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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 2013

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 2013. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Income Statement

	Notes	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	4,692,956	5,519,207
Cost of sales		(3,101,695)	(3,853,113)
Gross profit		1,591,261	1,666,094
Other income and gains	5	174,135	221,600
Selling and distribution expenses		(1,007,073)	(1,236,076)
Administrative expenses		(420,948)	(420,898)
Other operating expenses, net		(1,614)	(871)
Finance costs		(19,988)	(28,452)
Share of profit of an associate, net of tax		37,871	21,969
PROFIT BEFORE TAX	6	353,644	223,366
Income tax expense	7	(19,228)	(16,276)
PROFIT FOR THE PERIOD		334,416	207,090

*For identification purpose only

Attributable to:			
Ordinary equity holders of the Company		380,108	232,272
Non-controlling interests		(45,692)	(25,182)
		334,416	207,090
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Earnings per share attributable to ordinary equity holders of the Company (HK cents)	9		
Basic		27.9	17.1
Diluted		27.8	17.0
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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	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Profit for the period	334,416	207,090
Other comprehensive income		
Exchange differences on translation of foreign operations	81,437	16,282
Total comprehensive income for the period	415,853	223,372
Attributable to:		
Ordinary equity holders of the Company	457,938	213,803
Non-controlling interests	(42,085)	9,569
	415,853	223,372

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	At 30 September 2013 (Unaudited) <i>HK\$'000</i>	At 31 March 2013 (Audited) <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	1,940,683	2,028,431
Investment properties		304,887	304,349
Prepaid land lease payments		22,435	22,663
Construction in progress		23,253	2,137
Trademarks		33,293	33,293
Investment in an associate		120,639	76,931
Long term rental deposits		133,349	149,122
Total non-current assets		2,578,539	2,616,926
CURRENT ASSETS			
Inventories		2,102,013	2,061,420
Trade receivables	<i>11</i>	547,952	616,162
Bills receivable – external trade		259,018	318,698
Bills receivable – intra-group trade		132,943	874,509
Prepayments, deposits and other receivables		367,495	582,183
Due from an associate		26,290	55,733
Held-to-maturity investments		116,402	12,634
Derivative financial assets		16,221	23,528
Cash and bank balances		4,365,554	5,151,363
Total current assets		7,933,888	9,696,230
CURRENT LIABILITIES			
Trade payables	<i>12</i>	1,031,018	818,685
Bills payable – external trade		54,119	35,148
Bills payable – intra-group trade		132,943	874,509
Other payables and accrued liabilities		559,336	609,508
Derivative financial liabilities		9	468
Tax payable		14,219	175,044
Interest-bearing bank borrowings		1,885,141	3,283,460
Dividend payable		368,222	—
Total current liabilities		4,045,007	5,796,822
Net current assets		3,888,881	3,899,408
Total assets less current liabilities		6,467,420	6,516,334

	<i>Note</i>	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		125,000	225,000
Deferred tax liabilities		119,518	120,879
Total non-current liabilities		244,518	345,879
Net assets		6,222,902	6,170,455
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		68,221	68,178
Reserves		5,574,708	5,425,934
Interim/final dividends	8	313,937	368,222
		5,956,866	5,862,334
Non-controlling interests		266,036	308,121
Total equity		6,222,902	6,170,455

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)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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
At 1 April 2013	68,178	600,898	2,130	1,695	3,986	477,829	30,759	49	4,308,588	368,222	5,862,334	308,121	6,170,455
Exchange realignment	-	-	-	-	-	77,830	-	-	-	-	77,830	3,607	81,437
Profit for the period	-	-	-	-	-	-	-	-	380,108	-	380,108	(45,692)	334,416
Total comprehensive income for the period	-	-	-	-	-	77,830	-	-	380,108	-	457,938	(42,085)	415,853
Exercise of share options	43	6,063	(1,290)	-	-	-	-	-	-	-	4,816	-	4,816
2012/2013 final dividend	-	-	-	-	-	-	-	-	-	(368,222)	(368,222)	-	(368,222)
2013/2014 interim dividend	-	-	-	-	-	-	-	-	(313,937)	313,937	-	-	-
At 30 September 2013	68,221	606,961	840	1,695	3,986	555,659	30,759	49	4,374,759	313,937	5,956,866	266,036	6,222,902
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

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	703,645	524,189
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	179,525	(1,111,142)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(1,514,578)	290,793
NET DECREASE IN CASH AND CASH EQUIVALENTS	(631,408)	(296,160)
Cash and cash equivalents at beginning of period	1,313,341	1,294,564
Foreign exchange adjustments	50,082	(11,422)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	732,015	986,982
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	330,646	212,621
Non-pledged time and structured deposits with original maturity within three months when acquired	401,369	774,361
Non-pledged time and structured deposits with original maturity over three months when acquired	3,633,539	4,414,098
Cash and bank balances as stated in the condensed consolidated statement of financial position	4,365,554	5,401,080
Less : Non-pledged time and structured deposits with original maturity over three months when acquired	(3,633,539)	(4,414,098)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	732,015	986,982

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 2013, 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 — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements Project	<i>Annual Improvements 2009 – 2011 Cycle</i>

The adoption of the new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements. Further information about those HKFRSs that are applicable to the Company is as follows:

HKAS 1 Amendments *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*: The amendments to HKAS 1 require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the statement of comprehensive income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The adoption of this revised standard affects the presentation of the Company's statement of comprehensive income.

HKFRS 7 Amendments *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*: The amendments require new disclosures to include information that enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. The adoption of this standard does not have a material impact on the Company’s financial statements.

HKFRS 13 *Fair Value Measurement*: The new standard which was issued in June 2011 replaces the fair value measurement guidance contained in individual HKFRSs by providing a revised definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied when its use is already required or permitted by other standards within HKFRSs. The adoption of this standard does not have a material impact on the Company’s financial statements.

In addition, ‘Annual Improvements to HKFRSs 2009 – 2011 Cycle’ contains numerous amendments to HKFRSs which the HKICPA considers not urgent but necessary. It comprises amendments that result in accounting changes for presentation and classification. The adoption of these improvements does not have a material impact on the Company’s financial statements.

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 9	<i>Financial Instruments</i> ²
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> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² 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 2013.

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 2013 and 30 September 2012:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Segment revenue:										
Sales to external customers	2,512,584	2,766,992	2,171,529	2,738,876	8,843	13,339	-	-	4,692,956	5,519,207
Intersegment sales	-	-	-	-	4,396	3,668	(4,396)	(3,668)	-	-
Other revenue	57,016	32,816	759	(781)	19,813	12,784	(1,822)	(1,687)	75,766	43,132
Total	2,569,600	2,799,808	2,172,288	2,738,095	33,052	29,791	(6,218)	(5,355)	4,768,722	5,562,339
Segment results	367,291	167,916	(150,038)	(132,354)	20,139	15,819	-	-	237,392	51,381
Gain on disposal of buildings									8,658	58,400
Interest income									89,711	120,068
Finance costs									(19,988)	(28,452)
Share of profit of an associate, net of tax									37,871	21,969
Profit before tax									353,644	223,366
Income tax expense									(19,228)	(16,276)
Profit for the period									334,416	207,090

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2013 (Unaudited) HK\$ '000	2012 (Unaudited) HK\$ '000
Interest income	89,711	120,068
Net fair value gains on foreign exchange derivative financial instruments	38,062	20,273
Gross rental income on investment properties	9,606	8,475
Government subsidies	8,997	1,241
Gain on disposal of items of property, plant and equipment	7,730	58,501
Compensation from suppliers for defective goods	5,447	7,102
Sundry income	14,582	5,940
	174,135	221,600

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2013 (Unaudited) HK\$ '000	2012 (Unaudited) HK\$ '000
Depreciation	171,766	187,340
Recognition of prepaid land lease payments	342	295
Provision/(write-back of provision) for slow-moving inventories	22,414	(45,552)
Impairment / (write-back of impairment) of trade receivables	179	(42)
Gain on disposal of items of property, plant and equipment	7,730	58,501

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2012: 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	
	2013 (Unaudited) HK\$ '000	2012 (Unaudited) HK\$ '000
Hong Kong and mainland China taxes:		
Current period provision	20,140	10,348
Deferred tax	727	5,782
Elsewhere tax:		
Current period provision	66	146
Over-provision in prior years	(1,705)	-
Tax charge for the period	19,228	16,276

8. DIVIDENDS

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interim dividend	313,937	177,360
Interim dividend per share (<i>HK cents</i>)	23.0	13.0

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 that period attributable to ordinary equity holders of the Company of HK\$380,108,000 (six months ended 30 September 2012: HK\$232,272,000) and the weighted average number of 1,363,905,885 (six months ended 30 September 2012: 1,361,762,989) ordinary shares in issue during that period.

(b) Diluted earnings per share

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

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	380,108	232,272
Shares		
	Number of shares Six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,363,905,885	1,361,762,989
Effect of dilution — weighted average number of ordinary shares:		
Share options	5,008,337	8,463,954
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	1,368,914,222	1,370,226,943

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired items of property, plant and equipment with a cost of HK\$62,127,000 (six months ended 30 September 2012: HK\$91,456,000). Items of property, plant and equipment with a net book value of HK\$3,873,000 (six months ended 30 September 2012: HK\$11,972,000) were disposed of during the six months ended 30 September 2013.

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\$12,689,000 (31 March 2013: HK\$12,510,000), is as follows:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within 90 days	531,274	584,792
Over 90 days	16,678	31,370
	547,952	616,162

Payment terms of the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers 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 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within 90 days	1,007,816	797,325
Over 90 days	23,202	21,360
	1,031,018	818,685

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:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	3,569	3,569
Guarantees of banking facilities granted to an associate	12,500	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. The tax review for the years of assessment 2000/2001, 2001/2002, 2002/2003, 2003/2004 and 2004/2005 had been concluded by the IRD during the year ended 31 March 2013 and the relevant tax affairs had been resolved. As at 30 September 2013, the IRD is still reviewing the tax affairs of certain subsidiaries of the Group for the years of assessment 2005/2006 and 2006/2007.

The unresolved protective tax assessments for the years of assessment 2005/2006 and 2006/2007 issued by the IRD in March 2012 and March 2013 are HK\$69,125,000 and HK\$189,000,000 respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates in the amounts of HK\$4,500,000 and HK\$31,500,000 for the years of assessment 2005/2006 and 2006/2007 respectively.

In view that the tax review for the years of assessment 2005/2006 and 2006/2007 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:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
In respect of property, plant and equipment, contracted but not provided for	77,591	114,274
In respect of property, plant and equipment, authorised but not contracted for	141,480	191,159
	219,071	305,433

15. RELATED PARTY TRANSACTIONS

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

		Six months ended	
		30 September	
	Notes	2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sales to Megawell	(i)	245,690	177,050
Purchases from Megawell	(ii)	117,748	145,261
Rental expenses paid to related companies	(iii)	12,724	11,912

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 2013, Baleno Kingdom Limited, a non-wholly-owned subsidiary of the Company, has provided advances of HK\$6,015,000 to Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company (31 March 2013: Nice Dyeing Factory Limited provided advances of HK\$11,996,000 to Baleno Kingdom Limited), at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.6% (31 March 2013: HIBOR plus 2.6%) per annum. The advances are unsecured and have no fixed terms of repayment.

As at 30 September 2013, Nice Dyeing Factory (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$293,300,000 (31 March 2013: HK\$273,196,000) to Baleno Holdings Limited, a non-wholly-owned subsidiary of the Company, at 3.12% (31 March 2013: 5.78%) per annum. The advances are unsecured and have no fixed terms of repayment.

As at 30 September 2013, Dongguan Texwinca Textile and Garment Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$265,550,000 (31 March 2013: HK\$401,690,000) to Guangzhou Friendship Baleno Company Limited, a non-wholly-owned subsidiary of the Company, at 4.54% (31 March 2013 : 3.04%) per annum. The advances are unsecured and have 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 wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease a property 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 rents of RMB948,000 and RMB995,000 for the first year and the second year, respectively. During the period, the Group paid operating lease rentals in respect of the above property to MRL amounting to HK\$7,492,000 (six months ended 30 September 2012: HK\$6,994,000).

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 a property 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. During the period, the Group paid operating lease rentals in respect of the above property to Latex amounting to HK\$2,160,000 (six months ended 30 September 2012: HK\$2,160,000).

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 a property 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. During the period, the Group paid operating lease rentals in respect of the above property to WLEL amounting to HK\$252,000 (six months ended 30 September 2012: HK\$252,000).

On 1 April 2013, 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 a property from GTL as a director’s quarter of the Group for a term of one year commencing from 1 April 2013 at the monthly rent of HK\$300,000. During the period, the Group paid operating lease rentals in respect of the above property to GTL amounting to HK\$1,800,000 (six months ended 30 September 2012: HK\$1,800,000).

On 1 April 2013, the Group entered into a lease agreement with Essential Guide Limited (“EGL”), a company wholly-owned by Mr. Poon Kai Chak, an executive director (resigned on 1 May 2013) and a shareholder of the Company, and Mr. Poon Ho Wa, an executive director of the Company, and their respective spouses, to lease a property from EGL as a director’s quarter of the Group for a term of one year commencing from 1 April 2013 at the monthly rent of HK\$90,000. During the period, the Group paid operating lease rentals in respect of the above property to EGL amounting to HK\$540,000 (six months ended 30 September 2012: HK\$534,000).

On 1 April 2013, 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 a property from SWL as a director’s quarter of the Group for a term of one year commencing from 1 April 2013 at the monthly rent of HK\$40,000. During the period, the Group paid operating lease rentals in respect of the above property to SWL amounting to HK\$240,000 (six months ended 30 September 2012: HK\$180,000).

On 1 April 2013, the Group entered into a lease agreement with Million World Limited (“MWL”), a company wholly-owned by the son, the daughter-in-law and the spouse of Mr. Poon Kai Chak, an executive director (resigned on 1 May 2013) and a shareholder of the Company, to lease a property from MWL as a staff quarter of the Group for a term of one year commencing from 1 April 2013 at the monthly rent of HK\$40,000. During the period, the Group paid operating lease rentals in respect of the above property to MWL amounting to HK\$240,000 (six months ended 30 September 2012: HK\$153,000).

- (d) A non-controlling shareholder of the Group's 64%-owned subsidiary (31 March 2013 : 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\$4,873,000 (31 March 2013: HK\$5,926,000) 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	41,862	35,845
Post-employment benefits	29	35
Total compensation paid to key management personnel	41,891	35,880

16. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1 : fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3 : fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 September 2013 and 31 March 2013, the financial instruments measured at fair value held by the Group comprised derivative financial instruments and were classified as Level 2.

During the six months ended 30 September 2013 and 30 September 2012, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

17. COMPARATIVE AMOUNTS

During the period, certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has declared an interim dividend of HK23.0 cents (six months ended 30 September 2012: HK13.0 cents) per ordinary share for the six months ended 30 September 2013. The interim dividend will be payable on Wednesday, 8 January 2014 to shareholders registered on the Register of Members of the Company on Friday, 20 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 16 December 2013 to Friday, 20 December 2013 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2013. 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 2013, 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, 13 December 2013.

BUSINESS REVIEW

The Group's total turnover for the six months ended 30 September 2013 amounted to HK\$4,693 million (six months ended 30 September 2012 : HK\$5,519 million), a drop of 15.0% from last year. Profit for the period attributable to the ordinary equity holders of the Company was HK\$380 million (six months ended 30 September 2012 : HK\$232 million), an increase of 63.8%. The Board has recommended an interim dividend of HK23.0 cents per ordinary share, an increase of 76.9% compared to last interim period's HK13.0 cents per ordinary share.

Textile business

Net sales of the business decreased by 9.2% to HK\$2,513 million (six months ended 30 September 2012 : HK\$2,767 million). The amount was 53.5% (six months ended 30 September 2012 : 50.1%) of the Group's total turnover. In the period, the global market conditions were still challenging. Business from the U.S. was unfavourable especially in the second quarter of this interim period. China cotton price was more reasonable when compared with the international cotton price, making raw material costs more stable. The gross profit margin improved to 20.9% from last year's 13.3%. In the period, the performance and the key financial ratios of the business were as below:

<i>(Amounts expressed in HK\$ million, unless specified)</i>	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales	2,513	5,460	2,767	6,976	5,971
Gross profit margin (%)	20.9	16.0	13.3	14.8	20.4
Operating profit (note 1)	367	546	168	692	908
EBITDA (note 1)	470	765	279	916	1,137
Return on total assets (%) (note 2)	4.8	6.3	2.1	6.4	8.3
Return on sales (%) (note 2)	16.8	12.4	9.1	10.7	14.6
Return on equity (%) (note 2)	7.6	11.2	4.9	13.4	17.4
Capital expenditure	59	45	39	57	80

Notes : (1) Exclude gain on disposal of buildings, interest income and rental income.

(2) Exclude rental income.

Retail and distribution business

Net sales of the business decreased by 20.7% to HK\$2,172 million (six months ended 30 September 2012 : HK\$2,739 million). The amount represented 46.3% of the Group's total turnover (six months ended 30 September 2012 : 49.6%). In the period, the consumer sentiment in China remained weak. Many retailers continued to reduce their inventory, resulting quite a tough environment. The gross profit margin improved slightly to 48.8% from last year's 47.2%. At the period end:

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

<i>(Amounts expressed in HK\$' million, unless specified)</i>	Six months ended 30 Sep 2013	Year ended 31 Mar 2013 <i>(Restated)</i>	Six months ended 30 Sep 2012 <i>(Restated)</i>	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales	2,172	5,768	2,739	6,766	5,857
Gross profit margin (%)	48.8	44.9	47.2	44.8	47.1
Sales growth of comparable shops (%) <i>(note 1)</i>	(12.7)	(12.0)	(11.9)	2.9	13.8
Operating profit/(loss) <i>(note 2)</i>	(150)	(202)	(132)	157	407
EBITDA <i>(note 2)</i>	(82)	(52)	(57)	276	495
Return on total assets (%) <i>(note 3)</i>	(6.4)	(7.6)	(3.2)	3.2	12.5
Return on sales (%) <i>(note 3)</i>	(6.8)	(3.0)	(3.0)	1.3	5.0
Return on equity (%) <i>(note 3)</i>	(21.3)	(20.4)	(9.0)	9.0	38.6
Capital expenditure	25	119	62	192	109

Notes : (1) Comparable shops include shops with full period/year operation during the period/year and the preceding period/year.
(2) Exclude gain on disposal of buildings, interest income and rental income.
(3) Exclude rental income.

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

<i>(HK\$' million)</i>	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Baleno	1,245	3,038	1,451	3,653	3,089
S&K	243	742	341	940	846
I.P. Zone	199	555	262	699	643
ebase	133	381	190	465	399
Others	352	1,052	495	1,009	880
Total	2,172	5,768	2,739	6,766	5,857

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

Mainland China

	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales <i>(HK\$' million)</i>	1,816	4,920	2,323	5,811	4,987
Increase / (decrease) in net sales (%)	(22)	(15)	(7)	17	22
Retail floor area <i>(sq. ft.)</i> ^{**}	2,349,185	2,147,536	2,425,964	2,368,260	2,162,123
Number of sales associates ^{**}	8,274	9,168	10,445	11,492	11,348
Number of outlets ^{*△}	3,487	3,820	4,016	4,044	3,894

Hong Kong

	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales <i>(HK\$' million)</i>	185	435	218	460	465
Increase/(decrease) in net sales (%)	(15)	(5)	(12)	(1)	12
Retail floor area <i>(sq. ft.)</i> ^{**}	68,685	63,254	63,616	61,722	54,960
Number of sales associates ^{**}	417	425	445	493	482
Number of outlets ^{**}	70	68	69	70	63

Taiwan

	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales <i>(HK\$' million)</i>	171	413	198	495	405
Increase/(decrease) in net sales (%)	(14)	(17)	3	22	8
Retail floor area <i>(sq. ft.)</i> ^{**}	119,392	142,079	151,819	151,218	135,734
Number of sales associates ^{**}	406	488	533	638	608
Number of outlets ^{*△}	134	166	181	181	161

Singapore

	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales (HK\$'million)	-	-	-	-	-
Decrease in net sales (%)	-	-	-	-	(100)
Retail floor area (sq. ft.) ^{*#}	-	-	-	-	-
Number of sales associates ^{*#}	-	-	-	-	-
Number of outlets ^{*#}	-	-	-	-	-

Malaysia

	Six months ended 30 Sep 2013	Year ended 31 Mar 2013	Six months ended 30 Sep 2012	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Net sales (HK\$'million)	-	-	-	-	-
Decrease in net sales (%)	-	-	-	-	(100)
Retail floor area (sq. ft.) ^{*#}	-	-	-	-	-
Number of sales associates ^{*#}	-	-	-	-	-
Number of outlets ^{*#}	-	-	-	-	-

* As at the end of the reporting period

For self-managed outlets

△ Include self-managed and franchise outlets

Garment manufacturing business

Turnover of this associate increased by 30.9% to HK\$737 million (six months ended 30 September 2012 : HK\$563 million). Net profit contribution to the Group was HK\$38 million (six months ended 30 September 2012 : HK\$22 million), an increase of 72.7%. The business conditions were more favourable mainly due to stable raw material costs. Gross profit margin increased to 15.3% from last year's 14.4%. In the period, 70.0% (six months ended 30 September 2012 : 70.3%) of the fabric consumed was supplied by our textile division and sales to the retail arm of the Group was 16.0% (six months ended 30 September 2012 : 25.8 %) of its revenue.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a sound financial position. The current ratio, the total bank borrowings and the gearing ratio as at the period end were 2.0, HK\$2,010 million and -0.4 (31 March 2013: 1.7, HK\$3,508 million and -0.3) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and bank balances, to the total equity. The net cash inflow from operating activities for the period was HK\$704 million (six months ended 30 September 2012: HK\$524 million).

During the period, the interest cover, the trade and bills receivables (excluding bills receivable for intra-group trade) to turnover and the inventories to turnover were 19 times, 31 days and 82 days (six months ended 30 September 2012: 9 times, 31 days and 79 days) respectively. During the period, the intra-group bills payable and intra-group bills receivable dropped significantly by HK\$742 million to HK\$133 million at the period end as the Group has changed the settlement method of intercompany current accounts among certain subsidiaries from documentary credit to open accounts since August 2012. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the period end, the cash and bank balances, the equity attributable to ordinary equity holders of the Company and the utilized banking were HK\$4,366 million, HK\$5,957 million and HK\$7,544 million (31 March 2013: HK\$5,151 million, HK\$5,862 million and HK\$5,836 million) respectively.

Capital expenditure

During the period, the Group continued to be cautious in controlling its capital expenditure. The capital expenditure incurred by the Group during the period was HK\$84 million (six months ended 30 September 2012: HK\$101 million). HK\$59 million (six months ended 30 September 2012: HK\$39 million) was incurred by the textile business for the addition of plant and machinery. And, HK\$25 million (six months ended 30 September 2012: HK\$62 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 2013 and 31 March 2013.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2013 and 31 March 2013 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, USD and Yen floating rate borrowings with maturity due within two years. At the period end, the cash and bank balances amounted to HK\$4,366 million (31 March 2013: HK\$5,151 million) were mainly denominated in RMB and USD and were placed as fixed deposits with well-established financial institutions at fixed interest rates with maturity due within one year. As the global economic recovery remains modest during the period, the interest rate is expected to continue to stay at a low level. 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, RMB, YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency risk.

HUMAN RESOURCES

As at 30 September 2013, the Group had about 18,600 (31 March 2013: 20,400) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, the Group has been active in participating in charitable donation, caring for the needy people and supporting and sponsoring educational and environmental protection activities. In addition, 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”;
- (4) Agency for Volunteer Service “HSBC Share-to-Care Volunteer Campaign”;
- (5) The Hong Kong Council of Social Service; and
- (6) Society for the Prevention of Cruelty to Animals (Hong Kong) “I Pet, I Act”.

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 U.S. market has shown signs of gradual recovery. The customers are more optimistic towards the next year. Meanwhile, industry consolidation is going on in the textile sector. The Group will continue to increase production capacity to meet the coming opportunities.

The China consumer market is still sluggish. The inventory problems across the country still need some time to clear. In the short run, our outlet expansion will be more passive. The Group will put further effort to improve brand image and operational efficiencies.

The business environment is still challenging. However, with solid financial position and strong competitiveness, the Management still has confidence to achieve good results in the second half.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2013, 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		
Executive directors:					
Poon Bun Chak	32,888,000	170,700,104 ⁽¹⁾	456,450,000 ⁽²⁾	660,038,104	48.4
Poon Kei Chak	22,977,200	—	41,922,000 ⁽³⁾	64,899,200	4.8
Ting Kit Chung	4,100,000	—	—	4,100,000	0.3
Poon Ho Wa	200,000	—	—	200,000	0.0
Independent non-executive directors:					
Au Son Yiu	100,000	—	—	100,000	0.0
Cheng Shu Wing	200,000	—	—	200,000	0.0
	60,465,200	170,700,104	498,372,000	729,537,304	53.5

Notes:

1. The 170,700,104 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
Executive directors:	
Poon Kei Chak	3,000,000
Ting Kit Chung	6,000,000
Independent non-executive directors:	
Au Son Yiu	200,000
Cheng Shu Wing	200,000
	<hr/> 9,400,000 <hr/>

Save as disclosed above, as at 30 September 2013, 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 directors or their respective spouses 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 2013, 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:

Name	Capacity	Notes	Number of shares held	Percentage of the Company's issued share capital
Perfection (PTC) Inc	Trustee	2, 3	627,150,104	46.0
Farrow Star Limited	Through controlled corporation	1	456,450,000	33.5
	Directly owned		170,700,104	12.5
		3	627,150,104	46.0
Giant Wizard Corporation	Directly owned	1, 2	456,450,000	33.5
Aberdeen Asset Management Plc and its associates	Investment manager		136,858,000	10.0
FMR LLC	Investment manager		82,017,000	6.0

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 2013, 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 2013 Annual Report of the Company. As at 30 September 2013, 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			Exercise period of share options
			At 1 April 2013	Exercised during the period	At 30 September 2013	
Executive directors						
Poon Kei Chak	26 March 2004	5.60	3,000,000	-	3,000,000	26 March 2004 to 25 March 2014
Ting Kit Chung	26 March 2004	5.60	6,000,000	-	6,000,000	26 March 2004 to 25 March 2014
Poon Ho Wa	26 March 2004	5.60	200,000	(200,000)	-	1 April 2006 to 25 March 2014
			9,200,000	(200,000)	9,000,000	
Independent non-executive directors						
Au Son Yiu	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
Cheng Shu Wing	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
			400,000	-	400,000	
Other employees						
In aggregate	26 March 2004	5.60	1,220,000	(660,000)	560,000	1 April 2006 to 25 March 2014
Other eligible participants						
In aggregate	26 March 2004	5.60	7,500,000	-	7,500,000	26 March 2004 to 25 March 2014
			18,320,000	(860,000)	17,460,000	

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.*

No share option was granted, cancelled or lapsed pursuant to the share option scheme during the six months ended 30 September 2013.

The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$7.68 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 all the code provisions of the Corporate Governance Code (the "CG 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.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Prior to 17 June 2013, Mr. Poon Bun Chak undertook the roles of chairman and chief executive officer. On 17 June 2013, following the resignation of Mr. Poon Bun Chak as the chief executive officer, Mr. Ting Kit Chung was appointed as the chief executive officer of the Group. Since then, the roles of chairman and chief executive officer have been separated and the code provision A.2.1 has been complied with by the Company.

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

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

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.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2013 Annual 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. 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 2013 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.texwinca.com under "Investor Relations" in due course.

By Order of the Board
Poon Bun Chak
Chairman

Hong Kong, 22 November 2013