optimistic towards the future performance.

## **OTHER INFORMATION**

### **DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2012, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held and capacity			Total	Percentage of the Company's issued share capital
	Directly or beneficially owned	Through discretionary trust	Through controlled corporations		
<b>Executive directors:</b>					
Poon Bun Chak	32,888,000	168,800,104 <sup>(1)</sup>	456,450,000 <sup>(2)</sup>	658,138,104	48.3
Poon Kei Chak	22,977,200	—	41,922,000 <sup>(3)</sup>	64,899,200	4.8
Poon Kai Chak	10,702,800	—	—	10,702,800	0.8
Ting Kit Chung	4,100,000	—	—	4,100,000	0.3
<b>Independent non-executive directors:</b>					
Au Son Yiu	300,000	—	—	300,000	0.0
Cheng Shu Wing	200,000	—	—	200,000	0.0
	71,168,000	168,800,104	498,372,000	738,340,104	54.2

Notes:

1. The 168,800,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection (PTC) Inc as a trustee for The Evergreen Trust, a discretionary trust which was founded by Mr. Poon Bun Chak. Mr. Poon Bun Chak is deemed to be interested in these shares in accordance with the SFO.
2. The 456,450,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has a 97.15% equity interest. A 2.85% interest in Giant Wizard Corporation is owned by Mr. Poon Bun Chak.
3. The 41,922,000 shares are held by Treasure Link International Holdings Limited, which is jointly owned by Mr. Poon Kei Chak and his spouse.

Long positions in share options of the Company:

Name of director	Number of share options directly held or beneficially owned
<b>Executive directors:</b>	
Poon Kei Chak	3,000,000
Poon Kai Chak	3,000,000
Ting Kit Chung	6,000,000
Poon Ho Wa	200,000
<b>Independent non-executive directors:</b>	
Au Son Yiu	200,000
Cheng Shu Wing	200,000
	12,600,000

Save as disclosed above, as at 30 September 2012, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES**

At 30 September 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

<b>Name</b>	<b>Capacity</b>	<b>Notes</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Perfection (PTC) Inc	Trustee	2, 3	625,250,104	45.9
Farrow Star Limited	Through controlled corporation	1	456,450,000	33.5
	Directly owned		168,800,104	12.4
		3	625,250,104	45.9
Giant Wizard Corporation	Directly owned	1, 2	456,450,000	33.5
Aberdeen Asset Management Plc and its Associates	Through controlled corporation		122,902,000	9.0
FMR LLC	Through controlled corporation		79,930,001	5.9

*Notes:*

- 1. The interests of Giant Wizard Corporation in the Company were duplicated by the indirect interests in the Company held by Farrow Star Limited.*
- 2. The interests of Giant Wizard Corporation in the Company were duplicated by the indirect interests in the Company held by Perfection (PTC) Inc.*



3. *The interests of Farrow Star Limited in the Company were duplicated by the indirect interests in the Company held by Perfection (PTC) Inc.*

Save as disclosed above, as at 30 September 2012, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **SHARE OPTION SCHEME**

A share option scheme, in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company on 28 August 2002 for a period of ten years, after which period no further share options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects. Details of which have been set out in the 2012 Annual Report of the Company. As at 30 September 2012, the following share options were outstanding:

Name or category of participant	Date of grant of share options*	Exercise price of share options** <i>HK\$ per share</i>	Number of share options				At 30 September 2012	Exercise period of share options
			At 1 April 2012	Exercised during the period	Lapsed during the period	Cancelled during the period		
<b>Executive directors</b>								
Poon Kei Chak	11 September 2002	4.97	5,000,000	(1,500,000)	(3,500,000)	-	-	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	-	-	3,000,000	26 March 2004 to 25 March 2014
			<u>8,000,000</u>	<u>(1,500,000)</u>	<u>(3,500,000)</u>	<u>-</u>	<u>3,000,000</u>	
Poon Kai Chak	11 September 2002	4.97	4,000,000	-	(4,000,000)	-	-	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	-	-	3,000,000	26 March 2004 to 25 March 2014
			<u>7,000,000</u>	<u>-</u>	<u>(4,000,000)</u>	<u>-</u>	<u>3,000,000</u>	
Ting Kit Chung	11 September 2002	4.97	1,500,000	-	(1,500,000)	-	-	11 September 2002 to 10 September 2012
	26 March 2004	5.60	6,000,000	-	-	-	6,000,000	26 March 2004 to 25 March 2014
			<u>7,500,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>	<u>6,000,000</u>	
Poon Ho Wa	26 March 2004	5.60	200,000	-	-	-	200,000	1 April 2006 to 25 March 2014
			<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	
			<u>22,700,000</u>	<u>(1,500,000)</u>	<u>(9,000,000)</u>	<u>-</u>	<u>12,200,000</u>	
<b>Independent non-executive directors</b>								
Au Son Yiu	11 September 2002	4.97	200,000	(200,000)	-	-	-	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	-	-	200,000	26 March 2004 to 25 March 2014
			<u>400,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	

Cheng Shu Wing	11 September 2002	4.97	200,000	(200,000)	-	-	-	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	-	-	200,000	26 March 2004 to 25 March 2014
			<u>400,000</u>	<u>(200,000)</u>	-	-	<u>200,000</u>	
			<u>800,000</u>	<u>(400,000)</u>	-	-	<u>400,000</u>	
<b>Other employees</b>								
In aggregate	26 March 2004	5.60	1,380,000	(110,000)	-	(50,000)	1,220,000	1 April 2006 to 25 March 2014
			<u>1,380,000</u>	<u>(110,000)</u>	-	<u>(50,000)</u>	<u>1,220,000</u>	
<b>Other eligible participants</b>								
In aggregate	26 March 2004	5.60	4,700,000	-	-	-	4,700,000	26 March 2004 to 25 March 2014
			<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>	
			<b>29,580,000</b>	<b>(2,010,000)</b>	<b>(9,000,000)</b>	<b>(50,000)</b>	<b>18,520,000</b>	

Notes:

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$6.56 per share.

## AUDIT COMMITTEE

The Audit Committee (the "Committee") consists of the three independent non-executive directors of the Company namely Mr. Law Brian Chung Nin, Mr. Au Son Yiu and Mr. Cheng Shu Wing. The Committee is chaired by Mr. Law Brian Chung Nin, a qualified accounting professional. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group.

For the interim period under review, the Committee has reviewed and discussed with the management the interim report and the internal controls of the Group and has made recommendations to the Board.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

- (1) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

All the existing non-executive directors of the Company are not appointed for a specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance with Clause 86(1) of the bye-laws of the Company.

- (2) Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a policy of separating the roles of chairman and chief executive officer of the Board. The Board considers the current arrangement can help maintaining a strong management position and at the same time improving the communication efficiency. The Board may consider the separation of the roles of chairman and chief executive officer upon the then circumstances.

- (3) Under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company.

The chairman of the Board has delegated the duty of attending the annual general meeting to an executive director of the Company. The chairman considers the executive director a suitable person for taking up such duty as the executive director has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

- (4) Under code provision A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors.

The Company has been reviewing a suitable Directors and Officers Liability Insurance to cover the liabilities of its directors and officers during the period. An insurance policy was concluded by the Group on 1 November 2012 which will provide insurance cover for the coming year as well as a retrospective insurance cover for unreported claim before 1 November 2012. As at the date of this announcement, no claim has been reported.

### **DIRECTORS' SECURITIES TRANSACTIONS**

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 accounting period covered by the interim report.

### **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Poon Kei Chak, Mr. Poon Kai Chak, Mr. Ting Kit Chung and Mr. Poon Ho Wa; 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 interim report for the six months ended 30 September 2012 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.

By Order of the Board  
**Poon Bun Chak**  
*Chairman*

Hong Kong, 21 November 2012