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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 2015

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 2015. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Profit or Loss

| | | Six months ended 30 September | |
|---|--------------|--|--|
| | <i>Notes</i> | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| REVENUE | 4 | 4,847,943 | 4,464,318 |
| Cost of sales | | <u>(3,219,178)</u> | <u>(2,944,396)</u> |
| Gross profit | | 1,628,765 | 1,519,922 |
| Other income and gains | 5 | 92,595 | 150,696 |
| Selling and distribution expenses | | (900,096) | (875,175) |
| Administrative expenses | | (386,435) | (358,053) |
| Other operating expenses, net | | (1,356) | (2,951) |
| Finance costs | | (7,747) | (12,182) |
| Share of profit of an associate, net of tax | | <u>21,803</u> | <u>19,651</u> |
| PROFIT BEFORE TAX | 6 | 447,529 | 441,908 |
| Income tax expense | 7 | <u>(62,095)</u> | <u>(53,717)</u> |
| PROFIT FOR THE PERIOD | | <u>385,434</u> | <u>388,191</u> |

*For identification purpose only

| | | Six months ended | |
|--|-------------|-------------------------|----------------|
| | | 30 September | |
| | <i>Note</i> | 2015 | 2014 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | 400,185 | 392,386 |
| Non-controlling interests | | (14,751) | (4,195) |
| | | <u>385,434</u> | <u>388,191</u> |

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

| | | | |
|---------|--|--------------------|-------------|
| Basic | | <u>29.0</u> | <u>28.4</u> |
| Diluted | | <u>29.0</u> | <u>28.4</u> |

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

Condensed Consolidated Statement of Comprehensive Income

| | Six months ended 30 September | |
|---|--|--|
| | 2015 (Unaudited) <i>HK\$'000</i> | 2014 (Unaudited) <i>HK\$'000</i> |
| PROFIT FOR THE PERIOD | 385,434 | 388,191 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | (111,103) | 34,089 |
| | <hr/> | <hr/> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>274,331</u> | <u>422,280</u> |
| Attributable to: | | |
| Ordinary equity holders of the Company | 295,577 | 425,475 |
| Non-controlling interests | <u>(21,246)</u> | <u>(3,195)</u> |
| | <u>274,331</u> | <u>422,280</u> |

Condensed Consolidated Statement of Financial Position

| | | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 1,520,675 | 1,607,700 |
| Investment properties | | 421,939 | 425,303 |
| Prepaid land lease payments | | 20,835 | 21,308 |
| Construction in progress | | 45,205 | 34,159 |
| Trademarks | | 33,293 | 33,293 |
| Investment in an associate | | 121,096 | 96,182 |
| Held-to-maturity investments | | 470,670 | — |
| Long term rental deposits | | 97,917 | 91,183 |
| | | <u>2,731,630</u> | <u>2,309,128</u> |
| Total non-current assets | | | |
| CURRENT ASSETS | | | |
| Inventories | | 2,035,549 | 1,867,472 |
| Trade receivables | 11 | 685,950 | 697,574 |
| Bills receivable | | 165,161 | 219,021 |
| Prepayments, deposits and other receivables | | 548,371 | 517,507 |
| Held-to-maturity investments | | 35,528 | — |
| Derivative financial assets | | 30,288 | 16,407 |
| Cash and bank balances | | 3,452,517 | 4,372,060 |
| | | <u>6,953,364</u> | <u>7,690,041</u> |
| Total current assets | | | |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 1,159,874 | 995,646 |
| Bills payable | | 29,183 | 61,186 |
| Other payables and accrued liabilities | | 599,067 | 515,833 |
| Due to an associate | | 42,511 | 3,060 |
| Derivative financial liabilities | | 16,707 | 11,104 |
| Tax payable | | 53,229 | 35,177 |
| Interest-bearing bank borrowings | | 811,681 | 1,748,298 |
| Dividend payable | | 414,509 | — |
| | | <u>3,126,761</u> | <u>3,370,304</u> |
| Total current liabilities | | | |
| NET CURRENT ASSETS | | <u>3,826,603</u> | <u>4,319,737</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 6,558,233 | 6,628,865 |

| | <i>Note</i> | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--|-------------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | | 216,660 | 158,328 |
| Deferred tax liabilities | | 161,919 | 150,705 |
| | | <u>378,579</u> | <u>309,033</u> |
| Total non-current liabilities | | 378,579 | 309,033 |
| Net assets | | 6,179,654 | 6,319,832 |
| EQUITY | | | |
| Equity attributable to ordinary equity holders of the Company | | | |
| Issued capital | | 69,085 | 69,085 |
| Reserves | | 5,511,324 | 5,602,622 |
| Interim/final dividends | 8 | 386,875 | 414,509 |
| | | <u>5,967,284</u> | 6,086,216 |
| Non-controlling interests | | 212,370 | 233,616 |
| | | <u>6,179,654</u> | <u>6,319,832</u> |
| Total equity | | 6,179,654 | 6,319,832 |

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 2015 | 69,085 | 703,365 | 1,695 | 3,986 | 481,221 | 96,629 | 49 | 4,315,677 | 414,509 | 6,086,216 | 233,616 | 6,319,832 |
| Exchange realignment | - | - | - | - | (104,608) | - | - | - | - | (104,608) | (6,495) | (111,103) |
| Profit for the period | - | - | - | - | - | - | - | 400,185 | - | 400,185 | (14,751) | 385,434 |
| Total comprehensive income for the period | - | - | - | - | (104,608) | - | - | 400,185 | - | 295,577 | (21,246) | 274,331 |
| 2014/2015 final dividend | - | - | - | - | - | - | - | - | (414,509) | (414,509) | - | (414,509) |
| 2015/2016 interim dividend | - | - | - | - | - | - | - | (386,875) | 386,875 | - | - | - |
| At 30 September 2015 | 69,085 | 703,365 | 1,695 | 3,986 | 376,613 | 96,629 | 49 | 4,328,987 | 386,875 | 5,967,284 | 212,370 | 6,179,654 |
| At 1 April 2014 | 69,085 | 703,365 | 1,695 | 3,986 | 478,865 | 37,868 | 49 | 4,316,134 | 345,424 | 5,956,471 | 230,673 | 6,187,144 |
| Exchange realignment | - | - | - | - | 33,089 | - | - | - | - | 33,089 | 1,000 | 34,089 |
| Profit for the period | - | - | - | - | - | - | - | 392,386 | - | 392,386 | (4,195) | 388,191 |
| Total comprehensive income for the period | - | - | - | - | 33,089 | - | - | 392,386 | - | 425,475 | (3,195) | 422,280 |
| 2013/2014 final dividend | - | - | - | - | - | - | - | - | (345,424) | (345,424) | - | (345,424) |
| 2014/2015 interim dividend | - | - | - | - | - | - | - | (359,241) | 359,241 | - | - | - |
| At 30 September 2014 | 69,085 | 703,365 | 1,695 | 3,986 | 511,954 | 37,868 | 49 | 4,349,279 | 359,241 | 6,036,522 | 227,478 | 6,264,000 |

Condensed Consolidated Statement of Cash Flows

| | Six months ended | |
|--|---------------------------|--------------------|
| | 30 September | |
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 599,716 | 527,175 |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | 148,283 | (171,672) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (886,032) | (336,679) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (138,033) | 18,824 |
| Cash and cash equivalents at beginning of period | 1,475,853 | 1,289,490 |
| Foreign exchange adjustments | (76,219) | 15,781 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>1,261,601</u> | <u>1,324,095</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 433,256 | 356,898 |
| Non-pledged time and structured deposits with original maturity within three months when acquired | 828,345 | 967,197 |
| Non-pledged time and structured deposits with original maturity over three months when acquired | <u>2,190,916</u> | <u>3,021,150</u> |
| Cash and bank balances as stated in the condensed consolidated statement of financial position | 3,452,517 | 4,345,245 |
| Less : Non-pledged time and structured deposits with original maturity over three months when acquired | <u>(2,190,916)</u> | <u>(3,021,150)</u> |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | <u>1,261,601</u> | <u>1,324,095</u> |

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 2015, 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 19 (2011) Amendments | Amendments to HKAS 19 (2011) <i>Defined Benefit Plans: Employee Contribution</i> |
| <i>Annual Improvements 2010–2012 Cycle</i> | Amendments to a number of HKFRSs |
| <i>Annual Improvements 2011–2013 Cycle</i> | Amendments to a number of HKFRSs |

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in these financial statements. The Group is in the process of assessing their impact on the Group's results and financial position.

| | |
|---|--|
| HKFRS 9 (2014) | <i>Financial Instruments</i> ² |
| HKFRS 10 and HKAS 28 Amendments | Amendments to HKFRS 10 and HKAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹ |
| HKFRS 10, HKFRS 12 and HKAS 28 Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 28 <i>Investment Entities: Applying the Consolidation Exception</i> ¹ |
| HKFRS 11 Amendments | Amendments to HKFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹ |
| HKFRS 14 | <i>Regulatory Deferral Accounts</i> ³ |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> ² |
| HKAS 1 Amendments | Amendments to HKAS 1 <i>Disclosure Initiative</i> ¹ |
| HKAS 16 and HKAS 38 Amendments | Amendments to HKAS 16 and HKAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹ |

| | |
|--|---|
| HKAS 16 and HKAS 41 Amendments | Amendments to HKAS 16 and HKAS 41 <i>Agriculture: Bearer Plants</i> ¹ |
| HKAS 27 (2011) Amendments | Amendments to HKAS 27 (2011) <i>Equity Method in Separate Financial Statements</i> ¹ |
| <i>Annual Improvements 2012 – 2014 Cycle</i> | Amendments to a number of HKFRSs ¹ |

¹ *Effective for annual periods beginning on or after 1 January 2016*

² *Effective for annual periods beginning on or after 1 January 2018*

³ *Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

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 2015.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the production, dyeing and sale of knitted fabric and yarn segment;
- (b) the retailing and distribution of casual apparel and accessory segment; and
- (c) the "others" segment principally comprises the provision of repair and maintenance services for motor vehicles, the provision of franchise services and properties investment.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that gain on disposal of properties, 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 2015 and 30 September 2014:

| | Production, dyeing and sale of knitted fabric and yarn | | Retailing and distribution of casual apparel and accessory | | Others | | Eliminations | | Consolidated | |
|---|--|-------------------------|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (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 | 2,799,470 | 2,423,993 | 2,043,009 | 2,032,972 | 5,464 | 7,353 | - | - | 4,847,943 | 4,464,318 |
| Intersegment sales | - | - | - | - | 3,580 | 5,043 | (3,580) | (5,043) | - | - |
| Other revenue | 16,025 | 23,554 | 3,224 | 6,621 | 18,295 | 21,894 | (2,453) | (2,399) | 35,091 | 49,670 |
| Total | 2,815,495 | 2,447,547 | 2,046,233 | 2,039,593 | 27,339 | 34,290 | (6,033) | (7,442) | 4,883,034 | 4,513,988 |
| Segment results | 412,644 | 332,517 | (52,535) | (20,640) | 15,860 | 21,536 | - | - | 375,969 | 333,413 |
| Reconciliation | | | | | | | | | | |
| Interest income | | | | | | | | | 57,504 | 101,026 |
| Finance costs | | | | | | | | | (7,747) | (12,182) |
| Share of profit of an associate, net of tax | | | | | | | | | 21,803 | 19,651 |
| Profit before tax | | | | | | | | | 447,529 | 441,908 |
| Income tax expense | | | | | | | | | (62,095) | (53,717) |
| Profit for the period | | | | | | | | | 385,434 | 388,191 |

5. OTHER INCOME AND GAINS

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Interest income | 57,504 | 101,026 |
| Net fair value gains on foreign exchange derivative financial instruments | 2,234 | 12,298 |
| Gross rental income on investment properties | 11,736 | 11,309 |
| Compensation from suppliers for defective goods | 7,790 | 6,165 |
| Gain on disposal of items of property, plant and equipment | 1,199 | — |
| Government subsidies | 647 | 215 |
| Sundry income | 11,485 | 19,683 |
| | <u>92,595</u> | <u>150,696</u> |

6. PROFIT BEFORE TAX

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

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Depreciation | 138,217 | 142,324 |
| Recognition of prepaid land lease payments | 340 | 341 |
| Provision/(Write-back of provision) for slow-moving inventories | 127 | (16,194) |
| (Write-back of impairment)/impairment of trade receivables | (901) | 76 |
| (Gain)/loss on disposal of items of property, plant and equipment | <u>(1,199)</u> | <u>1,690</u> |

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 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 | |
|-------------------------------|--|----------------------|
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Hong Kong and mainland China: | | |
| Current period provision | 51,652 | 42,598 |
| Over-provision in prior years | (1,190) | (42) |
| Deferred tax | 11,630 | 11,003 |
| Elsewhere: | | |
| Current period provision | <u>3</u> | <u>158</u> |
| Tax charge for the period | <u><u>62,095</u></u> | <u><u>53,717</u></u> |

8. DIVIDENDS

| | Six months ended 30 September | |
|---------------------------------------|--|--------------------|
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interim dividend | 386,875 | 359,241 |
| Interim dividend per share (HK cents) | <u><u>28.0</u></u> | <u><u>26.0</u></u> |

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

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for that period attributable to ordinary equity holders of the Company of HK\$400,185,000 (six months ended 30 September 2014: HK\$392,386,000) and the weighted average number of 1,381,696,104 (six months ended 30 September 2014: 1,381,696,104) ordinary shares in issue during that period.

(b) Diluted earnings per share

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

| | Six months ended 30 September | |
|--|--|-----------------------|
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | <u><u>400,185</u></u> | <u><u>392,386</u></u> |

| | Number of shares | |
|---|-----------------------------|----------------------|
| | Six months ended | |
| | 30 September | |
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| Shares | | |
| Weighted average number of shares in issue during the period used in the basic earnings per share calculation | 1,381,696,104 | 1,381,696,104 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | — | — |
| Weighted average number of shares in issue during the period used in the diluted earnings per share calculation | <u>1,381,696,104</u> | <u>1,381,696,104</u> |

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with a cost of HK\$87,654,000 (six months ended 30 September 2014: HK\$48,383,000). Items of property, plant and equipment with a net book value of HK\$2,910,000 (six months ended 30 September 2014: HK\$4,018,000) were disposed of during the six months ended 30 September 2015.

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\$8,862,000 (31 March 2015: HK\$9,763,000), is as follows:

| | 30 September | 31 March |
|----------------|-----------------------|----------------|
| | 2015 | 2015 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Within 90 days | 662,186 | 691,828 |
| Over 90 days | <u>23,764</u> | <u>5,746</u> |
| | <u>685,950</u> | <u>697,574</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 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|----------------|---|---|
| Within 90 days | 1,139,423 | 979,684 |
| Over 90 days | <u>20,451</u> | <u>15,962</u> |
| | <u>1,159,874</u> | <u>995,646</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 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|---|---|
| Bank guarantees given in lieu of property rental deposits | 4,866 | 4,763 |
| Guarantees of banking facilities granted to an associate | <u>12,500</u> | <u>12,500</u> |

(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 and 2008/2009 issued by the IRD in March 2012, March 2013, March 2014 and March 2015 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000 and HK\$376,200,000, 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 2015, the Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000 and HK\$38,000,000 for years of assessment 2005/2006, 2006/2007, 2007/2008 and 2008/2009.

In view that the tax review for the years of assessment 2005/2006, 2006/2007, 2007/2008 and 2008/2009 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 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|---|---|
| In respect of property, plant and equipment, contracted but not provided for | 81,423 | 13,371 |
| In respect of property, plant and equipment, authorised but not contracted for | 52,413 | 54,619 |
| | <u>133,836</u> | <u>67,990</u> |

15. RELATED PARTY TRANSACTIONS

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

| | | Six months ended 30 September | |
|--|---------------------|--|---------------------------------|
| | | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Sales to Megawell Industrial Limited ("Megawell") | <i>Notes</i> (i) | 228,101 | 185,251 |
| Purchases from Megawell | (ii) | 188,455 | 136,263 |
| Rental expenses paid to related companies | (iii) | 12,749 | 13,415 |

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 Company and the Group have provided certain guarantees for banking facilities granted to Megawell, as detailed in note 13(a) to the financial statements.

- (b) As at 30 September 2015, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$13,273,000 (31 March 2015 : HK\$15,910,000) to Baleno Kingdom Limited, a non-wholly-owned subsidiary of the Company, at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.6% (31 March 2015: HIBOR plus 2.6%) per annum. The advances are unsecured and have no fixed terms of repayment.

As at 30 September 2015, Nice Dyeing Factory (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$262,553,000 (31 March 2015: HK\$253,646,000) to Baleno Holdings Limited, a non-wholly-owned subsidiary of the Company, at an average interest rate of 2.3% (31 March 2015: 2.4%) per annum. The advances are unsecured and have no fixed terms of repayment.

As at 30 September 2015, Dongguan Texwinca Textile and Garment Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$36,811,000 (31 March 2015: HK\$112,599,000) to Guangzhou Friendship Baleno Co. Ltd., a non-wholly-owned subsidiary of the Company, at an average interest rate of 5.2% (31 March 2015 : 4.7%) per annum. The advances are unsecured and have no fixed terms of repayment.

The principal purpose of the above advances is to finance the operations of Baleno Holdings Limited and its subsidiaries. In the opinion of directors, the transactions were entered into based on normal commercial terms agreed between the relevant parties.

- (c) On 1 April 2014, the Group entered into a lease agreement with Mountain Rich Limited ("MRL"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease a property from MRL as a retail outlet for the retail and distribution of apparel and accessory business of the Group for a term of two years commencing from 1 April 2014 at the monthly rents of RMB1,045,000 and RMB1,150,000 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\$8,572,000 (six months ended 30 September 2014: HK\$7,810,000).

On 1 April 2014, the Group entered into a lease agreement with Latex (Hong Kong) Limited ("Latex"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease a property from Latex as a director's quarter of the Group for a term of two years commencing from 1 April 2014 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 2014: HK\$2,400,000).

On 1 April 2014, the Group entered into a lease agreement with Winson Link Enterprises Limited ("WLEL"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease a property and a parking space from WLEL as a training center of the Group for a term of two years commencing from 1 April 2014 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 2014: HK\$379,000).

- (d) Compensation of key management personnel of the Group:

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Short term employee benefits | 37,266 | 47,223 |
| Post-employment benefits | 147 | 26 |
| Compensation for non-competition undertaking | 4,500 | - |
| | <hr/> | <hr/> |
| Total compensation paid to key management personnel | 41,913 | 47,249 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 are as follows:

| | Carrying amounts | | Fair values | |
|----------------------------------|---|---|---|---|
| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
| Financial assets | | | | |
| Derivative financial assets | <u>30,288</u> | <u>16,407</u> | <u>30,288</u> | <u>16,407</u> |
| Financial liabilities | | | | |
| Derivative financial liabilities | <u>16,707</u> | <u>11,104</u> | <u>16,707</u> | <u>11,104</u> |

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

The Group's finance department headed by the finance 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 at 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 2015 was assessed to be insignificant.

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

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

Assets measured at fair value:

**Fair value measurement as at 30 September 2015
(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 | <u>-</u> | <u>30,288</u> | <u>-</u> | <u>30,288</u> |

**Fair value measurement as at 31 March 2015
(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 | <u>-</u> | <u>16,407</u> | <u>-</u> | <u>16,407</u> |

Liabilities measured at fair value:

**Fair value measurement as at 30 September 2015
(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 | <u>-</u> | <u>16,707</u> | <u>-</u> | <u>16,707</u> |

Fair value measurement as at 31 March 2015
(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 | <u>-</u> | <u>11,104</u> | <u>-</u> | <u>11,104</u> |

As at 30 September 2015, the Group had no financial instruments measured at fair value under Level 3 (31 March 2015 : nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 September 2014: nil).

17. EVENTS AFTER THE REPORTING PERIOD

On 27 October 2015, two 64%-owned subsidiaries of the Company entered into a sale and purchase agreement with an independent purchaser to dispose of a trademark at the consideration of HK\$109,800,000. Pursuant to the agreement, the purchaser shall have ninety days from the date of the agreement within which to conduct and complete due diligence review of the title and/or ownership of the vendors in the trademark. The gain of the sale amounts to HK\$109,800,000.

On 9 November 2015, two 64%-owned subsidiaries of the Company entered into a sale and purchase agreement with an independent purchaser to dispose of a trademark at the consideration of HK\$140,000,000. Pursuant to the agreement, the purchaser shall have ninety days from the date of the agreement within which to conduct and complete due diligence review of the title and/or ownership of the vendors in the trademarks. The gain of the sale amounts to HK\$140,000,000.

Management's Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK28.0 cents (six months ended 30 September 2014: HK26.0 cents) per ordinary share for the six months ended 30 September 2015. The interim dividend will be payable on Wednesday, 6 January 2016 to shareholders registered on the Register of Members of the Company on Wednesday, 16 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 December 2015 to Wednesday, 16 December 2015 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2015. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2015, 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, 11 December 2015.

BUSINESS REVIEW

For the six months ended 30 September 2015, the Group's total turnover increased by 8.6% to HK\$4,848 million (six months ended 30 September 2014 : HK\$4,464 million). Profit for the period attributable to the ordinary equity holders of the Company amounted to HK\$400 million (six months ended 30 September 2014 : HK\$392 million), an increase of 2.0%. In the period, other income and gains decreased by HK\$58 million to HK\$93 million (six months ended 30 September 2014 : HK\$151 million) mainly due to the substantial decline in interest income. The Board has recommended an interim dividend of HK28.0 cents per ordinary share, an increase of 7.7% compared to last interim period's HK26.0 cents per ordinary share.

Textile business

Revenue of the business grew by 15.5% to HK\$2,799 million (six months ended 30 September 2014 : HK\$2,424 million). The amount was 57.7% (six months ended 30 September 2014 : 54.3%) of the Group's total turnover. In the period, the U.S. business conditions were more favourable. The Group continued to focus on high value-added orders to secure profit margins. The gross profit margin improved to 22.5% from last year's 21.9% and sales volume rose considerably by 22.2%. Raw material prices kept coming down, making the average selling price decreased by 4.5%. 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 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|--|---|---------------------------|---------------------------------|---------------------------|---------------------------|
| Net sales | 2,799 | 4,718 | 2,424 | 5,026 | 5,460 |
| Gross profit margin (%) | 22.5 | 21.7 | 21.9 | 20.4 | 16.0 |
| Operating profit(<i>note 1</i>) | 413 | 622 | 333 | 671 | 546 |
| EBITDA (<i>note 1</i>) | 503 | 802 | 423 | 871 | 765 |
| Return on total assets (%) (<i>annualised</i>)(<i>note 2</i>) | 10.4 | 8.5 | 9.1 | 8.4 | 6.3 |
| Return on sales (%)(<i>note 2</i>) | 14.4 | 15.3 | 15.5 | 14.3 | 12.4 |
| Return on equity (%)(<i>annualised</i>) (<i>note 2</i>) | 14.4 | 12.8 | 13.1 | 12.8 | 11.2 |
| Capital expenditure | 47 | 56 | 32 | 121 | 45 |

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

(2) Exclude rental income.

Retail and distribution business

Sales of the business increased slightly by 0.5% to HK\$2,043 million (six months ended 30 September 2014 : HK\$2,033 million). The sum represented 42.1% (six months ended 30 September 2014 : 45.5%) of the Group's total turnover. In the period, the consumer sentiment in Mainland China remained sluggish. The Group took a conservative approach in store expansion. Sales area in mainland China increased quite slimly by 2.9% when compared with six months ago. The gross profit margin was 48.8%, roughly similar to last year's 48.5%. The management continued to exercise stringent cost and inventory control. 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 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|---|---|---------------------------|---------------------------------|---------------------------|---------------------------|
| Net sales | 2,043 | 4,591 | 2,033 | 4,816 | 5,768 |
| Gross profit margin (%) | 48.8 | 46.8 | 48.5 | 46.7 | 44.9 |
| Sales growth of comparable shops (%)(note 1) | 10.1 | 6.0 | 5.0 | (7.6) | (12.0) |
| Operating profit/(loss) (note 2) | (53) | 13 | (21) | (245) | (202) |
| EBITDA (note 2) | (5) | 113 | 31 | (107) | (52) |
| Return on total assets (%) (annualised)(note 3) | (5.0) | (0.7) | (2.9) | (13.9) | (7.6) |
| Return on sales (%) (note 3) | (2.6) | (0.3) | (1.4) | (5.2) | (3.0) |
| Return on equity (%) (annualised)(note 3) | (20.3) | (2.1) | (9.8) | (42.5) | (20.4) |
| Capital expenditure | 53 | 72 | 30 | 43 | 119 |

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 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|------------------------|---|---------------------------|---------------------------------|---------------------------|---------------------------|
| Baleno | 1,387 | 2,821 | 1,228 | 2,754 | 3,038 |
| S&K | 190 | 476 | 207 | 552 | 742 |
| I.P. Zone | 149 | 320 | 164 | 417 | 555 |
| ebase | 69 | 336 | 153 | 497 | 609 |
| Others | 248 | 638 | 281 | 596 | 824 |
| Total | 2,043 | 4,591 | 2,033 | 4,816 | 5,768 |

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

Mainland China

| | Six months ended 30 Sep 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|--|---------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|
| Net sales (<i>HK\$'million</i>) | 1,768 | 4,014 | 1,711 | 4,098 | 4,920 |
| Increase / (decrease) in net sales (%) | 3 | (2) | (6) | (17) | (15) |
| Retail floor area (<i>sq. ft.</i>) ^{*#} | 1,749,037 | 1,700,135 | 1,752,032 | 1,959,394 | 2,147,536 |
| Number of sales associates ^{*#} | 7,033 | 6,971 | 7,010 | 7,710 | 9,168 |
| Number of outlets ^{*△} | 2,849 | 2,865 | 2,885 | 2,928 | 3,424 |

Hong Kong

| | Six months ended 30 Sep 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|--|---------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|
| Net sales (<i>HK\$'million</i>) | 275 | 486 | 232 | 445 | 435 |
| Increase/(decrease) in net sales (%) | 19 | 9 | 25 | 2 | (5) |
| Retail floor area (<i>sq. ft.</i>) ^{*#} | 60,557 | 62,440 | 65,918 | 66,184 | 63,254 |
| Number of sales associates ^{*#} | 384 | 393 | 363 | 392 | 425 |
| Number of outlets ^{*#} | 61 | 59 | 64 | 66 | 68 |

Taiwan

| | Six months ended 30 Sep 2015 | Year ended 31 Mar 2015 | Six months ended 30 Sep 2014 | Year ended 31 Mar 2014 | Year ended 31 Mar 2013 |
|--|---------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|
| Net sales (<i>HK\$'million</i>) | - | 91 | 90 | 273 | 413 |
| Decrease in net sales (%) | - | (67) | (47) | (34) | (17) |
| Retail floor area (<i>sq. ft.</i>) ^{*#} | - | - | 9,180 | 90,689 | 142,079 |
| Number of sales associates ^{*#} | - | - | 22 | 290 | 488 |
| Number of outlets ^{*△} | - | - | 10 | 91 | 166 |

* 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 increased by 1.6% to HK\$652 million (six months ended 30 September 2014 : HK\$642 million). Net profit contribution to the Group was HK\$22 million (six months ended 30 September 2014 : HK\$20 million), a growth of 10.0%. In the period, the operating environment was still competitive. The gross profit margin decreased slightly to 14.0% from last year's 14.3%. In the period, 66.8% (six months ended 30 September 2014 : 62.5%) of the fabric consumed was supplied by our textile division and sales to the retail section was 28.9% (six months ended 30 September 2014 : 21.2%) of its turnover.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a sound financial position. The current ratio, the total bank borrowings and the gearing ratio as at the period end were 2.2 times, HK\$1,028 million and -0.4 times (31 March 2015: 2.3 times, HK\$1,907 million and -0.4 times) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and bank balances, to the total equity. The net cash inflow from operating activities for the period was HK\$600 million (six months ended 30 September 2014: HK\$527 million).

During the period, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 59 times, 32 days and 77 days (six month ended 30 September 2014: 37 times, 34 days and 77 days), respectively. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the period end, the cash and bank balances, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$3,453 million, HK\$5,967 million and HK\$7,494 million (31 March 2015: HK\$4,372 million, HK\$6,086 million and HK\$6,553 million), respectively. During the interim period, the devaluation of RMB resulted in drop of exchange fluctuation reserve by HK\$105 million or 21.8% as compared to 31 March 2015.

Capital expenditure

The capital expenditure incurred by the Group during the period was HK\$100 million (six months ended 30 September 2014: HK\$62 million). As the recovery of the US economy remained slow, the Group continued to be prudent in capital expenditure spending. The capital expenditure incurred by the textile business for the period was HK\$47 million (six months ended 30 September 2014: HK\$32 million) mainly for the addition of plant and machinery. For the retail and distribution business, the PRC market remained sluggish. The capital expenditure incurred during the period mainly for the renovation of retail outlets was HK\$53 million (six months ended 30 September 2014: HK\$30 million).

Pledge of assets

No significant assets were pledged as at 30 September 2015 and 31 March 2015.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2015 and 31 March 2015 have been set out in note 13 to the financial statements.

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest bearing bank borrowings of the Group were HKD, USD and YEN floating rate borrowings with maturity due within three years. At the period end, the cash and bank balances and the held-to-maturity investments were HK\$3,453 million (31 March 2015: HK\$4,372 million) and HK\$506 million (31 March 2015: nil), respectively, mainly denominated in RMB and USD. The bank balances were fixed deposits placed with well established financial institutions at fixed interest rate with maturity due within one year. The held-to-maturity investments were fixed interest rate investments with maturity due within five years. As the world economic growth is unstable, the rise in interest rate is expected to be moderate. The Group will continue to monitor the interest rate movement and arrange financial instruments to reduce its interest rate risk whenever appropriate.

During the period, the major assets, liabilities, revenue, expenses and procurements of the Group were denominated in HKD, USD, RMB, YEN and NTD and the Group had arranged foreign exchange forward contracts to reduce its currency exchange risk.

HUMAN RESOURCES

As at 30 September 2015, the Group had about 16,250 (31 March 2015: 16,400) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

CORPORATE SOCIAL RESPONSIBILITY

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

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

- (1) World Wide Fund For Nature Hong Kong;
- (2) Agency for Volunteer Service “HSBC Share-to-Care Volunteer Campaign”;
- (3) Shanghai Commercial Pok Oi Cycle for Millions 2015; and
- (4) St. James’ Settlement.

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

OUTLOOK

The U.S. market, which is the Group’s major market for the textile business, has continued to show signs of improvement. The Group is expanding production capacity to extend business opportunities. Raw material price has been coming down which is a favourable factor for the industry development.

For the retail business, the Group will take a conservative expansion policy in the short run as the China consumer sentiment is still unsatisfactory. The management will continue to enhance earning ability and streamline operating expense. The business is in a healthy status that improved performance is expected in the second half year.

Other Information

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in ordinary shares of the Company:

| Name of director | Number of shares held and capacity | | | Total | Percentage of the Company's issued share capital |
|---|------------------------------------|-----------------------------|---------------------------------|-------------|--|
| | Directly or beneficially owned | Through discretionary trust | Through controlled corporations | | |
| Executive directors: | | | | | |
| Poon Bun Chak | 36,888,000 | 170,700,104 ⁽¹⁾ | 456,450,000 ⁽²⁾ | 664,038,104 | 48.1 |
| Ting Kit Chung | 6,100,000 | — | — | 6,100,000 | 0.4 |
| Independent non-executive directors: | | | | | |
| Au Son Yiu | 300,000 | — | — | 300,000 | 0.0 |
| Cheng Shu Wing | 400,000 | — | — | 400,000 | 0.0 |
| | 43,688,000 | 170,700,104 | 456,450,000 | 670,838,104 | 48.5 |

Notes:

1. The 170,700,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection (PTC) Inc as a trustee for The Evergreen Trust, a discretionary trust which was founded by Mr. Poon Bun Chak. Mr. Poon Bun Chak is deemed to be interested in these shares in accordance with the SFO.
2. The 456,450,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has a 97.15% equity interest. A 2.85% interest in Giant Wizard Corporation is owned by Mr. Poon Bun Chak.

Save as disclosed above, as at 30 September 2015, 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 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

| Name | Capacity | Notes | Number of ordinary shares held | Percentage of the Company's issued share capital |
|--------------------------|--------------------------------|-------|--------------------------------|--|
| Perfection (PTC) Inc | Trustee | 2, 3 | 627,150,104 | 45.4 |
| Farrow Star Limited | Through controlled corporation | 1 | 456,450,000 | 33.0 |
| | Directly owned | | <u>170,700,104</u> | <u>12.4</u> |
| | | 3 | 627,150,104 | 45.4 |
| Giant Wizard Corporation | Directly owned | 1, 2 | 456,450,000 | 33.0 |

Notes:

1. *The interests of Giant Wizard Corporation in the Company were duplicated by the indirect interests in the Company held by Farrow Star Limited.*
2. *The interests of Giant Wizard Corporation in the Company were duplicated by the indirect interests in the Company held by Perfection (PTC) Inc.*
3. *The interests of Farrow Star Limited in the Company were duplicated by the indirect interests in the Company held by Perfection (PTC) Inc.*

Save as disclosed above, as at 30 September 2015, 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 internal controls of the Group and has made recommendations to the Board.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except for the following deviation:

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, they have all complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2015 Annual Report.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Poon Bun Chak and Mr. Ting Kit Chung; the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Cheng Shu Wing and Mr. Law Brian Chung Nin.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2015 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, 23 November 2015