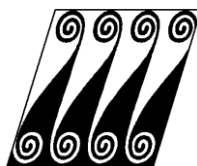


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TEXWINCA HOLDINGS LIMITED

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 2017

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 2017. 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 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	4	4,081,354	3,889,588
Cost of sales		(2,846,724)	(2,552,874)
Gross profit		1,234,630	1,336,714
Other income and gains	5	117,336	79,454
Gain on disposal of a trademark		—	152,400
Gain on disposal of subsidiaries		57,254	—
Selling and distribution expenses		(769,084)	(827,117)
Administrative expenses		(448,831)	(287,818)
Other operating expenses, net		(3,416)	(1,884)
Finance costs		(17,909)	(9,308)
Share of profit of an associate, net of tax		2,572	6,088
PROFIT BEFORE TAX	6	172,552	448,529
Income tax expense	7	(116)	(38,464)
PROFIT FOR THE PERIOD		172,436	410,065

*For identification purpose only

	<i>Note</i>	Six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		180,242	351,525
Non-controlling interests		(7,806)	58,540
		172,436	410,065

**EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY
EQUITY HOLDERS OF THE COMPANY (HK cents) 9**

Basic	13.0	25.4
Diluted	13.0	25.4

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	172,436	410,065
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	213,071	(138,349)
Release of exchange fluctuation reserve upon disposal of subsidiaries	(3,804)	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	381,703	271,716
Attributable to:		
Ordinary equity holders of the Company	381,051	218,350
Non-controlling interests	652	53,366
	381,703	271,716

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	1,369,005	1,313,688
Investment properties		459,592	459,403
Prepaid land lease payments		13,004	12,733
Construction in progress		36,548	27,018
Trademarks		33,293	33,293
Investment in an associate		76,275	75,243
Prepayments		59,333	37,270
Long term rental deposits		107,124	112,776
Long term held-to-maturity investments		183,156	220,003
Available-for-sale investments		54,600	54,250
Deferred tax asset		28,359	28,359
		<hr/>	
Total non-current assets		2,420,289	2,374,036
CURRENT ASSETS			
Inventories		2,103,008	2,050,435
Trade receivables	<i>11</i>	982,486	665,388
Bills receivable		59,158	123,507
Prepayments, deposits and other receivables		470,553	446,273
Held-to-maturity investments		276,340	265,531
Derivative financial assets		22,460	14,315
Cash and cash equivalents		4,268,854	4,022,914
		<hr/>	
		8,182,859	7,588,363
Non-current assets classified as held for sale		—	3,878
Assets of a disposal group classified as held for sale		—	9,188
		<hr/>	
Total current assets		8,182,859	7,601,429
CURRENT LIABILITIES			
Trade payables	<i>12</i>	1,160,888	812,514
Bills payable		12,338	21,961
Other payables, accrued liabilities and deposit received		526,540	473,991
Due to an associate		821	57,001
Derivative financial liabilities		37,441	12,231
Tax payable		16,606	15,076
Interest-bearing bank borrowings		2,118,747	2,436,599
Dividend payable		442,143	—
		<hr/>	
Total current liabilities		4,315,524	3,829,373
		<hr/>	
NET CURRENT ASSETS		3,867,335	3,772,056
		<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES		6,287,624	6,146,092

	<i>Note</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		289,394	80,682
Deferred tax liabilities		161,267	168,007
		<hr/>	<hr/>
Total non-current liabilities		450,661	248,689
		<hr/>	<hr/>
Net assets		5,836,963	5,897,403
		<hr/>	<hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		69,085	69,085
Reserves		5,043,117	4,938,405
Interim/final dividends	8	276,339	442,143
		<hr/>	<hr/>
		5,388,541	5,449,633
		<hr/>	<hr/>
Non-controlling interests		448,422	447,770
		<hr/>	<hr/>
Total equity		5,836,963	5,897,403
		<hr/>	<hr/>

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 2017	69,085	703,365	1,695	3,986	(1,489)	99,246	49	4,131,553	442,143	5,449,633	447,770	5,897,403
Release of exchange fluctuation reserve upon disposal of subsidiaries	—	—	—	—	(3,804)	—	—	—	—	(3,804)	—	(3,804)
Exchange realignment	—	—	—	—	204,613	—	—	—	—	204,613	8,458	213,071
Profit for the period	—	—	—	—	—	—	—	180,242	—	180,242	(7,806)	172,436
Total comprehensive income for the period	—	—	—	—	200,809	—	—	180,242	—	381,051	652	381,703
2016/2017 final dividend	—	—	—	—	—	—	—	—	(442,143)	(442,143)	—	(442,143)
2017/2018 interim dividend	—	—	—	—	—	—	—	(276,339)	276,339	—	—	—
At 30 September 2017	69,085	703,365	1,695	3,986	199,320	99,246	49	4,035,456	276,339	5,388,541	448,422	5,836,963
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

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	138,758	354,497
NET CASH FLOWS FROM INVESTING ACTIVITIES	50,680	241,625
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(109,140)	1,755,465
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,298	2,351,587
Cash and cash equivalents at beginning of period	3,573,414	1,841,644
Foreign exchange adjustments	149,733	(84,901)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,803,445	4,108,330
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	294,387	680,403
Non-pledged time deposits with original maturity within three months when acquired	3,509,058	3,427,927
Non-pledged time deposits with original maturity over three months when acquired	465,409	1,034,378
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	4,268,854	5,142,708
Less : Non-pledged time deposits with original maturity over three months when acquired	(465,409)	(1,034,378)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	3,803,445	4,108,330

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 2017, 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:

HKAS 7 Amendments	Amendments to HKAS 7 <i>Disclosure Initiative</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

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 financial statements for the year ended 31 March 2017.

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 accessories segment; and
- (c) the "others" segment principally comprises the provision of franchise services and properties investment.

Management monitors the results of the Group's 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, gain on disposal of subsidiaries, 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 2017 and 30 September 2016:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(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
Segment revenue :										
Sales to external customers	2,425,303	2,003,490	1,652,385	1,883,725	3,666	2,373	—	—	4,081,354	3,889,588
Intersegment sales	—	—	—	—	3,106	3,164	(3,106)	(3,164)	—	—
Other revenue	26,295	17,425	35,476	6,897	18,715	19,386	(3,321)	(3,059)	77,165	40,649
Total	2,451,598	2,020,915	1,687,861	1,890,622	25,487	24,923	(6,427)	(6,223)	4,158,519	3,930,237
Segment results	109,880	249,728	(35,764)	(1,127)	20,356	18,771	—	—	94,472	267,372
Reconciliation										
Gain on disposal of a trademark									—	152,400
Gain on disposal of subsidiaries									57,254	—
Unallocated expenses									(4,008)	(6,828)
Interest income									40,171	38,805
Finance costs									(17,909)	(9,308)
Share of profit of an associate, net of tax									2,572	6,088
Profit before tax									172,552	448,529
Income tax expense									(116)	(38,464)
Profit for the period									172,436	410,065

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	40,171	38,805
Net fair value gains on foreign exchange derivative financial instruments	12,100	4,486
Rental income on investment properties	13,372	14,545
Compensation from suppliers for defective goods	6,299	3,307
Net gain on disposal of items of property, plant and equipment	22,978	2,782
Government subsidies	1,463	2,427
Sundry income	20,953	13,102
	117,336	79,454

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	125,799	128,270
Recognition of prepaid land lease payments	217	336
Write-back of provision for slow-moving inventories	(1,844)	(4,254)
Impairment / (reversal of impairment) of trade receivables	1,288	(349)
Net gain on disposal of items of property, plant and equipment	(22,978)	(2,782)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and Mainland China:		
Current period provision	3,396	36,574
Under-provision in prior years	731	931
Deferred tax	(4,011)	959
Total tax charge for the period	116	38,464

8. DIVIDENDS

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend	276,339	414,509
Interim dividend per share (<i>HK cents</i>)	<u>20.0</u>	<u>30.0</u>

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 2016: 1,381,696,104) during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2017 and 30 September 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with a cost of HK\$125,766,000 (six months ended 30 September 2016: HK\$99,767,000). Items of property, plant and equipment with a net book value of HK\$14,998,000 (six months ended 30 September 2016: HK\$1,785,000) were disposed of during the six months ended 30 September 2017.

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\$12,144,000 (31 March 2017: HK\$10,856,000), is as follows:

	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	897,890	606,928
Over 90 days	<u>84,596</u>	<u>58,460</u>
	<u>982,486</u>	<u>665,388</u>

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 90 days	1,065,542	778,532
Over 90 days	95,346	33,982
	<u>1,160,888</u>	<u>812,514</u>

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	4,945	4,603
Guarantees of banking facilities granted to an associate	—	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, 2009/2010 and 2010/2011 issued by the IRD in March 2012, March 2013, March 2014, March 2015, March 2016 and January 2017 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000, HK\$376,200,000, HK\$323,648,000 and HK\$237,600,000, 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 2017, the Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000, HK\$38,000,000, HK\$38,000,000 and HK\$50,000,000 for years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011, respectively.

In view that the tax review for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011 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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
In respect of property, plant and equipment, contracted but not provided for	127,122	75,749

15. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Sales to Megawell Industrial Limited ("Megawell")	<i>(i)</i>	3,460	101,731
Purchases from Megawell	<i>(ii)</i>	30,412	140,286
Rental expenses paid to related companies	<i>(iii)</i>	11,149	11,332

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 Bin Jiang Road 282-286, He Ping Qu, Tianjin City, China from MRL as a retail outlet for the retail and distribution of apparel and accessories 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\$8,142,000 (six months ended 30 September 2016: HK\$8,325,000).

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 2016: 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 2016: HK\$379,000).

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

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Short term employee benefits	31,284	51,319
Post-employment benefits	9	9
	<hr/>	<hr/>
Total compensation paid to key management personnel	31,293	51,328

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Financial assets				
Derivative financial instruments	22,460	14,315	22,460	14,315
Available-for-sale investments	54,600	54,250	54,600	54,250
Held-to-maturity investments	459,496	485,534	444,642	461,154
	536,556	554,099	521,702	529,719
Financial liabilities				
Derivative financial instruments	37,441	12,231	37,441	12,231

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, an amount due to an associate, the 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 finance department headed by the 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 2017 was assessed to be insignificant.

The fair values of available-for-sale investments are estimated based on quoted prices provided by the investment fund manager.

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 2017 (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>
Derivative financial assets	—	22,460	—	22,460
Available-for-sale investments	54,600	—	—	54,600
	54,600	22,460	—	77,060
Fair value measurement as at 31 March 2017 (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>
Derivative financial assets	—	14,315	—	14,315
Available-for-sale investments	54,250	—	—	54,250
	54,250	14,315	—	68,565

Liabilities measured at fair value:

Fair value measurement as at 30 September 2017 (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>
Derivative financial liabilities	—	37,441	—
			37,441

Fair value measurement as at 31 March 2017 (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>
Derivative financial liabilities	—	12,231	—
			12,231

As at 30 September 2017 and 31 March 2017, the Group had no financial instrument measured at fair value under Level 3.

During the period, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 September 2016: nil).

Assets for which fair values are disclosed:

Fair value measurement as at 30 September 2017 (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>
Held-to-maturity investments	444,642	—	444,642

Fair value measurement as at 31 March 2017 (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>
Held-to-maturity investments	461,154	—	461,154

Management's Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK20.0 cents (six months ended 30 September 2016: HK30.0 cents) per ordinary share for the six months ended 30 September 2017. The interim dividend will be payable on Thursday, 4 January 2018 to shareholders registered on the Register of Members of the Company on Wednesday, 13 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 11 December 2017 to Wednesday, 13 December 2017 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2017. 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 2017, 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, 8 December 2017.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For the six months ended 30 September 2017, the Group's total turnover increased by 4.9% to HK\$4,081 million (six months ended 30 September 2016 : HK\$3,890 million). Profit for the period attributable to the ordinary equity holders of the Company amounted to HK\$180 million (six months ended 30 September 2016 : HK\$ 352 million), a decrease of 48.9%. The decrease in profit is primarily due to the one-off gain on disposal of a trademark of HK\$152 million recorded in the six months ended 30 September 2016 and the HK\$61 million exchange loss (six months ended 30 September 2016 : HK\$12 million gain) recorded due to appreciation of Renminbi against Hong Kong dollar in this interim period. The Board has recommended an interim dividend of HK20.0 cents per ordinary share, a decrease of 33.3% compared to last interim period's HK30.0 cents per ordinary share.

Textile business

Revenue of the business grew by 21.1% to HK\$2,425 million (six months ended 30 September 2016 : HK\$2,003 million). The amount was 59.4% (six months ended 30 September 2016 : 51.5%) of the Group's total turnover. In this half year, business environment was still tough. Cotton prices and fuel costs increased substantially that put pressure on the cost of goods sold and profit margins. The average selling price decreased by 1.3% and the gross profit margin dropped to 17.3% from last year's 21.2%. However, sales volume rose sharply by 21.9%. In the period, the demand for functional synthetic fabrics was strong against traditional cotton fabrics. 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 2017	Year ended 31 Mar 2017	Six months ended 30 Sep 2016	Year ended 31 Mar 2016	Year ended 31 Mar 2015
Net sales	2,425	3,807	2,003	4,741	4,718
Gross profit margin (%)	17.3	16.9	21.2	21.7	21.7
Operating profit(<i>note 1</i>)	109	350	250	666	622
EBITDA (<i>note 1</i>)	193	518	335	842	802
Return on total assets (%)					
<i>(annualised) (note 2)</i>	3.2	4.9	5.4	9.6	8.5
Return on sales (%) <i>(note 2)</i>	5.5	10.2	12.0	14.2	15.3
Return on equity					
<i>(%)(annualised) (note 2)</i>	5.9	8.4	9.6	12.5	12.8
Capital expenditure	85	143	72	111	56

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

(2) Exclude rental income.

Retail and distribution business

Net sales of the business decreased by 12.3% to HK\$1,652 million (six months ended 30 September 2016 : HK\$1,884 million). The sum represented 40.5% (six months ended 30 September 2016 : 48.4%) of the Group's total turnover. In the period, the operating environment in Mainland China remained challenging. The Group continued to consolidate its retail outlets to tighten rental cost and pursue improved business performance. The gross profit margin reached 49.1%, a slight increase from the same period of last year's 48.3%. The Group has established more new stores in supermarkets and will continue to invest in e-commerce. 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 2017	Year ended 31 Mar 2017	Six months ended 30 Sep 2016	Year ended 31 Mar 2016	Year ended 31 Mar 2015
Net sales	1,652	4,044	1,884	4,592	4,591
Gross profit margin (%)	49.1	45.5	48.3	46.6	46.8
Sales growth of comparable shops (%)(note 1)	(8.7)	(7.8)	(3.4)	7.3	6.0
Operating profit/(loss) (note 2)	(36)	(96)	(1)	(93)	13
EBITDA (note 2)	7	(11)	41	8	113
Return on total assets (%) (annualised)(note 3)	(3.1)	(4.8)	(0.1)	(4.3)	(0.7)
Return on sales %(note 3)	(2.1)	(2.3)	(0.1)	(2.4)	(0.3)
Return on equity (%) (annualised)(note 3)	(5.9)	(15.9)	(0.3)	(9.5)	(2.1)
Capital expenditure	49	73	33	96	72

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 properties, 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 2017	Year ended 31 Mar 2017	Six months ended 30 Sep 2016	Year ended 31 Mar 2016	Year ended 31 Mar 2015
Baleno	1,298	3,144	1,412	3,260	2,821
S&K	105	293	146	415	476
I.P. Zone	84	215	132	304	320
ebase	2	5	3	98	336
Others	163	387	191	515	638
Total	1,652	4,044	1,884	4,592	4,591

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

Mainland China

	Six months ended 30 Sep 2017	Yearended 31 Mar 2017	Six months ended 30 Sep 2016	Yearended 31 Mar 2016	Yearended 31 Mar 2015
Net sales (<i>HK\$'million</i>)	1,400	3,476	1,603	4,013	4,014
Decrease in net sales (%)	(13)	(13)	(9)	—	(2)
Retail floor area (<i>sq. ft.</i>) ^{*#}	1,737,307	1,723,190	1,754,766	1,779,340	1,700,135
Number of sales associates ^{*#}	5,386	5,493	5,843	6,425	6,971
Number of outlets ^{*△}	3,044	2,841	2,726	2,770	2,865

Hong Kong

	Six months ended 30 Sep 2017	Yearended 31 Mar 2017	Six months ended 30 Sep 2016	Yearended 31 Mar 2016	Yearended 31 Mar 2015
Net sales (<i>HK\$'million</i>)	252	568	281	579	486
Increase / (decrease) in net sales (%)	(10)	(2)	2	19	9
Retail floor area (<i>sq. ft.</i>) ^{*#}	77,600	65,515	69,134	64,543	62,440
Number of sales associates ^{*#}	434	385	383	395	393
Number of outlets ^{*#}	70	60	63	64	59

Taiwan

	Six months ended 30 Sep 2017	Yearended 31 Mar 2017	Six months ended 30 Sep 2016	Yearended 31 Mar 2016	Yearended 31 Mar 2015
Net sales (<i>HK\$'million</i>)	—	—	—	—	91
Decrease in net sales (%)	—	—	—	(100)	(67)
Retail floor area (<i>sq. ft.</i>) ^{*#}	—	—	—	—	—
Number of sales associates ^{*#}	—	—	—	—	—
Number of outlets ^{*△}	—	—	—	—	—

* 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 significantly by 57.7% to HK\$191 million (six months ended 30 September 2016 : HK\$452 million). The garment factory in Mainland China was closed in the period due to rising manpower cost for traditional casual knitted wear. Production is now concentrated in Vietnam. In the period, net profit contribution to the Group was HK\$3 million (six months ended 30 September 2016 : HK\$6 million), a drop of 50.0%. The gross profit margin decreased to -1.6% from the same period of last year's 8.4%. In the period, 6.6% (six months ended 30 September 2016 : 55.2%) of the fabric consumed was supplied by the Group's textile division and sales to the Group's retail section was 15.9% (six months ended 30 September 2016 : 31.0%) 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 1.9, HK\$2,408 million and -0.3 (31 March 2017 : 2.0, HK\$2,517 million and -0.3) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity. The net cash flows from operating activities for the period was HK\$139 million (six months ended 30 September 2016: HK\$354 million).

During the period, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 11 times, 47 days and 94 days (six months ended 30 September 2016: 49 times, 35 days and 101 days) respectively. The decrease in the interest cover was mainly due to the recognition of exchange loss of HK\$61 million (six months ended 30 September 2016 : exchange gain of HK\$12 million) and the decrease in trademark disposal gain of HK\$152 million during the period. The increase in the trade and bills receivable turnover days was mainly due to the increase in the sales of the textile business in the Mainland China. And, the Mainland China customers are mostly on open account credit terms. The Group mainly satisfied its funding requirements with cash flows 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 unutilised banking facilities were HK\$4,269 million, HK\$5,389 million and HK\$4,996 million (31 March 2017: HK\$4,023 million, HK\$5,450 million and HK\$6,099 million), respectively. The increase in cash and cash equivalents was mainly for enhancing the return on short term bank deposit.

Capital expenditure

The capital expenditure incurred by the Group during the period was HK\$134 million (six months ended 30 September 2016: HK\$105 million). The capital expenditure incurred by the textile business for the period was HK\$85 million (six months ended 30 September 2016: HK\$72 million) mainly for the addition of plant and machinery. For the retail and distribution business, our capital expenditure incurred for the period mainly for the leasehold improvements of retail shops amounted to HK\$48 million (six months ended 30 September 2016: HK\$33 million).

Pledge of assets

No significant assets were pledged as at 30 September 2017 and 31 March 2017.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2017 and 31 March 2017 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, RMB, USD and YEN floating rate borrowings with maturity due within three years (31 March 2017: two years). At the period end, the cash and cash equivalents and the held-to-maturity and available-for-sale investments amounted to HK\$4,269 million and HK\$514 million (31 March 2017 : HK\$4,023 million and HK\$540 million), respectively, were mainly denominated in HKD, RMB and USD. The cash and cash equivalents were placed as fixed deposits with well-established financial institutions at fixed interest rate with maturity due within one year (31 March 2017 : one year). And, the held-to-maturity and available-for-sale investments were mainly fixed interest rate investments with maturity ranging between one year to perpetuity (31 March 2017 : within three years). As the US economic condition continues to improve moderately, we expect a mild increase in interest rate in the second half of the financial year. The Group will continue to monitor the interest rate risk and arrange financial instruments to reduce its 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. Due to the appreciation of RMB against HKD during this interim period, the Group recorded an exchange loss of HK\$61 million (six months ended 30 September 2016 : exchange gain of HK\$12 million). The Group will continue to monitor its exchange risk and arrange forward contracts to reduce its risks.

HUMAN RESOURCES

As at 30 September 2017, the Group had about 13,900 (31 March 2017: 13,979) 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, 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, some of the activities/organisations the Group participated in / donated or sponsored to were:

- (1) Evangelical Lutheran Church Social Service – Hong Kong;
- (2) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (3) The Hong Kong Council of Social Service “Caring Company”; and
- (4) 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

With the withdrawal of the US from the Trans-Pacific Strategic Economic Partnership Agreement, the Group has stopped the plan to establish a textile plant in Vietnam. Production capacity increment will be concentrated in our existing Dongguan base which still has abundant space for future expansion. The Dongguan site is equipped with most advanced environmental facilities and has been continuously appraised as a “Green card” enterprise by the Guangdong government.

As the demand for functional synthetic fabrics is strong, the Group has been expanding its production capacity in this aspect. The Group will also engage in manufacturing seamless sport wear by using synthetic fabrics. This new production line will commence operation in early 2018. With a more balanced production capacity in cotton and synthetic materials, the Group can further enhance its business competitiveness and flexibility.

While the consumer sentiments in the Mainland China remain sluggish, the operating environment for our retail business is expected to be challenging. After the consolidation of our stores, the management believes the business is on a stable path. The Group is prudently optimistic about its business performance in the second half year.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2017, 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") set out in Appendix 10 to the Listing Rules 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

Note:

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 2017, 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 2017, 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	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
UBS Trustees (B.V.I.) Limited	Trustee	<i>1</i>	664,758,104	48.1
Poon's Holdings Limited	Through controlled corporation	<i>1</i>	664,758,104	48.1
Farrow Star Limited	Directly owned	<i>1</i>	664,758,104	48.1
Edgbaston Investment Partners LLP	Investment manager		83,263,000	6.0
Edgbaston Asian Equity Trust	Directly owned		69,181,000	5.0

Note:

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 2017, 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 of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to 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 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 2017 Annual Report.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Ting Kit Chung and Mr. Poon Ho Tak; 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 2017 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 2017