



# 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 2008

### 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 2008. The interim results have been reviewed by the Company’s audit committee.

#### Condensed Consolidated Income Statement

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	4	<b>5,005,160</b>	4,659,153
Cost of sales		<b>(3,434,194)</b>	(3,197,051)
Gross profit		<b>1,570,966</b>	1,462,102
Other income and gains	5	<b>91,354</b>	65,531
Selling and distribution costs		<b>(839,962)</b>	(774,540)
Administrative expenses		<b>(296,588)</b>	(288,939)
Other operating expenses, net		<b>(4,645)</b>	(2,553)
Finance costs		<b>(26,206)</b>	(22,828)
Share of profit of an associate, net of tax		<b>26,667</b>	36,301
<b>PROFIT BEFORE TAX</b>	6	<b>521,586</b>	475,074
Tax	7	<b>(53,872)</b>	(117,112)
<b>PROFIT FOR THE PERIOD</b>		<b>467,714</b>	357,962

\* For identification purpose only

**Condensed Consolidated Income Statement** *(continued)*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Attributable to:</b>			
Equity holders of the Company		<b>448,220</b>	390,265
Minority interests		<b>19,494</b>	(32,303)
		<b>467,714</b>	357,962
Proposed interim dividend		<b>238,898</b>	238,868
Proposed interim dividend per share ( <i>HK cents</i> )		<b>18.0</b>	18.0
Earnings per share attributable to ordinary equity holders of the Company ( <i>HK cents</i> )	8		
Basic		<b>33.8</b>	29.4
Diluted		<b>33.6</b>	29.3

## Condensed Consolidated Balance Sheet

		At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,361,628	2,367,458
Investment properties		119,966	123,208
Prepaid land lease payments		24,701	24,810
Construction in progress		186,914	148,701
Trademarks		33,293	33,293
Interest in an associate		135,624	104,764
Long term rental deposits		109,958	119,358
<b>Total non-current assets</b>		<b>2,972,084</b>	<b>2,921,592</b>
<b>CURRENT ASSETS</b>			
Inventories		1,558,129	1,587,075
Trade and bills receivables	10	913,586	1,017,885
Prepayments, deposits and other receivables		507,268	483,593
Derivative financial assets		8,664	62,335
Cash and cash equivalents		1,533,998	817,617
<b>Total current assets</b>		<b>4,521,645</b>	<b>3,968,505</b>
<b>CURRENT LIABILITIES</b>			
Due to an associate		19,659	20,141
Trade and bills payables	11	1,006,900	993,861
Other payables and accrued liabilities		374,417	363,552
Derivative financial liabilities		3,268	19,438
Tax payable		269,959	312,656
Interest-bearing bank borrowings		653,479	434,781
Dividend payable		331,750	-
<b>Total current liabilities</b>		<b>2,659,432</b>	<b>2,144,429</b>

**Condensed Consolidated Balance Sheet (continued)**

	<b>At 30 September 2008 (Unaudited) <i>Notes</i> <i>HK\$'000</i></b>	<b>At 31 March 2008 (Audited) <i>HK\$'000</i></b>
<b>Net current assets</b>	<b>1,862,213</b>	1,824,076
<b>Total assets less current liabilities</b>	<b>4,834,297</b>	4,745,668
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	726,327	812,769
Deferred tax	22,509	16,614
<b>Total non-current liabilities</b>	<b>748,836</b>	829,383
<b>Net assets</b>	<b>4,085,461</b>	3,916,285
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	66,363	66,356
Reserves	3,658,492	3,421,246
Proposed interim/final dividends	238,898	331,750
	<b>3,963,753</b>	3,819,352
<b>Minority interests</b>	<b>121,708</b>	96,933
<b>Total equity</b>	<b>4,085,461</b>	3,916,285

## Condensed Consolidated Statement of Changes in Equity

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Legal reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2008	66,356	350,598	1,649	7,756	3,986	144,612	23,920	49	2,888,676	331,750	3,819,352	96,933	3,916,285
Exchange realignment	-	-	-	-	-	25,837	1,293	-	-	-	27,130	5,281	32,411
Profit for the period	-	-	-	-	-	-	-	-	448,220	-	448,220	19,494	467,714
Exercise of share options	42	5,766	-	(1,175)	-	-	-	-	-	-	4,633	-	4,633
Repurchase of shares	(35)	(3,797)	35	-	-	-	-	-	(35)	-	(3,832)	-	(3,832)
2007/2008 final dividend	-	-	-	-	-	-	-	-	-	(331,750)	(331,750)	-	(331,750)
2008/2009 proposed interim dividend	-	-	-	-	-	-	-	-	(238,898)	238,898	-	-	-
At 30 September 2008	66,363	352,567	1,684	6,581	3,986	170,449	25,213	49	3,097,963	238,898	3,963,753	121,708	4,085,461
At 1 April 2007	66,314	344,158	1,587	9,841	3,986	66,043	23,920	49	2,533,269	198,913	3,248,080	66,943	3,315,023
Exchange realignment	-	-	-	-	-	21,885	-	-	-	-	21,885	(2,132)	19,753
Profit for the period	-	-	-	-	-	-	-	-	390,265	-	390,265	(32,303)	357,962
Exercise of share options	60	6,333	-	(1,140)	-	-	-	-	1,140	-	6,393	-	6,393
Repurchase of shares	(26)	(2,822)	26	-	-	-	-	-	(26)	-	(2,848)	-	(2,848)
Forfeiture of share options	-	-	-	60	-	-	-	-	(60)	-	-	-	-
2006/2007 final dividend	-	-	-	-	-	-	-	-	-	(198,913)	(198,913)	-	(198,913)
2007/2008 proposed interim dividend	-	-	-	-	-	-	-	-	(238,868)	238,868	-	-	-
At 30 September 2007	66,348	347,669	1,613	8,761	3,986	87,928	23,920	49	2,685,720	238,868	3,464,862	32,508	3,497,370

## Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>691,697</b>	738,776
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(137,051)</b>	(30,877)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>106,850</b>	(230,301)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>661,496</b>	477,598
Cash and cash equivalents at beginning of period	<b>321,531</b>	244,827
Foreign exchange adjustments	<b>(27,683)</b>	(22,683)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>955,344</b>	699,742
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>217,288</b>	140,311
Non-pledged short term time deposits with original maturity within three months when acquired	<b>738,056</b>	559,431
	<b>955,344</b>	699,742

### Notes to the Condensed Consolidated 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 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. PRINCIPAL 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 2008, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the HKFRSs listed above does not have any significant impact on the Group's unaudited condensed interim financial statements for the six months ended 30 September 2008. For those new and revised HKFRSs which have not yet been effective, the Group is in the process of assessing their impact on the Group's results and financial position.

## 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 2008.

## 4. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are 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 motor and generator repair and maintenance services, and the provision of franchise services.

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/(loss) information for the Group's business segments for the six months ended 30 September 2008 and 30 September 2007:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,831,994	2,862,442	2,149,834	1,773,451	23,332	23,260	—	—	5,005,160	4,659,153
Intersegment sales	1,290	—	—	—	1,083	1,228	(2,373)	(1,228)	—	—
Other revenue	12,287	40,299	35,520	9,710	4,988	9,058	—	—	52,795	59,067
<b>Total</b>	<b>2,845,571</b>	<b>2,902,741</b>	<b>2,185,354</b>	<b>1,783,161</b>	<b>29,403</b>	<b>33,546</b>	<b>(2,373)</b>	<b>(1,228)</b>	<b>5,057,955</b>	<b>4,718,220</b>
Segment results	394,062	431,135	73,799	4,854	8,644	13,531	6,061	5,617	482,566	455,137
Interest income									38,559	6,464
Finance costs									(26,206)	(22,828)
Share of profit of an associate, net of tax									26,667	36,301
Profit before tax									521,586	475,074
Tax									(53,872)	(117,112)
Profit for the period									467,714	357,962

## 5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	38,559	6,464
Gross rental income	4,481	9,410
Net fair value gain on foreign exchange derivative financial instruments	—	22,237
Scrap sales	5,330	11,895
Sundry income	42,984	15,525
	<b>91,354</b>	<b>65,531</b>



## 6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	166,085	156,972
Recognition of prepaid land lease payments	332	324
Provision / (write-back of provision) for slow-moving inventories included in cost of sales	(7,846)	4,362
Loss on disposal of items of property, plant and equipment	382	1,452

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2007: 17.5%) 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 locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Hong Kong and the Mainland China taxes:		
Current period provision	53,872	67,112
Underprovision in prior years	-	50,000
Tax charge for the period	53,872	117,112

Details of the underprovision of Hong Kong and Mainland China taxes in prior years were set out below and in note 12(c), respectively.

In prior year, the Guangzhou Municipal Office of the State Administration of Taxation (the "SAT Guangzhou Office") of the People's Republic of China conducted a review on the transfer pricing policy of a subsidiary of the Group's retail and distribution operation in the Mainland China for the years 1997 to 2005. As a result of the review the Group was required to pay approximately RMB61,000,000 of additional Foreign Enterprise Income Tax for the years 1997 to 2005. As at 30 September 2008, the directors of the subsidiary believe that appropriate tax provision has been provided.

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

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$448,220,000 (six months ended 30 September 2007: HK\$390,265,000) and the weighted average number of 1,326,840,749 (six months ended 30 September 2007: 1,326,434,388) ordinary shares in issue during the period.

### (b) Diluted earnings per share

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

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	448,220	390,265
	<b>Number of shares</b>	
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,326,840,749	1,326,434,388
Effect of dilution — Weighted average number of ordinary shares: Share options	8,605,266	6,782,727
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	1,335,446,015	1,333,217,115

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the Group acquired items of property, plant and equipment with a cost of HK\$106,849,000 (six months ended 30 September 2007: HK\$67,483,000). Items of property, plant and equipment with a net book value of HK\$3,783,000 were disposed of during the six months ended 30 September 2008 (six months ended 30 September 2007: HK\$3,886,000).

## 10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of impairment, is as follows:

	<b>At 30 September 2008 (Unaudited) HK\$'000</b>	At 31 March 2008 (Audited) HK\$'000
Within 90 days	<b>881,315</b>	1,005,532
Over 90 days	<b>32,271</b>	12,353
	<b>913,586</b>	1,017,885

Payment terms of the Group's customers mainly range from "cash before delivery" to "within 90 days from the date of invoice". A significant portion of the customers trade with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

## 11. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>At 30 September 2008 (Unaudited) HK\$'000</b>	At 31 March 2008 (Audited) HK\$'000
Within 90 days	<b>958,509</b>	991,992
Over 90 days	<b>48,391</b>	1,869
	<b>1,006,900</b>	993,861

## 12. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities not provided for in the interim financial statements were as follows:

	<b>At 30 September 2008 (Unaudited) HK\$'000</b>	At 31 March 2008 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	<b>3,227</b>	3,280
Guarantees of banking facilities granted to an associate	<b>12,500</b>	12,500

- (b) A subsidiary of the Group in Taiwan is currently subject to a claim from the National Tax Authority (the "NTA") of Taiwan for the underpayment of business tax on sales made through certain local stores in Taiwan during the period from November 1998 to December 2002 together with penalties, of NTD50,219,000 in aggregate (equivalent to HK\$12,111,000). An amendment letter against the claims was filed by the local tax representative of the subsidiary in a prior year. The directors, based on the advice from the local tax representative of the subsidiary, consider that the subsidiary has a valid ground to object the claims from the NTA, and accordingly, the Group has not made any provision for the tax claims as at 30 September 2008 (31 March 2008 : Nil).
- (c) During the year ended 31 March 2007, the Hong Kong Inland Revenue Department (the "IRD") initiated a review on the tax affairs for the past years of certain subsidiaries of the Group. In March 2007, protective tax assessments totalling HK\$322,038,000 for the year of assessment 2000/2001 have been issued by the IRD. In March 2008, protective tax assessments totalling HK\$224,000,000 for the year of assessment 2001/2002 have been issued by the IRD. Objections have been raised by the Group against the protective tax assessments. The directors of the subsidiaries believe that there are valid grounds to object the tax claimed. Subsequent to the objections, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates of HK\$40,000,000 and HK\$35,000,000 for the years of assessment 2000/2001 and 2001/2002, respectively. In view that the tax review is only at the preliminary stage, there are still certain uncertainty about the outcome of the case. Up to the date of approval of these financial statements, the directors of the subsidiaries consider that adequate tax provision has been made in the financial statements.

### 13. CAPITAL COMMITMENTS

The commitments for capital expenditure of the Group at the balance sheet date were as follows:

	<b>At 30 September 2008 (Unaudited) HK\$'000</b>	At 31 March 2008 (Audited) HK\$'000
In respect of property, plant and equipment, contracted but not provided for	<b>3,013</b>	35,928
In respect of property, plant and equipment, authorised but not contracted for	<b>330,331</b>	330,331
In respect of investment in a subsidiary	<b>73,005</b>	43,005
	<b>406,349</b>	409,264

### 14. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'000</b>	2007 (Unaudited) HK\$'000
	<i>Notes</i>	
Sales to Megawell Industrial Limited ("Megawell")	<b>214,522</b>	211,156
Purchases from Megawell	<b>202,799</b>	118,537
Rental expenses paid to related companies	<b>8,675</b>	7,334

*Notes:*

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

In addition, the Group has provided certain guarantees for banking facilities granted to Megawell, as detailed in note 12(a) to the financial statements.

- (b) As at 30 September 2008, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$4,021,000 (31 March 2008: HK\$1,823,000) to Baleno Kingdom Limited, a non-wholly-owned subsidiary of the Company, at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2% (31 March 2008: HIBOR plus 2%) per annum.

In addition, as at 30 September 2008, Nice Dyeing Factory (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$495,740,000 (31 March 2008: HK\$411,831,000) to Baleno Holdings Limited, a non-wholly-owned subsidiary of the Company, at 83% of HIBOR plus 2% (31 March 2008: 83% of HIBOR plus 2%) per annum.

The principal purpose of these advances is to finance the operations of Baleno Holdings Limited and its subsidiaries. The advances are unsecured and have no fixed terms of repayment.

- (c) A minority shareholder of the Group’s 54%-owned subsidiary had provided an unconditional guarantee to indemnify the Group from any loss arising from the recoverability of prepayments made to a supplier of the Group of HK\$25,920,000 (31 March 2008: HK\$26,521,000) as included in the balance of the prepayments, deposits and other receivables of the Group as at the balance sheet date.
- (d) Compensation of key management personnel of the Group :

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Short term employee benefits	<b>49,698</b>	44,040
Post-employment benefits	<b>30</b>	30
	<b>49,728</b>	44,070

## 15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

# Management's Discussion and Analysis

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK18.0 cents (six months ended 30 September 2007: HK18.0 cents) per share for the six months ended 30 September 2008. The interim dividend will be payable on Tuesday, 20 January 2009 to shareholders registered on the Register of Members at the close of business on Friday, 9 January 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 5 January 2009 to Friday, 9 January 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2008, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 2 January 2009.

## BUSINESS REVIEW

The Group's total turnover for the six months ended 30 September 2008 amounted to HK\$5,005 million (six months ended 30 September 2007 : HK\$4,659 million), a 7% increase compared to last year. Net profit for the period attributable to the equity holders of the Company was HK\$448 million (six months ended 30 September 2007 : HK\$390 million), a rise of 15% over last year. The Group's gross profit margin was stable at 31% (six months ended 30 September 2007 : 31%). The Board has recommended an interim dividend of HK\$18.0 cents (six months ended 30 September 2007 : HK\$18.0 cents), the same as last year.

### *Textile business*

Turnover of the fabric business decreased slightly by 1% to HK\$2,832 million (six months ended 30 September 2007 : HK\$2,862 million). The sum represented 57% of the Group's total turnover. Average selling price dropped mainly due to the slide of raw material prices. Gross profit margin fell slimly to 19% (six months ended 30 September 2007 : 20%) mainly caused by the unexpected upsurge of energy costs. Global market conditions were unfavourable and order flow from the U.S. was quite unstable. The business performance and the key financial ratios were as below :

<i>(in HK\$'million)</i>	<b>Six months ended 30 Sep 2008</b>	Year ended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Year ended 31 Mar 2007	Year ended 31 Mar 2006
Net sales	<b>2,832</b>	5,386	2,524	2,862	4,627	4,258
Gross profit margin (%)	<b>19.2</b>	21.3	22.6	20.1	19.1	18.0
Operating profit <i>(note)</i>	<b>394</b>	910	480	430	664	503
EBITDA <i>(note)</i>	<b>500</b>	1,108	579	529	837	665
Return on total assets (%) <i>(note)</i>	<b>6.4</b>	14.8	8.0	7.5	13.7	11.0
Return on sales (%) <i>(note)</i>	<b>13.7</b>	15.4	17.8	13.3	14.5	12.2
Return on equity (%) <i>(note)</i>	<b>10.0</b>	22.5	12.1	11.1	20.5	18.1
Capital expenditure	<b>86</b>	216	137	79	468	148

*Note : Exclude interest income and rental income.*

## Retail and distribution business

Sales of this business amounted to HK\$2,150 million (six months ended 30 September 2007 : HK\$1,773 million), an increase of 21%, and was 43% of the Group's total turnover. The business performance was positive with operating profit margin improved to 3% from last year's 0%. In the period, business expansion was still concentrated in the Mainland China. During the period :

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

<i>(in HK\$'million)</i>	<b>Six months ended 30 Sep 2008</b>	Yearended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Yearended 31 Mar 2007	Yearended 31 Mar 2006
Net sales	<b>2,150</b>	4,239	2,466	1,773	3,625	3,444
Gross profit margin (%)	<b>47.1</b>	49.1	49.1	49.0	47.8	46.5
Sales growth of comparable shops (%) <i>(note 1)</i>	<b>23.1</b>	21.4	35.1	3.2	2.9	(7.0)
Operating profit <i>(note 2)</i>	<b>74</b>	242	236	6	21	(55)
EBITDA <i>(note 2)</i>	<b>133</b>	364	301	63	147	62
Return on total assets (%) <i>(note 2)</i>	<b>2.0</b>	2.1	6.3	(4.9)	(0.4)	(3.6)
Return on sales (%) <i>(note 2)</i>	<b>1.8</b>	0.8	4.7	(4.4)	(0.4)	(2.8)
Return on equity (%) <i>(note 2)</i>	<b>15.7</b>	26.2	78.5	(65.4)	(9.1)	(77.5)
Capital expenditure	<b>57</b>	76	44	32	141	203

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

(2) Exclude interest income and rental income.

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

<i>(in HK\$'million)</i>	<b>Six months ended 30 Sep 2008</b>	Yearended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Yearended 31 Mar 2007	Yearended 31 Mar 2006
Baleno	<b>1,025</b>	1,589	656	933	1,584	1,596
S&K	<b>355</b>	826	519	307	601	563
I.P. Zone	<b>272</b>	528	336	192	441	361
ebase	<b>180</b>	462	328	134	398	399
Others	<b>318</b>	834	627	207	601	525
Total	<b>2,150</b>	4,239	2,466	1,773	3,625	3,444

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

### Mainland China

	<b>Six months ended 30 Sep 2008</b>	Yearended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Yearended 31 Mar 2007	Yearended 31 Mar 2006
Net sales <i>(HK\$'million)</i>	<b>1,639</b>	3,124	1,889	1,235	2,431	2,219
Increase in net sales (%)	<b>33</b>	29	34	21	10	13
Retail floor area <i>(sq. ft.)</i> <sup>**</sup>	<b>1,833,533</b>	1,692,967	1,692,967	1,722,924	1,672,807	1,601,473
Number of sales associates <sup>**</sup>	<b>10,842</b>	10,442	10,442	9,622	11,089	10,119
Number of outlets <sup>*△</sup>	<b>3,631</b>	3,477	3,477	3,458	3,347	3,143



Hong Kong & Macau

	Six months ended 30 Sep 2008	Year ended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Year ended 31 Mar 2007	Year ended 31 Mar 2006
Net sales (HK\$ million)	184	404	215	189	476	496
Increase/(decrease) in net sales (%)	(3)	(15)	(9)	(21)	(4)	7
Retail floor area (sq. ft.) <sup>*#</sup>	61,320	63,957	63,957	68,716	74,907	78,285
Number of sales associates <sup>**</sup>	384	396	396	512	447	624
Number of outlets <sup>*#</sup>	66	70	70	75	87	94

Taiwan

	Six months ended 30 Sep 2008	Year ended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Year ended 31 Mar 2007	Year ended 31 Mar 2006
Net sales (HK\$ million)	211	397	180	217	427	513
Increase/(decrease) in net sales (%)	(3)	(7)	(23)	13	(17)	(8)
Retail floor area (sq. ft.) <sup>*#</sup>	189,274	199,443	199,443	196,857	202,080	208,925
Number of sales associates <sup>**</sup>	450	474	474	453	528	603
Number of outlets <sup>*△</sup>	214	217	217	252	259	266

Singapore

	Six months ended 30 Sep 2008	Year ended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Year ended 31 Mar 2007	Year ended 31 Mar 2006
Net sales (HK\$ million)	85	233	132	101	221	175
Increase/(decrease) in net sales (%)	(16)	5	3	8	26	14
Retail floor area (sq. ft.) <sup>*#</sup>	39,223	43,149	43,149	51,637	61,601	55,781
Number of sales associates <sup>**</sup>	226	318	318	377	456	408
Number of outlets <sup>**</sup>	36	44	44	56	64	56

Malaysia

	Six months ended 30 Sep 2008	Year ended 31 Mar 2008	Six months ended 31 Mar 2008	Six months ended 30 Sep 2007	Year ended 31 Mar 2007	Year ended 31 Mar 2006
Net sales (HK\$ million)	32	81	49	32	70	41
Increase in net sales (%)	0	16	11	21	71	356
Retail floor area (sq. ft.) <sup>*#</sup>	35,919	44,630	44,630	52,027	59,170	36,681
Number of sales associates <sup>**</sup>	137	149	149	158	243	155
Number of outlets <sup>**</sup>	19	20	20	25	30	20

\* At balance sheet date

# For self-managed stores

△ Include self-managed and franchise stores

### Garment manufacturing business

Turnover of this associate grew 18% to HK\$770 million (six months ended 30 September 2007 : HK\$653 million). Net profit contribution to the Group amounted to HK\$27 million (six months ended 30 September 2007 : HK\$36 million), a decrease of 25%. Business environment was much competitive mainly due to the global cloudy economic situation. In the period, about 58% (six months ended 30 September 2007 : 68%) of the fabric purchased was supplied by the fabric division and sales to the retail division accounted for about 26% (six months ended 30 September 2007 : 18%) of its revenue.

## **FINANCIAL CONDITION**

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

The financial position of the Group remained strong. The current ratio, the total bank debts and the gearing ratio as at the period end were 1.7, HK\$1,380 million and 0.0 (31 March 2008: 1.9, HK\$1,248 million and 0.1) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to total shareholders' equity. The net cash inflow from operating activities for the period was HK\$692 million (six months ended 30 September 2007: HK\$739 million).

The interest cover, the trade and bills receivables to turnover and the inventory to turnover for the period under review were 21 times, 33 days and 57 days (six months ended 30 September 2007: 22 times, 42 days and 51 days) respectively. The Group mainly financed its operation by cash inflow from its operating activities and bank borrowings. As at the period end, the cash and cash equivalents, the equity attributable to equity holders of the Company and the unutilized banking facilities were HK\$1,534 million, HK\$3,964 million and HK\$2,949 million (31 March 2008: HK\$818 million, HK\$3,819 million and HK\$3,347 million) respectively.

### ***Capital expenditure***

Total capital expenditures of the Group for the period amounted to HK\$143 million (six months ended 30 September 2007: HK\$111 million), of which HK\$86 million (six months ended 30 September 2007: HK\$79 million) was incurred by the textile business for the additions of plant and machinery. On the other hand, HK\$57 million (six months ended 30 September 2007: HK\$32 million) was incurred by the retail and distribution business mainly for the renovation of its retail outlets in the Mainland China.

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

No significant assets were pledged as at 30 September 2008.

### ***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 HIBOR based Hong Kong dollar borrowings with maturity due within four years. As the global economy becomes uncertain, the interest rate is expected to stay at a low level for a longer period. The Group will continue to monitor the changes in the interest rate and arrange appropriate financial instruments to reduce its interest rate risks wherever needed.

During the period, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, Renminbi, Yen and NTD. The Group had entered into forward exchange contracts to reduce its currency exchange risk exposure.

## **HUMAN RESOURCES**

As at 30 September 2008, the Group had about 24,200 (31 March 2008: 25,200) employees in the Greater China, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

## OUTLOOK

Global economic situation has been turning worse and the U.S. retailing market will be difficult for some time. The Group's operating environment will be more uncertain in the coming days. However, the Group has been gaining further market share because of the industry consolidation. With solid financial position and strong competitiveness, the Group will still be the beneficiary in the longer run.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interests			Total	Percentage of the Company's issued share capital
	Directly or beneficially owned	Through spouse or minor children	Through controlled corporations		
Poon Bun Chak	31,888,000	168,800,104 <sup>(1)</sup>	456,450,000 <sup>(2)</sup>	657,138,104	49.5
Poon Kai Chak	7,202,800	—	—	7,202,800	0.5
Poon Kei Chak	21,477,200	—	41,922,000 <sup>(3)</sup>	63,399,200	4.8
Poon Kwan Chak	13,270,800	—	—	13,270,800	1.0
Ting Kit Chung	1,600,000	—	—	1,600,000	0.1
	75,438,800	168,800,104	498,372,000	742,610,904	55.9

Notes:

1. The 168,800,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection (PTC) Inc. as a trustee for The Evergreen Trust, a discretionary trust, the beneficiaries of which include the family members of Mr. Poon Bun Chak. These shares are held through his spouse or minor children in accordance with the SFO.
2. The 456,450,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has an 97.15% equity interest. A 2.85% interest in Giant Wizard Corporation is owned by Mr. Poon Bun Chak.
3. The 41,922,000 shares are held by Treasure Link International Holdings Limited ("Treasure Link"), in which Mr. Poon Kei Chak and his spouse each owned 50% equity interests.

Long positions in share options of the Company:

	<b>Number of share options held directly or beneficially owned</b>
<b>Executive directors:</b>	
Poon Bun Chak	1,000,000
Poon Kai Chak	10,500,000
Poon Kei Chak	10,500,000
Poon Kwan Chak	10,000,000
Ting Kit Chung	10,000,000
<b>Independent non-executive directors:</b>	
Au Son Yiu	400,000
Cheng Shu Wing	400,000
Wong Tze Kin, David	200,000
	<b>43,000,000</b>

Save as disclosed above, as at 30 September 2008, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

At 30 September 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company :

<b>Name</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Heung Mi Kuen Miraner	Through spouse	21,477,200	1.6
	Through controlled corporation	41,922,000	3.2
Shanghai Industrial Investment (Holdings) Company Limited	Through controlled corporation	107,746,000	8.1

Long positions in share options of the Company:

<b>Name</b>	<b>Nature of interest</b>	<b>Number of share options held</b>	<b>Percentage of the Company's issued share capital</b>
Heung Mi Kuen Miraner	Through spouse	10,500,000	0.8

Save as disclosed above, as at 30 September 2008, 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 shares and 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**

Since the grant of the share repurchase mandate in the last annual general meeting on 28 August 2008, the Company has made the following share repurchases of its own shares on the Stock Exchange :

<b>Date</b>	<b>Number of shares repurchased</b>	<b>Price per share</b>		<b>Aggregate consideration HK\$</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
29 October 2008	50,000	3.13	3.13	157,000

The repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by the par value thereof. During the period, the premium paid on the purchase of the shares of HK\$3,797,000 has been debited to the share premium account of the Company. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases were effected by the directors pursuant to the general mandate granted with a view to benefit the shareholders as a whole by enhancing the net assets, and/or earnings per share of the Company. All shares repurchased were subsequently cancelled.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## SHARE OPTION SCHEME

A share option scheme, in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company on 28 August 2002 for a period of ten years, details of which have been set out in the Group's annual financial statements for the year ended 31 March 2008. As at 30 September 2008, the following share options were outstanding:

Name or category of participant	Date of grant of share options*	Exercise price of share options** <i>HK\$ per share</i>	Number of share options			Exercise period of share options
			At 1 April 2008	Exercised during the period	At 30 September 2008	
<b>Directors</b>						
Poon Bun Chak	11 September 2002	4.97	1,000,000	-	1,000,000	11 September 2002 to 10 September 2012
Poon Kai Chak	11 September 2002	4.97	7,500,000	-	7,500,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	3,000,000	26 March 2004 to 25 March 2014
			10,500,000	-	10,500,000	
Poon Kei Chak	11 September 2002	4.97	7,500,000	-	7,500,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	3,000,000	26 March 2004 to 25 March 2014
			10,500,000	-	10,500,000	
Poon Kwan Chak	11 September 2002	4.97	4,000,000	-	4,000,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	6,000,000	-	6,000,000	26 March 2004 to 25 March 2014
			10,000,000	-	10,000,000	
Ting Kit Chung	11 September 2002	4.97	4,000,000	-	4,000,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	6,000,000	-	6,000,000	26 March 2004 to 25 March 2014
			10,000,000	-	10,000,000	
<b>Independent non-executive directors</b>						
Au Son Yiu	11 September 2002	4.97	200,000	-	200,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
			400,000	-	400,000	
Cheng Shu Wing	11 September 2002	4.97	200,000	-	200,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
			400,000	-	400,000	

Wong Tze Kin , David	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
<b>Other employees</b>						
In aggregate	11 September 2002	4.97	600,000	(50,000)	550,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	5,170,000	(783,000)	4,387,000	1 April 2007 to 25 March 2014
			5,770,000	(833,000)	4,937,000	
			48,770,000	(833,000)	47,937,000	

*Notes:*

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

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

*The weighted average closing price of the Company's shares immediately before and at the exercise dates of the share options was HK\$6.61 and HK\$6.59 respectively.*

*The binomial model is a generally accepted method for valuing options. The significant assumptions used in the calculation of the values of the share options were the risk-free interest rate, expected life, expected volatility and expected dividend. The measurement dates used in the valuation calculation were the dates on which the options were granted.*

*The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.*

*The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.*

## **AUDIT COMMITTEE**

The Audit Committee (the "Committee") consists of the three independent non-executive directors of the Board namely Messrs. Wong Tze Kin, David, Au Son Yiu and Cheng Shu Wing. The Committee is chaired by Mr. Wong Tze Kin, David, a qualified accounting professional. At the time of establishment, the terms of reference and duties have been laid down as a guideline for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group.

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

## **CORPORATE GOVERNANCE**

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

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

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

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

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

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

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

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak, Mr. Poon Kai Chak, Mr. Poon Kei Chak, Mr. Poon Kwan Chak and Mr. Ting Kit Chung. And, the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Cheng Shu Wing and Mr. Wong Tze Kin, David.



**PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The Company's interim report for the six months ended 30 September 2008 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website of the Company at [www.texwinca.com](http://www.texwinca.com) under "Financial Results Publication" in due course.

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

Hong Kong, 8 December 2008