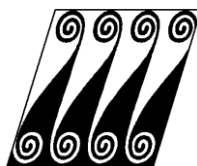


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TEXWINCA HOLDINGS LIMITED

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 2016

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 2016. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended	
		30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	3,889,588	4,847,943
Cost of sales		(2,552,874)	(3,219,178)
Gross profit		1,336,714	1,628,765
Other income and gains	5	79,454	92,595
Gain on disposal of a trademark		152,400	—
Selling and distribution expenses		(827,117)	(900,096)
Administrative expenses		(287,818)	(386,435)
Other operating expenses, net		(1,884)	(1,356)
Finance costs		(9,308)	(7,747)
Share of profit of an associate, net of tax		6,088	21,803
PROFIT BEFORE TAX	6	448,529	447,529
Income tax expense	7	(38,464)	(62,095)
PROFIT FOR THE PERIOD		410,065	385,434

*For identification purpose only

	<i>Note</i>	Six months ended	
		30 September	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		351,525	400,185
Non-controlling interests		58,540	(14,751)
		<hr/> 410,065	<hr/> 385,434
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY (HK cents) 9			
Basic		<hr/> 25.4	<hr/> 29.0
Diluted		<hr/> 25.4	<hr/> 29.0

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

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	410,065	385,434
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(138,349)</u>	<u>(111,103)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>271,716</u>	<u>274,331</u>
Attributable to:		
Ordinary equity holders of the Company	218,350	295,577
Non-controlling interests	<u>53,366</u>	<u>(21,246)</u>
	<u>271,716</u>	<u>274,331</u>

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,360,759	1,427,803
Investment properties		418,044	416,734
Prepaid land lease payments		19,770	20,314
Construction in progress		53,143	51,610
Trademarks		33,293	33,293
Investment in an associate		91,224	84,251
Prepayments		32,882	42,468
Long term rental deposits		89,306	96,848
Long term held-to-maturity investments		240,467	514,111
Total non-current assets		<u>2,338,888</u>	<u>2,687,432</u>
CURRENT ASSETS			
Inventories		2,158,337	2,047,191
Trade receivables	11	606,157	584,190
Bills receivable		136,012	113,409
Prepayments, deposits and other receivables		486,293	724,813
Held-to-maturity investments		357,619	128,470
Derivative financial assets		5,499	34,050
Cash and cash equivalents		5,142,708	3,005,253
Total current assets		<u>8,892,625</u>	<u>6,637,376</u>
CURRENT LIABILITIES			
Trade payables	12	1,022,978	953,357
Bills payable		41,169	24,368
Other payables, accrued liabilities and deposit received		502,105	678,329
Due to an associate		26,876	73,033
Derivative financial liabilities		3,673	4,525
Tax payable		36,161	21,297
Interest-bearing bank borrowings		2,388,960	529,707
Dividend payable		469,777	—
Total current liabilities		<u>4,491,699</u>	<u>2,284,616</u>
NET CURRENT ASSETS		<u>4,400,926</u>	<u>4,352,760</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,739,814	7,040,192
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		209,470	313,258
Deferred tax liabilities		167,776	166,305
Total non-current liabilities		<u>377,246</u>	<u>479,563</u>
Net assets		<u>6,362,568</u>	<u>6,560,629</u>

	<i>Note</i>	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		69,085	69,085
Reserves		5,396,990	5,593,149
Interim/final and special dividends	8	414,509	469,777
		5,880,584	6,132,011
Non-controlling interests		481,984	428,618
Total equity		6,362,568	6,560,629

Condensed Consolidated Statement of Changes in Equity

	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	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)
	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 2016	69,085	703,365	1,695	3,986	277,745	96,629	49	4,509,680	469,777	6,132,011	428,618	6,560,629
Exchange realignment	—	—	—	—	(133,175)	—	—	—	—	(133,175)	(5,174)	(138,349)
Profit for the period	—	—	—	—	—	—	—	351,525	—	351,525	58,540	410,065
Total comprehensive income for the period	—	—	—	—	(133,175)	—	—	351,525	—	218,350	53,366	271,716
2015/2016 final and special dividends	—	—	—	—	—	—	—	—	(469,777)	(469,777)	—	(469,777)
2016/2017 interim dividend	—	—	—	—	—	—	—	(414,509)	414,509	—	—	—
At 30 September 2016	69,085	703,365	1,695	3,986	144,570	96,629	49	4,446,696	414,509	5,880,584	481,984	6,362,568
At 1 April 2015	69,085	703,365	1,695	3,986	481,221	96,629	49	4,315,677	414,509	6,086,216	233,616	6,319,832
Exchange realignment	—	—	—	—	(104,608)	—	—	—	—	(104,608)	(6,495)	(111,103)
Profit for the period	—	—	—	—	—	—	—	400,185	—	400,185	(14,751)	385,434
Total comprehensive income for the period	—	—	—	—	(104,608)	—	—	400,185	—	295,577	(21,246)	274,331
2014/2015 final dividend	—	—	—	—	—	—	—	—	(414,509)	(414,509)	—	(414,509)
2015/2016 interim dividend	—	—	—	—	—	—	—	(386,875)	386,875	—	—	—
At 30 September 2015	69,085	703,365	1,695	3,986	376,613	96,629	49	4,328,987	386,875	5,967,284	212,370	6,179,654

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	354,497	599,716
NET CASH FLOWS FROM INVESTING ACTIVITIES	241,625	148,283
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	1,755,465	(886,032)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	2,351,587	(138,033)
Cash and cash equivalents at beginning of period	1,841,644	1,475,853
Foreign exchange adjustments	(84,901)	(76,219)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,108,330	1,261,601
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	680,403	433,256
Non-pledged time and structured deposits with original maturity within three months when acquired	3,427,927	828,345
Non-pledged time and structured deposits with original maturity over three months when acquired	1,034,378	2,190,916
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	5,142,708	3,452,517
Less : Non-pledged time and structured deposits with original maturity over three months when acquired	(1,034,378)	(2,190,916)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	4,108,330	1,261,601

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 2016, 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 10, HKFRS 12 and HKAS 28 Amendments	Amendments to HKFRS 10, HKFRS12 and HKAS 28 <i>Investment Entities: Applying the Consolidation Exception</i>
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Disclosure Initiative</i>
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 <i>Agriculture: Bearer Plants</i>
HKAS 27 (2011) Amendments	Amendments to HKAS 27 (2011) <i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012 – 2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements.

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 2016.

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 gain on disposal of a trademark, unallocated corporate expenses, 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 2016 and 30 September 2015:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue :										
Sales to external customers	2,003,490	2,799,470	1,883,725	2,043,009	2,373	5,464	—	—	3,889,588	4,847,943
Intersegment sales	—	—	—	—	3,164	3,580	(3,164)	(3,580)	—	—
Other revenue	17,425	16,025	6,897	3,224	19,386	18,295	(3,059)	(2,453)	40,649	35,091
Total	2,020,915	2,815,495	1,890,622	2,046,233	24,923	27,339	(6,223)	(6,033)	3,930,237	4,883,034
Segment results	249,728	412,644	(1,127)	(52,535)	18,771	15,860	—	—	267,372	375,969
Reconciliation										
Gain on disposal of a trademark									152,400	—
Unallocated expenses									(6,828)	—
Interest income									38,805	57,504
Finance costs									(9,308)	(7,747)
Share of profit of an associate, net of tax									6,088	21,803
Profit before tax									448,529	447,529
Income tax expense									(38,464)	(62,095)
Profit for the period									410,065	385,434

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	38,805	57,504
Net fair value gains on foreign exchange derivative financial instruments	4,486	2,234
Rental income on investment properties	14,545	11,736
Compensation from suppliers for defective goods	3,307	7,790
Gain on disposal of items of property, plant and equipment	2,782	1,199
Government subsidies	2,427	647
Sundry income	13,102	11,485
	79,454	92,595

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	128,270	138,217
Recognition of prepaid land lease payments	336	340
(Write-back of provision) / provision for slow-moving inventories	(4,254)	127
Write-back of impairment of trade receivables	(349)	(901)
Gain on disposal of items of property, plant and equipment	(2,782)	(1,199)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and mainland China:		
Current period provision	36,574	51,652
Under / (Over)-provision in prior years	931	(1,190)
Deferred tax	959	11,630
Elsewhere:		
Current period provision	—	3
	<hr/>	<hr/>
Tax charge for the period	38,464	62,095
	<hr/>	<hr/>

8. DIVIDENDS

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend	414,509	386,875
Interim dividend per share (<i>HK cents</i>)	30.0	28.0
	<hr/>	<hr/>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue of 1,381,696,104 (six months ended 30 September 2015: 1,381,696,104) during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2016 and 30 September 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with a cost of HK\$99,767,000 (six months ended 30 September 2015: HK\$87,654,000). Items of property, plant and equipment with a net book value of HK\$1,785,000 (six months ended 30 September 2015: HK\$2,910,000) were disposed of during the six months ended 30 September 2016.

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\$11,568,000 (31 March 2016: HK\$11,917,000), is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 90 days	586,020	555,084
Over 90 days	20,137	29,106
	606,157	584,190

Payment terms of the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers trades with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 90 days	984,447	927,524
Over 90 days	38,531	25,833
	1,022,978	953,357

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:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	3,201	3,471
Guarantees of banking facilities granted to an associate	12,500	12,500

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

The protective tax assessments for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009 and 2009/2010 issued by the IRD in March 2012, March 2013, March 2014, March 2015 and March 2016 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000, HK\$376,200,000 and HK\$323,648,000, respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed, the IRD agreed to hold over the tax claimed completely subject to the purchases of tax reserve certificates. As at 30 September 2016, the Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000, HK\$38,000,000 and HK\$38,000,000 for years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009 and 2009/2010, respectively.

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

14. CAPITAL COMMITMENTS

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
In respect of property, plant and equipment, contracted but not provided for	5,070	42,561

15. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 September	
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sales to Megawell Industrial Limited ("Megawell")	(i)	101,731	228,101
Purchases from Megawell	(ii)	140,286	188,455
Rental expenses paid to related companies	(iii)	11,332	12,749

Notes:

- (i) *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 purchases from Megawell were made according to the prices and conditions similar to those offered to other customers by Megawell.*
- (iii) *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 Group has provided certain guarantees for banking facilities granted to Megawell, as detailed in note 13(a) to the financial statements.

(b) On 1 April 2016, 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 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 of apparel and accessory business of the Group for a term of two years commencing from 1 April 2016 at the monthly rents of RMB1,207,500 and RMB1,268,000 for the first year and the second year, respectively. During the period, the Group paid to MRL operating lease rentals in respect of the above property of HK\$8,325,000 (six months ended 30 September 2015: HK\$8,572,000).

On 1 April 2016, 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 2016 at the monthly rent of HK\$400,000. During the period, the Group paid to Latex operating lease rentals in respect of the above property of HK\$2,400,000 (six months ended 30 September 2015: HK\$2,400,000).

On 1 April 2016, 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 and a car parking space from WLEL as a training center of the Group for a term of two years commencing from 1 April 2016 at the monthly rent of HK\$63,200. During the period, the Group paid to WLEL operating lease rentals in respect of the above property of HK\$379,000 (six months ended 30 September 2015: HK\$379,000).

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

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	51,319	37,266
Post-employment benefits	9	147
Compensation for non-competition undertaking	—	4,500
	<hr/>	<hr/>
Total compensation paid to key management personnel	51,328	41,913

16. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Financial assets				
Derivative financial instruments	5,499	34,050	5,499	34,050
Held-to-maturity investments	598,086	642,581	598,543	648,554
	603,585	676,631	604,042	682,604
Financial liabilities				
Derivative financial instruments	3,673	4,525	3,673	4,525

Management has assessed that the fair values of cash and cash equivalents, trade receivables, bills receivable, held-to-maturity investments, financial assets included in prepayments, deposits and other receivables, trade payables, bills payable, amount due to an associate, current portion of interest-bearing bank borrowings, and financial liabilities included in other payables, accrued liabilities and deposit received approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department directly reports to the Board. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Board.

The fair values of the financial assets and liabilities are included as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the long term rental deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 September 2016 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement as at 30 September 2016 (Unaudited)			
Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
—	5,499	—	5,499

Fair value measurement as at 31 March 2016 (Audited)			
Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
—	34,050	—	34,050

Liabilities measured at fair value:

Fair value measurement as at 30 September 2016 (Unaudited)			
Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
—	3,673	—	3,673

Fair value measurement as at 31 March 2016 (Audited)			
Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
—	4,525	—	4,525

As at 30 September 2016 and 31 March 2016, the Group had no financial instrument measured at fair value under Level 3.

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 September 2015: nil).

Assets for which fair values are disclosed:

	Fair value measurement as at 30 September 2016 (Unaudited)			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Held-to-maturity investments	598,086	—		—	598,086

	Fair value measurement as at 31 March 2016 (Audited)			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Held-to-maturity investments	642,581	—		—	642,581

Management's Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK30.0 cents (six months ended 30 September 2015: HK28.0 cents) per ordinary share for the six months ended 30 September 2016. The interim dividend will be payable on Wednesday, 4 January 2017 to shareholders registered on the Register of Members of the Company on Wednesday, 14 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12 December 2016 to Wednesday, 14 December 2016 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2016. During which period no transfer of shares of the Company will be registered and no share will be allotted and issued. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2016, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 9 December 2016.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For the six months ended 30 September 2016, the Group's total turnover dropped by 19.8% to HK\$3,890 million (six months ended 30 September 2015 : HK\$4,848 million). Profit for the period attributable to the ordinary equity holders of the Company amounted to HK\$352 million (six months ended 30 September 2015 : HK\$400 million), a decrease of 12.0%. In the period, there was a gain on disposal of a trademark amounted to HK\$152 million. On the other hand, other income and gains declined by HK\$14 million to HK\$79 million (six months ended 30 September 2015 : HK\$93 million) mainly due to the decrease in interest income. The Board has recommended an interim dividend of HK30.0 cents per ordinary share, an increase of 7.1% compared to last interim period's HK28.0 cents per ordinary share.

Textile business

Revenue of the business fell by 28.4% to HK\$2,003 million (six months ended 30 September 2015 : HK\$2,799 million). The amount was 51.5% (six months ended 30 September 2015 : 57.7%) of the Group's total turnover. In this half year, the global business environment remained unstable. The demand from the U.S., our largest market, was extremely weak in the period. The Group had to explore more business opportunities in mainland China to help the situation. The gross profit margin decreased to 21.2% from last year's 22.5% and sales volume dropped substantially by 27.9%. Cotton price was up gradually, making the average selling price increased by 1.3%. 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 2016	Year ended 31 Mar 2016	Six months ended 30 Sep 2015	Year ended 31 Mar 2015	Year ended 31 Mar 2014
Net sales	2,003	4,741	2,799	4,718	5,026
Gross profit margin (%)	21.2	21.7	22.5	21.7	20.4
Operating profit(<i>note 1</i>)	250	666	413	622	671
EBITDA (<i>note 1</i>)	335	842	503	802	871
Return on total assets (%) (<i>annualised</i>) (<i>note 2</i>)	5.4	9.6	10.4	8.5	8.4
Return on sales (%) (<i>note 2</i>)	12.0	14.2	14.4	15.3	14.3
Return on equity (%) (<i>annualised</i>) (<i>note 2</i>)	9.6	12.5	14.4	12.8	12.8
Capital expenditure	72	111	47	56	121

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

(2) Exclude rental income.

Retail and distribution business

Sales of the business decreased by 7.8% to HK\$1,884 million (six months ended 30 September 2015 : HK\$2,043 million). The sum represented 48.4% (six months ended 30 September 2015 : 42.1%) of the Group's total turnover. In the period, the consumer demand in Mainland China remained sluggish. The Group continued to use a conservative business strategy. Sales area in mainland China decreased slightly by 1.4% when compared with six months ago. The gross profit margin was 48.3%, a minor decrease from last year's 48.8%. The performance and the key financial ratios of this business were as below:

(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 2016	Year ended 31 Mar 2016	Six months ended 30 Sep 2015	Year ended 31 Mar 2015	Year ended 31 Mar 2014
Net sales	1,884	4,592	2,043	4,591	4,816
Gross profit margin (%)	48.3	46.6	48.8	46.8	46.7
Sales growth of comparable shops (%)(note 1)	(3.4)	7.3	10.1	6.0	(7.6)
Operating profit/(loss) (note 2)	(1)	(93)	(53)	13	(245)
EBITDA (note 2)	41	8	(5)	113	(107)
Return on total assets (%) (annualised)(note 3)	(0.1)	(4.3)	(5.0)	(0.7)	(13.9)
Return on sales %(note 3)	(0.1)	(2.4)	(2.6)	(0.3)	(5.2)
Return on equity (%) (annualised)(note 3)	(0.3)	(9.5)	(20.3)	(2.1)	(42.5)
Capital expenditure	33	96	53	72	43

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.

(3) Exclude rental income.

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

<i>(HK\$'million)</i>	Six months ended 30 Sep 2016	Year ended 31 Mar 2016	Six months ended 30 Sep 2015	Year ended 31 Mar 2015	Year ended 31 Mar 2014
Baleno	1,412	3,260	1,387	2,821	2,754
S&K	146	415	190	476	552
I.P. Zone	132	304	149	320	417
ebase	3	98	69	336	497
Others	191	515	248	638	596
Total	1,884	4,592	2,043	4,591	4,816

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

Mainland China

	Six months ended 30 Sep 2016	Year ended 31 Mar 2016	Six months ended 30 Sep 2015	Year ended 31 Mar 2015	Year ended 31 Mar 2014
Net sales (HK\$'million)	1,603	4,013	1,768	4,014	4,098
Increase / (decrease) in net sales (%)	(9)	—	3	(2)	(17)
Retail floor area (sq. ft.) ^{*#}	1,754,766	1,779,340	1,749,037	1,700,135	1,959,394
Number of sales associates ^{*#}	5,843	6,425	7,033	6,971	7,710
Number of outlets ^{*△}	2,726	2,770	2,849	2,865	2,928

Hong Kong

	Six months ended 30 Sep 2016	Yearended 31 Mar 2016	Six months ended 30 Sep 2015	Yearended 31 Mar 2015	Yearended 31 Mar 2014
Net sales (<i>HK\$'million</i>)	281	579	275	486	445
Increase in net sales (%)	2	19	19	9	2
Retail floor area (<i>sq. ft.</i>) ^{*#}	69,134	64,543	60,557	62,440	66,184
Number of sales associates ^{*#}	383	395	384	393	392
Number of outlets ^{*#}	63	64	61	59	66

Taiwan

	Six months ended 30 Sep 2016	Yearended 31 Mar 2016	Six months ended 30 Sep 2015	Yearended 31 Mar 2015	Yearended 31 Mar 2014
Net sales (<i>HK\$'million</i>)	—	—	—	91	273
Decrease in net sales (%)	—	(100)	—	(67)	(34)
Retail floor area (<i>sq. ft.</i>) ^{*#}	—	—	—	—	90,689
Number of sales associates ^{*#}	—	—	—	—	290
Number of outlets ^{*△}	—	—	—	—	91

* As at the end of the reporting period

For self-managed stores

△ Including self-managed and franchise stores

Garment manufacturing business

Turnover of this associate decreased by 30.7% to HK\$452 million (six months ended 30 September 2015 : HK\$652 million). Net profit contribution to the Group was HK\$6 million (six months ended 30 September 2015 : HK\$22 million), a drop of 72.7%. In the period, the operating environment was extremely competitive mainly due to the global unfavourable consumer demand. The gross profit margin decreased to 8.4% from last year's 14.0%. In the period, 55.2% (six months ended 30 September 2015 : 66.8%) of the fabric consumed was supplied by our textile division and sales to the retail and distribution division was 31.0% (six months ended 30 September 2015 : 28.9%) of its turnover.

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 times, HK\$2,598 million and -0.4 times (31 March 2016: 2.9 times, HK\$843 million and -0.3 times) respectively. The increase in bank borrowing was mainly for the repayment of the trade payables and the financing of the short term investments of the Group. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity. The net cash inflow from operating activities for the period was HK\$354 million (six months ended 30 September 2015: HK\$600 million).

During the period, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 49 times, 35 days and 101 days (six months ended 30 September 2015: 59 times, 32 days and 77 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\$5,143 million, HK\$5,881 million and HK\$5,788 million (31 March 2016: HK\$3,005 million, HK\$6,132 million and HK\$7,772 million), respectively. The increase in cash and cash equivalents was mainly due to the increase in time deposits for enhancing the interest income. During the interim period, the devaluation of RMB resulted in the drop of the exchange fluctuation reserve by HK\$138 million (six months ended 30 September 2015 : HK\$111 million) .

Capital expenditure

The capital expenditure incurred by the Group during the period was HK\$105 million (six months ended 30 September 2015: HK\$100 million). As the recovery of the US economy remained slow, the Group continued to be prudent in capital expenditure spending. The capital expenditure incurred by the textile business for the period was HK\$72 million (six months ended 30 September 2015: HK\$47 million) mainly for the addition of plant and machinery. For the retail and distribution business, the PRC market remained sluggish. The capital expenditure incurred during the period mainly for the renovation of retail outlets was HK\$33 million (six months ended 30 September 2015: HK\$53 million).

Pledge of assets

No significant assets were pledged as at 30 September 2016 and 31 March 2016.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2016 and 31 March 2016 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 three years. At the period end, the cash and cash equivalents and the held-to-maturity investments were HK\$5,143 million (31 March 2016: HK\$3,005 million) and HK\$598 million (31 March 2016: HK\$643 million). The cash and cash equivalents were mainly fixed deposits denominated in HKD and USD, placed with well established financial institutions at fixed interest rate with maturity due within one year. The held-to-maturity investments denominated mainly in USD and RMB, were fixed interest rate investments with maturity due within four years. It is expected that the rise in USD interest rate remains moderate, 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 exchange risk.

HUMAN RESOURCES

As at 30 September 2016, the Group had about 14,100 (31 March 2016: 15,400) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, the Group is committed to promoting the long term sustainability of the environment and communities in which it operates. We also recognise the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations.

The Group has been active in participating in charitable donation, caring for the needy people, and supporting and sponsoring educational and environmental protection activities. In addition, we also encourage our employees, customers and business partners to partake in the aforesaid activities with a view to developing a better future for our community.

During the period, according to the best knowledge of the directors of the Company, the Group has complied with the relevant laws and regulations that have a significant impact on the business and the environment.

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

- (1) Evangelical Lutheran Church Social Service – Hong Kong “Outing with mental disabilities and their families in Mid-Autumn Festival”;
- (2) St. James’ Settlement;
- (3) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (4) The Hong Kong Council of Social Service “Caring Company”; and
- (5) World Wide Fund For Nature Hong Kong.

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

OUTLOOK

The U.S. market was unexpectedly weak in the interim period. The Group has explored business opportunities in other markets to diversify the revenue source. It is expected the mainland China market will become more important to the Group.

For the retail business, the Group has consolidated the trademarks to enhance competitiveness. Moderate expansion in the short run will be continued in mainland China. The business is in solid financial position and an improved performance is expected in the second half year.

Other Information

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2016, 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	Capacity	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Executive directors:				
Poon Bun Chak	Founder of a family trust	1	664,758,104	48.1
Ting Kit Chung	Beneficial owner		6,100,000	0.4

Notes:

1. Mr. Poon Bun Chak is a founder of a family trust and is deemed to be interested in 664,758,104 Shares held under the family trust. For details, please refer to the section "Substantial shareholders' and other person's interests in shares and underlying shares".

Save as disclosed above, as at 30 September 2016, 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, 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 2016, 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 ordinary shares held	Percentage of the Company's issued share capital
UBS Trustees (B.V.I.) Limited	Trustee	1	664,758,104	48.1
Poon's Holdings Limited	Through controlled corporation	1	664,758,104	48.1
Farrow Star Limited	Directly owned	1	664,758,104	48.1
Edgbaston Investment Partners LLP	Investment manager		83,263,000	6.0

Notes:

- 1. UBS Trustees (B.V.I.) Limited, as a trustee of a family trust founded by Mr. Poon Bun Chak, holds the entire issued share capital of Poon's Holdings Limited through its nominee, UBS Nominee Limited. Poon's Holdings Limited holds the entire issued share capital of Farrow Star Limited. Farrow Star Limited in turn holds 664,758,104 shares of the Company. Therefore, each of Mr. Poon Bun Chak, UBS Trustees (B.V.I.) Limited, Poon's Holdings Limited and Farrow Star Limited is deemed to be interested in 664,758,104 Shares held by Farrow Star Limited.*

Save as disclosed above, as at 30 September 2016, 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.

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 risk management and 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 set out in 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 deviation:

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

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

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 2016 Annual Report.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak and Mr. Ting Kit Chung; 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 2016 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.

On behalf of the Board
Poon Bun Chak
Executive Chairman

Hong Kong, 16 November 2016