



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.baleno.com.hk/>
<http://www.irasia.com/listco/hk/texwinca/>

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The Board of Directors of Texwinca Holdings Limited (the "Company") has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006. The interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	3	3,995,558	3,751,305
Cost of sales		(2,792,462)	(2,613,560)
Gross profit		1,203,096	1,137,745
Other income and gains		52,064	39,891
Selling and distribution costs		(721,152)	(707,953)
Administrative expenses		(250,328)	(251,221)
Other operating (expenses)/income, net		(4,791)	3,390
Finance costs		(28,086)	(9,679)
Share of profit of an associate, net of tax		24,066	24,550
PROFIT BEFORE TAX	4	274,869	236,723
Tax	5	(39,574)	(32,698)
PROFIT FOR THE PERIOD		235,295	204,025
Attributable to:			
Equity holders of the parent		275,191	250,142
Minority interests		(39,896)	(46,117)
		235,295	204,025
Proposed interim dividend		159,155	145,886
Proposed interim dividend per share (<i>HK cents</i>)		12.0	11.0
Earnings per share attributable to ordinary equity holders of the parent (<i>HK cents</i>)	6		
Basic		20.7	18.9
Diluted		20.7	18.8

* For identification purposes only

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,184,542	1,936,397
Investment properties		66,822	66,822
Prepaid land lease payments		24,954	25,175
Construction in progress		145,056	83,540
Trademarks		33,293	33,227
Interest in an associate		181,319	157,253
Long term rental deposits		81,027	107,763
Total non-current assets		<u>2,717,013</u>	<u>2,410,177</u>
CURRENT ASSETS			
Inventories		1,091,714	1,298,085
Trade and bills receivable	7	877,211	879,700
Prepayments, deposits and other receivables		412,240	415,150
Derivative financial assets		11,770	11,807
Cash and cash equivalents		585,068	250,921
Total current assets		<u>2,978,003</u>	<u>2,855,663</u>
CURRENT LIABILITIES			
Due to an associate		143,670	83,813
Trade and bills payable	8	909,171	1,008,500
Other payables and accrued liabilities		239,560	178,422
Derivative financial liabilities		4,200	2,852
Tax payable		182,901	156,627
Interest bearing bank borrowings		464,095	415,316
Dividend payable		145,892	–
Total current liabilities		<u>2,089,489</u>	<u>1,845,530</u>
NET CURRENT ASSETS		<u>888,514</u>	<u>1,010,133</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,605,527</u>	<u>3,420,310</u>
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings		555,019	478,000
Provision for long service payments		8,932	8,773
Deferred tax		3,588	3,588
Total non-current liabilities		<u>567,539</u>	<u>490,361</u>
Net assets		<u>3,037,988</u>	<u>2,929,949</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		66,314	66,314
Reserves		2,792,987	2,659,595
Proposed interim/final dividend		159,155	145,892
		<u>3,018,456</u>	<u>2,871,801</u>
Minority Interests		<u>19,532</u>	<u>58,148</u>
Total equity		<u>3,037,988</u>	<u>2,929,949</u>

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 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Amendment to HKAS 21	Net Investment in a Foreign Operation
Amendment to HKAS 39	The Fair Value Option
Amendments to HKAS 39 and HKFRS 4	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

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 2006. 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. 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:

- the production, dyeing and sale of knitted fabric and yarn segment;
- the casual apparel and accessory retailing and distribution segment; and
- 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 information for the Group's business segments for the six months ended 30 September:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,401,172	2,224,786	1,569,908	1,501,740	24,478	24,779	-	-	3,995,558	3,751,305
Intersegment sales	-	-	-	-	652	1,126	(652)	(1,126)	-	-
Other revenue	32,176	15,622	13,031	12,647	498	2,060	-	(904)	45,705	29,425
Total	2,433,348	2,240,408	1,582,939	1,514,387	25,628	27,965	(652)	(2,030)	4,041,263	3,780,730
Segment results	323,357	288,379	(60,024)	(86,247)	6,212	7,550	2,985	1,704	272,530	211,386
Interest income									6,359	10,466
Share of profit of an associate, net of tax									24,066	24,550
Finance costs									(28,086)	(9,679)
Profit before tax									274,869	236,723
Tax									(39,574)	(32,698)
Profit for the period									235,295	204,025

4. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	138,935	140,793
Amortisation of prepaid land lease payments	285	67
Provision for/(reversal of) impairment of inventories included in cost of sales	6,758	(10,294)
(Gain)/loss on disposal of items of properties, plant and equipment	<u>(4,014)</u>	<u>1,876</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2005: 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and the mainland China taxes:		
Current period provision	39,574	32,355
Deferred tax charge	–	343
Tax charge for the period	<u>39,574</u>	<u>32,698</u>

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the parent of HK\$275,191,000 (six months ended 30 September 2005: HK\$250,142,000) and the weighted average number of 1,326,288,104 (six months ended 30 September 2005: 1,326,176,902) 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	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>275,191</u>	<u>250,142</u>
	Number of shares	
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,326,288,104	1,326,176,902
Effect of dilution – Weighted average number of ordinary shares:		
Share options	<u>44,588</u>	<u>6,813,936</u>
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	<u>1,326,332,692</u>	<u>1,332,990,838</u>

7. TRADE AND BILLS RECEIVABLE

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

	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
Within 90 days	817,457	841,355
Over 90 days	59,754	38,345
	<u>877,211</u>	<u>879,700</u>

The Group's trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issue, except for certain well-established customers, where the terms are extended up to 120 days, subject to the approval of directors. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by directors.

8. TRADE AND BILLS PAYABLE

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

	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
Within 90 days	813,840	939,351
Over 90 days	95,331	69,149
	<u>909,171</u>	<u>1,008,500</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board has declared an interim dividend of HK12.0 cents (six months ended 30 September 2005: HK11.0 cents) per share for the six months ended 30 September 2006. The interim dividend will be payable on Friday, 9 February 2007 to shareholders registered on the Register of Members at the close of business on Friday, 12 January 2007.

Closure of Register of Members

The Register of Members will be closed from Monday, 8 January 2007 to Friday, 12 January 2007 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Tengis Limited not later than 4:00 p.m. on Friday, 5 January 2007. Tengis Limited is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Business Review

For this interim period ended 30 September 2006, the Group achieved a total turnover of HK\$3,996 million (six months ended 30 September 2005: HK\$3,751 million), a rise of 7%. Net profit for the period attributable to the equity holders of the parent amounted to HK\$275 million (six months ended 30 September 2005: HK\$250 million), a growth of 10%. The Board has recommended an interim dividend of HK 12.0 cents per ordinary share, an increase of 9% over last interim period's HK 11.0 cents per share.

Textile business

The business recorded a turnover of HK\$2,401 million (six months ended 30 September 2005: HK\$2,225 million), an increase of 8%. The amount represented 60% of the Group's total turnover. Cotton prices decreased slightly and order flow had been stable in the period. Business environment was generally favourable except the Group had to exercise strict control on rising operating costs. In the period, the Group had invested about HK\$200 million to expand its yarn spinning facilities. The new facilities have commenced production since October 2006 and has improved the Group's ability in handling rush orders. Recently the mainland China authorities have enforced stricter measures to protect environment. As the Group is equipped with excellent environmental facilities, production expansion will be continued to enlarge market shares.

Retail and distribution business

Sales of this business amounted to HK\$1,570 million (six months ended 30 September 2005: HK\$1,502 million), a growth of 5%, and represented 39% of the Group's total turnover. Business results were below expectation in the period mainly due to unfavourable weather conditions. The Taiwan market recorded a negative revenue growth because of political instability.

Garment manufacturing business

Turnover of our garment manufacturing associate was HK\$546 million (six months ended 30 September 2005: HK\$526 million), a slight increase of 4%. Net profit contribution to the Group amounted to HK\$24 million (six months ended 30 September 2005: HK\$25 million), roughly the same as last period. During the period, about 66% of the fabric consumed was supplied by our textile division. Sales to our retail arm accounted for about 17% of its revenue.

Financial Condition

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the cash and cash equivalents and the total equity as at the period end were 1.4, HK\$585 million and HK\$3,038 million (31 March 2006: 1.5, HK\$251 million and HK\$2,930 million) respectively. The net cash inflow from operating activities for the period was HK\$607 million (six months ended 30 September 2005: HK\$285 million). The significant increase from last interim period was mainly due to the surge in trade and bills receivable balance at the end of the last interim period.

The interest cover, trade and bills receivable to turnover and inventory to turnover for the period under review were 11 times, 40 days and 50 days (six months ended 30 September 2005: 25 times, 41 days and 53 days) respectively. The long-term bank loans outstanding as at the period end was HK\$960 million (31 March 2006: HK\$716 million). As at 30 September 2006, the gearing ratio was 0.3 (31 March 2006: 0.3). The gearing ratio refers to the ratio of total interest bearing debts to total equity. The Group mainly financed its operation by cash inflow from its operating activities and bank borrowings. As at the period end, the unutilized banking facilities amounted to HK\$2,059 million (31 March 2006: HK\$2,363 million).

Capital expenditure

Total capital expenditures of the Group for the period amounted to HK\$440 million (six months ended 30 September 2005: HK\$187 million), of which HK\$364 million (six months ended 30 September 2005: HK\$61 million) was incurred by the textile business for the expansion of its production capacity to meet the increasing demand from its customers. On the other hand, HK\$76 million (six months ended 30 September 2005: HK\$126 million) was mainly incurred by the retail and distribution business for the renovation of its retail outlets and additions of computer equipment mainly in the mainland China.

Pledge of assets

No significant assets were pledged as at 30 September 2006.

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 Hong Kong Interbank Offered Rate based Hong Kong dollar borrowings with maturity due within three years. To reduce the interest rate risk, the Group had entered into derivative financial instrument contracts with international financial institutions.

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

Contingent liabilities

As at 30 September 2006, the contingent liabilities of the Group amounted to HK\$38 million (31 March 2006: HK\$39 million). These mainly represented (1) the corporate guarantee made by the Group in respect of the banking facilities of HK\$13 million (31 March 2006: HK\$13 million) of its associate; (2) the possible long service payments of HK\$4 million (31 March 2006: HK\$5 million) not provided in the accounts; (3) the corporate guarantee given to certain subsidiaries in lieu of property rental deposits of HK\$9 million (31 March 2006: HK\$9 million); and (4) the contingent liabilities of HK\$12 million (31 March 2006: HK\$12 million) related to the claim of business tax against a subsidiary of the Group in Taiwan, the details of which had been stated in note 35(c) to the Group's annual financial statements for the year ended 31 March 2006.

Human Resources

As at 30 September 2006, the Group had about 21,800 (31 March 2006: 22,800) employees in the People's Republic of China, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

Outlook

Due to stricter environment measures imposed by the China government recently, the knitted fabric industry has been consolidated in a even faster speed. The Group is equipped with most advanced environmental facilities and will further enhance production capacity to enlarge market shares. The Management is optimistic with the prospect of this business.

For the retail operation, the Management will continue to focus on store performance acceleration. The business has a good establishment and much improved results are expected in the second half year.

OTHER INFORMATION

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 six months ended 30 September 2006.

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 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 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 help to maintain a strong management position and at the same time improve 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 for Securities Transactions by Directors of Listed Issuers ("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 announcement, the executive directors of the Company included Messrs Poon Bun Chak, Poon Kei Chak, Poon Kwan Chak, Poon Kai Chak and Ting Kit Chung. And, the independent non-executive directors of the Company included Messrs Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David.

PUBLICATION OF INTERIM RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 September 2006 containing all the information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange in due course.

By Order of the Board
Poon Bun Chak
Chairman

Hong Kong, 15 December 2006