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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 2018

RESULTS

The board of directors (the “Board”) of Texwinca Holdings Limited (the “Company”) has pleasure in presenting the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended	
		30 September 2018	2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	4	4,345,938	4,081,354
Cost of sales		(3,003,138)	(2,846,724)
Gross profit		1,342,800	1,234,630
Other income and gains	5	81,729	117,336
Gain on disposal of subsidiaries		—	57,254
Selling and distribution expenses		(806,192)	(769,084)
Administrative expenses		(419,213)	(448,831)
Other operating expenses, net		(2,100)	(3,416)
Finance costs		(15,121)	(17,909)
Share of profit of an associate		54,740	2,572
PROFIT BEFORE TAX	6	236,643	172,552
Income tax expense	7	(46,197)	(116)
PROFIT FOR THE PERIOD		190,446	172,436

*For identification purpose only

	<i>Note</i>	Six months ended	
		30 September	
		2018	2017
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		195,275	180,242
Non-controlling interests		(4,829)	(7,806)
		<hr/> 190,446	<hr/> 172,436
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (<i>HK cents</i>)		<hr/> 14.1	<hr/> 13.0

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	190,446	172,436
OTHER COMPREHENSIVE INCOME / (LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(249,432)	213,071
Reclassification adjustments for foreign operations disposed of during the period	—	(3,804)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(249,432)	209,267
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(58,986)	381,703
	<hr/>	<hr/>
Attributable to:		
Ordinary equity holders of the Company	(28,527)	381,051
Non-controlling interests	(30,459)	652
	<hr/>	<hr/>
	(58,986)	381,703
	<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,290,220	1,386,473
Investment properties		522,261	524,400
Prepaid land lease payments		12,266	13,068
Construction in progress		29,307	88,475
Trademarks		33,293	33,293
Investment in an associate		125,322	70,582
Prepayments		53,523	119,870
Long term rental deposits		87,988	87,183
Long term held-to-maturity investments		—	156,902
Long term debt instruments at amortised cost		164,193	—
Available-for-sale investments		—	152,061
Other financial assets at fair value through profit or loss		141,252	—
Deferred tax assets		23,305	32,809
		<hr/>	
Total non-current assets		2,482,930	2,665,116
CURRENT ASSETS			
Inventories		2,265,047	2,237,568
Trade receivables	11	1,018,071	941,418
Bills receivable		102,950	108,931
Prepayments, deposits and other receivables		859,024	566,776
Held-to-maturity investments		—	211,421
Debt instruments at amortised cost		79,112	—
Derivative financial assets		23,530	43,549
Cash and cash equivalents		1,802,252	2,445,028
		<hr/>	
Total current assets		6,149,986	6,554,691
CURRENT LIABILITIES			
Trade payables	12	953,588	1,019,340
Bills payable		24,306	19,232
Other payables, accrued liabilities and contract liabilities		513,145	499,026
Due to an associate		20	20
Derivative financial liabilities		26,989	44,160
Interest-bearing bank borrowings		1,061,863	1,390,804
Tax payable		278,181	234,183
Dividend payable		207,254	—
		<hr/>	
Total current liabilities		3,065,346	3,206,765
		<hr/>	
NET CURRENT ASSETS		3,084,640	3,347,926
		<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES		5,567,570	6,013,042
		<hr/>	

	<i>Note</i>	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		112,500	187,500
Deferred tax liabilities		66,353	100,553
		<hr/>	<hr/>
Total non-current liabilities		178,853	288,053
		<hr/>	<hr/>
Net assets		5,388,717	5,724,989
		<hr/>	<hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		69,085	69,085
Reserves		5,112,378	4,972,979
Interim/final dividends	8	207,254	207,254
		<hr/>	<hr/>
		5,388,717	5,249,318
		<hr/>	<hr/>
Non-controlling interests		—	475,671
		<hr/>	<hr/>
Total equity		5,388,717	5,724,989
		<hr/>	<hr/>

Condensed Consolidated Statement of Changes in Equity

	Attributable to ordinary equity holders of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Asset revaluation reserve	Legal reserve	Capital reserve	Retained profits	Dividends	Total		
	(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		
At 1 April 2018	69,085	703,365	1,695	3,986	212,350	99,246	49	—	3,952,288	207,254	5,249,318	475,671	5,724,989
Profit for the period	—	—	—	—	—	—	—	—	195,275	—	195,275	(4,829)	190,446
Other comprehensive loss for the period :													
Exchange differences on translation of foreign operations	—	—	—	—	(223,802)	—	—	—	—	—	(223,802)	(25,630)	(249,432)
Total comprehensive income/(loss) for the period	—	—	—	—	(223,802)	—	—	—	195,275	—	(28,527)	(30,459)	(58,986)
2017/2018 final dividend	—	—	—	—	—	—	—	—	—	(207,254)	(207,254)	—	(207,254)
2018/2019 interim dividend	—	—	—	—	—	—	—	—	(207,254)	207,254	—	—	—
Acquisition of non-controlling interests (note 17)	—	—	—	—	—	—	—	375,180	—	—	375,180	(445,212)	(70,032)
At 30 September 2018	69,085	703,365	1,695	3,986	(11,452)	99,246	49	375,180	3,940,309	207,254	5,388,717	—	5,388,717
At 1 April 2017	69,085	703,365	1,695	3,986	(1,489)	99,246	49	—	4,131,553	442,143	5,449,633	447,770	5,897,403
Profit for the period	—	—	—	—	—	—	—	—	180,242	—	180,242	(7,806)	172,436
Other comprehensive income/(loss) for the period :													
Exchange differences on translation of foreign operations	—	—	—	—	204,613	—	—	—	—	—	204,613	8,458	213,071
Reclassification adjustments for foreign operations disposed of during the period	—	—	—	—	(3,804)	—	—	—	—	—	(3,804)	—	(3,804)
Total comprehensive income for the period	—	—	—	—	200,809	—	—	—	180,242	—	381,051	652	381,703
2016/2017 final dividend	—	—	—	—	—	—	—	—	—	(442,143)	(442,143)	—	(442,143)
2017/2018 interim dividend	—	—	—	—	—	—	—	—	(276,339)	276,339	—	—	—
At 30 September 2017	69,085	703,365	1,695	3,986	199,320	99,246	49	—	4,035,456	276,339	5,388,541	448,422	5,836,963

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(104,462)	138,758
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(94,972)	50,680
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(403,941)	(109,140)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(603,375)	80,298
Cash and cash equivalents at beginning of period	2,099,699	3,573,414
Foreign exchange adjustments	(80,172)	149,733
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,416,152	3,803,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	458,759	294,387
Non-pledged time and structured deposits with original maturity of less than three months when acquired	957,393	3,509,058
Non-pledged time and structured deposits with original maturity of over three months when acquired	386,100	465,409
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	1,802,252	4,268,854
Less : Non-pledged time and structured deposits with original maturity of over three months when acquired	(386,100)	(465,409)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,416,152	3,803,445

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”).

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

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 2018, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Classification and Measurement of Share-Based Payment Transactions</i>
HKFRS 4 Amendments	Amendments to HKFRS 4 <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HKFRS 15 Amendments	Amendments to HKFRS 15 <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
HKAS 40 Amendments	Amendments to HKAS 40 <i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvement 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 15 and HKFRS 9, the adoption of the above new and revised HKFRSs has had no significant financial effect on these condensed interim financial statements.

(i) *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group applied HKFRS 15 to contracts that are initiated after the effective date and contracts that had remaining obligations as of the effective date. In respect of the prior periods, the Group retained prior period's figures as reported under the previous standards, recognising the cumulative effect of applying HKFRS 15 as an adjustment to the opening balance of equity as at 1 April 2018. The Group concluded that no transitional adjustment is required to be made on 1 April 2018 to retained profits upon initial adoption of HKFRS 15. It is because the Group recognised revenue upon control and rewards, which coincides with the fulfilment of performance obligations.

Impact on the condensed consolidated statement of financial position as at 1 April 2018 (increase/ (decrease)):

	31 March 2018 (Audited) Under HKAS 18 <i>HK\$'000</i>	Effect of adoption of HKFRS 15 <i>HK\$'000</i>	1 April 2018 (Unaudited) Under HKFRS 15 <i>HK\$'000</i>
Contract liabilities	—	4,415	4,415
Trade receivables	941,418	2,210	943,628
Other payables, accrued liabilities and deposit received	499,026	(2,205)	496,821

The adoption of HKFRS 15 does not impact the condensed consolidated statement of profit or loss, statement of comprehensive income and statement of cash flows for the six months ended 30 September 2018.

The Group's principal activities consist of (i) production, dyeing and sale of knitted fabric, yarn and seamless garment; (ii) retailing and distribution of casual apparel and accessories; (iii) provision of franchise services; and (iv) properties investment. The Group principally derives revenue from sales of products.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of rebates, returns and value-added taxes. The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below.

Revenue for the sale of knitted fabric, yarn and seamless garment and casual apparel and accessories is recognised at a point in time when control of the asset is transferred to the customer. Service revenue is recognised as a performance obligation satisfied over time based on the stage of completion.

(ii) *HKFRS 9 Financial Instruments*

HKFRS 9 Financial Instruments replaces *HKAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of *HKFRS 9 Financial Instruments* from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in *HKFRS 9*, comparative figures have not been restated.

On 1 April 2018 (the date of initial application of *HKFRS 9*), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate *HKFRS 9* categories.

The following adjustments were made to the condensed consolidated statement of financial position at the date of initial application, 1 April 2018. The impact on adopting HKFRS 9 is as follows:

	31 March 2018 (Audited) Under HKAS 39 <i>HK\$'000</i>	Effect of adoption of HKFRS 9 <i>HK\$'000</i>	1 April 2018 (Unaudited) Under HKFRS 9 <i>HK\$'000</i>
Held-to-maturity investments	368,323	(368,323)	—
Debt instruments at amortised cost	—	368,323	368,323
Available-for-sale investment	152,061	(152,061)	—
Other financial assets at fair value through profit or loss	—	152,061	152,061

(a) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and the contractual cash flow characteristics of the financial assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of profit or loss.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss approach.

HKFRS 9 requires the Group to record an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and debt investments. Furthermore, the Group has applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its bills and other receivables within the next twelve months.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgments 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 2018.

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, yarn and seamless garment segment;
- (b) the retailing and distribution of casual apparel and accessories segment; and
- (c) the “others” segment principally comprises the provision of franchise services and properties investment.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that gain on disposal of subsidiaries, unallocated expenses, interest income, finance costs and share of profit of an associate 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.

	Production, dyeing and sale of knitted fabric, yarn and seamless garment		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Segment revenue :										
Sales to external customers	2,625,980	2,425,303	1,718,507	1,652,385	1,451	3,666	—	—	4,345,938	4,081,354
Intersegment sales	—	—	—	—	3,996	3,106	(3,996)	(3,106)	—	—
Other revenue	30,261	26,295	3,568	35,476	22,340	18,715	(3,750)	(3,321)	52,419	77,165
	2,656,241	2,451,598	1,722,075	1,687,861	27,787	25,487	(7,746)	(6,427)	4,398,357	4,158,519
Segment results	208,583	109,880	(62,677)	(35,764)	21,808	20,356	—	—	167,714	94,472
<i>Reconciliation :</i>										
Gain on disposal of subsidiaries									—	57,254
Unallocated expenses									—	(4,008)
Interest income									29,310	40,171
Finance costs									(15,121)	(17,909)
Share of profit of an associate									54,740	2,572
Profit before tax									236,643	172,552
Income tax expense									(46,197)	(116)
Profit for the period									190,446	172,436

5. REVENUE, OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers:		
Sales of goods	4,335,573	4,069,601
Rendering of services	9,173	8,347
Franchise and royalty income	1,192	3,406
	<u>4,345,938</u>	<u>4,081,354</u>
Timing of revenue recognition :		
Goods transferred at a point in time	4,335,573	4,069,601
Service transferred over time	10,365	11,753
	<u>4,345,938</u>	<u>4,081,354</u>
Other income and gains:		
Interest income	29,310	40,171
Net fair value gains on derivative financial instruments	1,636	12,100
Rental income on investment properties	14,395	13,372
Compensation from suppliers for defective goods	9,613	6,299
Net gain on disposal of items of property, plant and equipment	170	22,978
Government subsidies	5,634	1,463
Sundry income	20,971	20,953
	<u>81,729</u>	<u>117,336</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	129,483	125,799
Amortisation of prepaid land lease payments	207	217
Provision/(reversal of provision) for inventories	9	(1,844)
Impairment/(reversal of impairment) of trade receivables	(297)	1,288
Net gain on disposal of items of property, plant and equipment	(170)	(22,978)
	<u>129,483</u>	<u>125,799</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong and Mainland China:		
Charge for the period	45,347	3,396
Under-provision in prior years	1	731
Deferred	849	(4,011)
	<hr/>	<hr/>
Total tax charge for the period	46,197	116

8. DIVIDENDS

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend	207,254	276,339
Interim dividend per ordinary share (<i>HK cents</i>)	15.0	20.0

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue of 1,381,696,104 (six months ended 30 September 2017: 1,381,696,104) during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of HK\$99,737,000 (six months ended 30 September 2017: HK\$125,766,000). Items of property, plant and equipment with a net book value of HK\$5,360,000 (six months ended 30 September 2017: HK\$14,998,000) were disposed of during the six months ended 30 September 2018.

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment of HK\$12,666,000 (31 March 2018: HK\$12,962,000), is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 90 days	954,061	767,234
Over 90 days	64,010	174,184
	<u>1,018,071</u>	<u>941,418</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 hold bank acceptance bills over certain trade receivable balances. Trade receivables are non-interest-bearing.

12. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 90 days	872,430	927,178
Over 90 days	81,158	92,162
	<u>953,588</u>	<u>1,019,340</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 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	<u>4,716</u>	<u>4,975</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, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 issued by the IRD in March 2012, March 2013, March 2014, March 2015, March 2016, January 2017 and January 2018 are HK\$69,125,000, HK\$189,000,000, HK\$388,878,000, HK\$376,200,000, HK\$323,648,000, HK\$237,600,000 and HK\$183,745,000, respectively. The Group purchased tax reserve certificates of HK\$4,500,000, HK\$31,500,000, HK\$34,000,000, HK\$38,000,000, HK\$38,000,000, HK\$50,000,000 and HK\$7,090,000 for the years of assessment 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 respectively.

Certain subsidiaries of the Group have further received in April 2018 the additional/estimated protective tax assessments from the IRD for the years of assessment 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017 in the amounts of HK\$136,139,000, HK\$498,940,000, HK\$247,460,000, HK\$230,400,000 and HK\$129,628,000, respectively. The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed in May 2018, the IRD agreed to hold over the tax claimed completely subject to the purchases of additional tax reserve certificates by the Group. During the period, the Group purchased tax reserve certificates of HK\$46,069,000, HK\$166,320,000, HK\$82,500,000, HK\$71,710,000 and HK\$49,808,000, for the years of assessment 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017, respectively.

In view that the tax review for the years of assessment from 2005/2006 to 2016/2017 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 2018 (Unaudited) HK\$’000	31 March 2018 (Audited) HK\$’000
In respect of property, plant and equipment, contracted but not provided for	56,061	150,398

15. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 September 2018 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000
Sales to Megawell Industrial Limited (“Megawell”)	<i>(i)</i>	—	3,460
Purchases from Megawell	<i>(ii)</i>	—	30,412
Rental expenses paid to related companies	<i>(iii)</i>	12,843	11,149

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.*
- (b) On 13 February 2018, the Group entered into a lease agreement with Mountain Rich Limited ("MRL"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease Tianjin Bin Jiang Fu Shi Commercial Building at 282-286 Bin Jiang Road, He Ping Qu, Tianjin City, China from MRL as a retail outlet for the retail and distribution of apparel and accessories business of the Group for a term of two years commencing from 1 April 2018 at the monthly rents of RMB1,329,900. During the period, the Group paid to MRL operating lease rentals in respect of the above property of HK\$9,836,206 (six months ended 30 September 2017: HK\$8,142,000).

On 13 February 2018, the Group entered into a lease agreement with Latex (Hong Kong) Limited ("Latex"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease 22 Perkins Road, Jardine's Lookout, Hong Kong from Latex as a director's quarter of the Group for a term of two years commencing from 1 April 2018 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 2017: HK\$2,400,000).

On 13 February 2018, the Group entered into a lease agreement with Winson Link Enterprises Limited ("WLEL"), a company wholly-owned by Mr. Poon Bun Chak, an executive director and controlling shareholder of the Company, to lease Room 4207B, 42nd Floor, Metroplaza Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong and a car parking space from WLEL as a training center of the Group for a term of two years commencing from 1 April 2018 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 2017: HK\$379,000).

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

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	28,035	31,284
Post-employment benefits	18	9
Total compensation paid to key management personnel	28,053	31,293

16. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

	Carrying amounts		Fair values	
	30 September 2018 (Unaudited) <i>HK\$'000</i>	31 March 2018 (Audited) <i>HK\$'000</i>	30 September 2018 (Unaudited) <i>HK\$'000</i>	31 March 2018 (Audited) <i>HK\$'000</i>
Financial assets				
Derivative financial assets	23,530	43,549	23,530	43,549
Available-for-sale investments	—	152,061	—	152,061
Other financial assets at fair value through profit or loss	141,252	—	141,252	—
Held-to-maturity investments	—	368,323	—	358,250
Debt instruments at amortised cost	243,305	—	202,021	—
	408,087	563,933	366,803	553,860
Financial liabilities				
Derivative financial liabilities	26,989	44,160	26,989	44,160

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

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

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

The fair values of the long term rental deposits and non-current portion of 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 2018 was assessed to be insignificant.

The fair values of available-for-sale investments, other financial assets at fair value through profit and loss, held-to-maturity investments and debt instruments at amortised cost are estimated based on quoted prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivative financial instruments are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of derivative financial instruments 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 2018 (Unaudited)			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial assets	—	23,530	—	23,530
Other financial assets at fair value through profit or loss	141,252	—	—	141,252
	141,252	23,530	—	164,782

	Fair value measurement as at 31 March 2018 (Audited)			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial assets	—	43,549	—	43,549
Available-for-sale investments	152,061	—	—	152,061
	152,061	43,549	—	195,610

Liabilities measured at fair value:

	Fair value measurement as at 30 September 2018 (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	—	26,989	—	26,989

	Fair value measurement as at 31 March 2018 (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	—	44,160	—	44,160

As at 30 September 2018 and 31 March 2018, the Group had no financial instruments measured at fair value under Level 3.

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 2017: nil).

Assets for which fair values are disclosed:

	Fair value measurement as at 30 September 2018 (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>
Debt instruments at amortised cost	202,021	—	—	202,021

	Fair value measurement as at 31 March 2018 (Audited)			
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Held-to-maturity investments	358,250	—	—	358,250

17. ACQUISITION OF NON-CONTROLLING INTERESTS

In September 2018, the Group acquired the remaining 36% equity interest in Baleno Holdings Limited at total cash consideration of HK\$69,450,000 from the non-controlling shareholders. Baleno Holdings Limited was an indirect 64%-owned subsidiary of the Company right before the completion of the transaction and became an indirect wholly-owned subsidiary of the Company upon completion of the transaction.

The following summarised the financial impact arising from the changes in the Group's ownership interest in Baleno Holdings Limited on the equity attributable to ordinary equity holders of the Company:

	<i>HK\$ '000</i> (Unaudited)
Carrying amount of the non-controlling interests acquired	445,211
Less: Total consideration paid to the non-controlling shareholders	(69,450)
Legal and professional fees	(581)
	<hr/>
Increase in equity attributable to ordinary equity holders of the Company	<u>375,180</u>

Management's Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK15.0 cents (six months ended 30 September 2017: HK20.0 cents) per ordinary share for the six months ended 30 September 2018. The interim dividend will be payable on Friday, 4 January 2019 to shareholders registered on the Register of Members of the Company on Wednesday, 12 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 10 December 2018 to Wednesday, 12 December 2018 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2018. During which period no transfer of shares of the Company will be registered and no share will be allotted and issued. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2018, 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, 7 December 2018.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For the six months ended 30 September 2018, the Group's total turnover increased by 6.5% to HK\$4,346 million (six months ended 30 September 2017: HK\$4,081 million). Profit for the period attributable to the ordinary equity holders of the Company amounted to HK\$195 million (six months ended 30 September 2017: HK\$180 million), an increase of 8.3%. The Group's gross profit margin was 30.9% (six months ended 30 September 2017: 30.3%), an increase of 0.6 percentage point from last year. The Board has recommended an interim dividend of HK15.0 cents per ordinary share, a decrease of 25.0% compared to last interim period's HK20.0 cents per ordinary share.

Textile business

Revenue of the business grew by 8.3% to HK\$2,626 million (six months ended 30 September 2017: HK\$2,425 million). The amount was 60.4% (six months ended 30 September 2017: 59.4%) of the Group's total turnover. In the period, the Group continued to strengthen its production capacity in synthetic fabrics and functional garments. The recent trade war between China and the U.S. has made no direct business affectation as the Group does not export fabric directly from China to the U.S. In the period, the Group achieved both growth in revenue and volume. However, cotton price and fuel costs increased substantially which led to a negative impact on our gross profit margin. The average selling price increased by 10.5% and the gross profit margin grew to 17.8% from last year's 17.3%. Sales volume rose slightly by 1.1%. The performance and the key financial ratios of the business were as below :

<i>(Amounts expressed in HK\$' million, unless specified)</i>	Six months		Six months		
	ended	Year ended	ended	Year ended	Year ended
	30 Sep 2018	31 Mar 2018	30 Sep 2017	31 Mar 2017	31 Mar 2016
Net sales	2,626	4,535	2,425	3,807	4,741
Gross profit margin (%)	17.8	15.9	17.3	16.9	21.7
Operating profit(<i>note 1</i>)	209	241	110	350	666
EBITDA (<i>note 1</i>)	293	410	193	518	842
Return on total assets (%)					
<i>(annualised) (note 2)</i>	5.1	1.9	3.2	4.9	9.6
Return on sales (%)(<i>note 2</i>)	6.3	2.9	5.5	10.2	14.2
Return on equity (%)(<i>annualised</i>)					
<i>(note 2)</i>	8.2	3.0	5.9	8.4	12.5
Capital expenditure	121	162	85	143	111

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

(2) Exclude rental income.

Retail and distribution business

Sales of the business increased by 4.1% to HK\$1,719 million (six months ended 30 September 2017: HK\$1,652 million). The sum represented 39.6% (six months ended 30 September 2017: 40.5%) of the Group's total turnover. The trade war between China and the U.S. has threatened the retail environment in the mainland China. In the period, the Group continued to focus in developing and introducing more products to maximize its business opportunities and extend its market share. The gross profit margin reached 50.8%, a 1.7 percentage point growth from last year's 49.1%. The Group has strengthened its retail outlets in supermarkets and will continue to invest in e-commerce. The performance and the key financial ratios of this business were as below:

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

<i>(Amounts expressed in HK\$ 'million, unless specified)</i>	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Six months ended 30 Sep 2017	Year ended 31 Mar 2017	Year ended 31 Mar 2016
Net sales	1,719	3,989	1,652	4,044	4,592
Gross profit margin (%)	50.8	47.4	49.1	45.5	46.6
Sales growth of comparable shops (%)(note 1)	(5.3)	(6.9)	(8.7)	(7.8)	7.3
Operating profit/(loss) (note 2)	(63)	14	(36)	(96)	(93)
EBITDA (note 2)	(18)	102	7	(11)	8
Return on total assets (%) (annualised)(note 3)	(5.1)	0.4	(3.1)	(4.8)	(4.3)
Return on sales %(note 3)	(3.0)	0.2	(2.1)	(2.3)	(2.4)
Return on equity (%) (annualised)(note 3)	(9.1)	0.7	(5.9)	(15.9)	(9.5)
Capital expenditure	38	94	49	73	96

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

(2) Exclude interest income and rental income.

(3) Exclude rental income.

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

<i>(HK\$ 'million)</i>	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Six months ended 30 Sep 2017	Year ended 31 Mar 2017	Year ended 31 Mar 2016
Baleno	1,527	3,274	1,298	3,144	3,260
S&K	74	238	105	293	415
I.P. Zone	8	109	84	215	304
ebase	—	—	2	5	98
Others	110	368	163	387	515
Total	1,719	3,989	1,652	4,044	4,592

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

Mainland China

	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Six months ended 30 Sep 2017	Year ended 31 Mar 2017	Year ended 31 Mar 2016
Net sales (HK\$ 'million)	1,441	3,414	1,400	3,476	4,013
Increase/(decrease) in net sales (%)	3	(2)	(13)	(13)	—
Retail floor area (sq. ft.)*#	1,630,731	1,781,314	1,737,307	1,723,190	1,779,340
Number of sales associates**	4,672	4,946	5,386	5,493	6,425
Number of outlets* [△]	2,232	2,499	3,044	2,326	2,770

Hong Kong

	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Six months ended 30 Sep 2017	Year ended 31 Mar 2017	Year ended 31 Mar 2016
Net sales (<i>HK\$ million</i>)	278	575	252	568	579
Increase / (decrease) in net sales (%)	10	1	(10)	(2)	19
Retail floor area (<i>sq. ft.</i>) ^{*#}	86,221	79,822	77,600	65,515	64,543
Number of sales associates ^{*#}	546	484	434	385	395
Number of outlets ^{*#}	78	73	70	60	64

* As at the end of the reporting period

For self-managed stores

△ Including self-managed and franchise stores

Garment manufacturing business

Turnover of this associate decreased significantly by 28.8% to HK\$136 million (six months ended 30 September 2017: HK\$191 million). As the factory in Dongguan was closed last year, production is now concentrated in Vietnam. In the period, net profit contribution to the Group was HK\$55 million (six months ended 30 September 2017: HK\$3 million). The increase in net profit contribution was mainly attributable to the written back of tax provision in prior years. In the period, less than 1.0% (six months ended 30 September 2017: 6.6%) of the fabric consumed was supplied by our textile division and sales to the retail section was less than 1.0% (six months ended 30 September 2017: 15.9%) of its turnover.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a sound financial position. The current ratio, the total bank borrowings and the gearing ratio as at the period end were 2.0, HK\$1,174 million and -0.1 (31 March 2018: 2.0, HK\$1,578 million and -0.2) respectively. Bank borrowings decreased during the period as the Group continued to repay its bank loans with cash inflow from its operating activities. The gearing ratio refers to the ratio of the total interest-bearing debts, net of cash and cash equivalents, to the total equity.

During the period, the interest cover, the trade and bills receivables to turnover and the inventories to turnover were 17 times, 47 days and 95 days (six months ended 30 September 2017: 11 times, 47 days and 94 days) respectively. The Group mainly satisfied its funding requirements with cash inflow from its operating activities and bank borrowings. At the period end, the cash and cash equivalents, the equity attributable to ordinary equity holders of the Company and the unutilized banking facilities were HK\$1,802 million, HK\$5,389 million and HK\$6,177 million (31 March 2018: HK\$2,445 million, HK\$5,249 million and HK\$6,049 million), respectively. The decrease in cash and cash equivalents compared with last year was mainly due to the repayment of bank borrowings and the payment of additional tax reserve certificates of HK\$416 million during the period. The payment of additional tax reserve certificates of HK\$416 million also led to the increase in prepayments, deposits and other receivables during the period.

Capital expenditure

The Capital expenditure incurred by the Group during the period was HK\$159 million (six months ended 30 September 2017: HK\$134 million). The capital expenditure incurred by the textile business for the period was HK\$121 million (six months ended 30 September 2017: HK\$85 million) mainly for the addition of plant and machinery for the dyeing and knitting factory and the seamless garment factory. For the retail and distribution business, our capital expenditure incurred for the period mainly for the leasehold improvements of shops amounted to HK\$38 million (six months ended 30 September 2017: HK\$49 million).

Pledge of assets

No significant assets were pledged as at 30 September 2018 and 31 March 2018.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2018 and 31 March 2018 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 RMB fixed or floating rate borrowings with maturity due within two years (31 March 2018: within two years). At the period end, the cash and cash equivalents, debt instruments at amortised cost and other financial assets at fair value through profit or loss (31 March 2018: cash and cash equivalents, held-to-maturity investments and available-for-sale investments) were mainly denominated in HKD, RMB and USD. The cash and cash equivalents were placed as fixed deposits with well-established financial institutions at fixed interest rate with maturity due within one year (31 March 2018: within one year). And, the debt instruments at amortised cost and other financial assets at fair value through profit or loss were mainly investments with maturity due within seven years or at perpetuity (31 March 2018: within three years or at perpetuity). As the US economic condition continued to improve, the interest rate is expected to increase in the second half of the year. The Group will continue to monitor the interest rate risk and arrange appropriate financial instruments to reduce its risk whenever appropriate.

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

HUMAN RESOURCES

As at 30 September 2018, the Group had about 13,000 (31 March 2018: 13,345) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

CORPORATE SOCIAL RESPONSIBILITY

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

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

- (1) Evangelical Lutheran Church Social Service – Hong Kong;
- (2) Ocean Park Conservation Foundation Hong Kong;
- (3) The Community chest of Hong Kong “Love Teeth Day”;
- (4) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (5) The Hong Kong Council of Social Service “Caring Company”; and
- (6) World Wide Fund For Nature Hong Kong.

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

OUTLOOK

Looking forward to the second half of 2018, the world economy and the consumer market are forecasted to remain uncertain. As a fabric manufacturer, the Group is not directly affected by the Trade War between the U.S. and China. However, the Group will monitor closely the operating environment to take necessary business measures.

Notwithstanding the uncertain global economic and market conditions, the Group is still confident to pursue business growth ahead. The Group will continue to expand its production capacity and retail outlets to capture business opportunities.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2018, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, was as follows:

Long positions in ordinary shares of the Company:

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

Note:

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

Save as disclosed above, as at 30 September 2018, 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

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 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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

Note:

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

Save as disclosed above, as at 30 September 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee (the "Committee") consists of the three independent non-executive directors of the Company namely Mr. Law Brian Chung Nin, Mr. Au Son Yiu and Mr. Cheng Shu Wing. The Committee is chaired by Mr. Law Brian Chung Nin, a qualified accounting professional. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group.

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

CORPORATE GOVERNANCE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2018 Annual Report.

BOARD OF DIRECTORS

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

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2018 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, 12 November 2018