



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 2007

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 (the “Group”) for the six months ended 30 September 2007. The interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	4,659,153	3,995,558
Cost of sales		(3,197,051)	(2,792,462)
Gross profit		1,462,102	1,203,096
Other income and gains		65,531	52,064
Selling and distribution costs		(774,540)	(721,152)
Administrative expenses		(288,939)	(250,328)
Other operating expenses, net		(2,553)	(4,791)
Finance costs		(22,828)	(28,086)
Share of profit of an associate, net of tax		36,301	24,066
PROFIT BEFORE TAX	4	475,074	274,869
Tax	5	(117,112)	(39,574)
PROFIT FOR THE PERIOD		357,962	235,295

* For identification purpose only.

Attributable to:

Equity holders of the Company	390,265	275,191
Minority interests	(32,303)	(39,896)
	357,962	235,295
Proposed interim dividend	238,868	159,155
Proposed interim dividend per share (<i>HK cents</i>)	18.0	12.0

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

6

Basic	29.4	20.7
Diluted	29.3	20.7

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 September 2007 (Unaudited) <i>HK\$'000</i>	At 31 March 2007 (Audited) <i>HK\$'000</i>
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	2,271,437	2,323,532
Investment properties	117,071	119,682
Prepaid land lease payments	24,607	24,773
Construction in progress	78,936	38,513
Trademarks	33,293	33,293
Interest in an associate	132,254	121,464
Long term rental deposits	100,850	126,148
Total non-current assets	2,758,448	2,787,405
CURRENT ASSETS		
Inventories	1,301,715	1,290,340
Trade and bills receivable	1,076,372	1,090,387
Prepayments, deposits and other receivables	422,022	403,850
Derivative financial assets	28,025	25,588
Cash and cash equivalents	699,742	244,829
Total current assets	3,527,876	3,054,994

CURRENT LIABILITIES			
Due to an associate		7,401	15,605
Trade and bills payable	8	1,080,860	950,918
Other payables and accrued liabilities		281,480	236,968
Derivative financial liabilities		1,079	196
Tax payable		308,039	202,250
Interest-bearing bank borrowings		330,045	546,785
Dividend payable		198,914	-
Total current liabilities		<u>2,207,818</u>	<u>1,952,722</u>
NET CURRENT ASSETS		<u>1,320,058</u>	<u>1,102,272</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,078,506	3,889,677
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		563,511	557,791
Provision for long service payments		12,065	11,303
Deferred tax		5,560	5,560
Total non-current liabilities		<u>581,136</u>	<u>574,654</u>
Net assets		<u>3,497,370</u>	<u>3,315,023</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		66,348	66,314
Reserves		3,159,659	2,982,853
Proposed interim/final dividend		238,855	198,913
		<u>3,464,862</u>	<u>3,248,080</u>
Minority Interests		<u>32,508</u>	<u>66,943</u>
Total equity		<u>3,497,370</u>	<u>3,315,023</u>

Notes to the Condensed Consolidated Financial Statements:

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed interim financial statements are the same as those used in the Group’s annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the HKFRSs listed above does not have any significant impact on the Group's unaudited condensed interim financial statements for the six months ended 30 September 2007. For those new and revised HKFRSs which have not yet been effective, the Group is in the process of assessing their impact on the Group's results and financial position.

3. SEGMENT INFORMATION

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

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table presents revenue and profit / (loss) information for the Group's business segments for the six months ended 30 September:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(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	2,862,442	2,401,172	1,773,451	1,569,908	23,260	24,478	—	—	4,659,153	3,995,558
Intersegment sales	—	—	—	—	1,228	652	(1,228)	(652)	—	—
Other revenue	40,299	28,471	9,710	8,845	9,058	8,389	—	—	59,067	45,705
Total	<u>2,902,741</u>	<u>2,429,643</u>	<u>1,783,161</u>	<u>1,578,753</u>	<u>33,546</u>	<u>33,519</u>	<u>(1,228)</u>	<u>(652)</u>	<u>4,718,220</u>	<u>4,041,263</u>
Segment results	<u>431,135</u>	<u>320,198</u>	<u>4,854</u>	<u>(63,556)</u>	<u>13,531</u>	<u>12,903</u>	<u>5,617</u>	<u>2,985</u>	<u>455,137</u>	<u>272,530</u>
Interest income									6,464	6,359
Share of profit of an associate, net of tax									36,301	24,066
Finance costs									(22,828)	(28,086)
Profit before tax									475,074	274,869
Tax									(117,112)	(39,574)
Profit for the period									<u>357,962</u>	<u>235,295</u>

4. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation	156,972	138,935
Recognition of prepaid land lease payments	324	285
Provision for slow-moving inventories included in cost of sales	4,362	6,758
Loss/(gain) on disposal of items of property, plant and equipment	<u>1,452</u>	<u>(4,014)</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and the Mainland China taxes:		
Current period provision	67,112	39,574
Underprovision in prior years	50,000	—
	<u>117,112</u>	<u>39,574</u>
Tax charge for the period	<u>117,112</u>	<u>39,574</u>

During the period, the Guangzhou Municipal Office of the State Administration of Taxation (the “SAT Guangzhou Office”) of the People’s Republic of China commenced a review with the Group’s tax representative on the transfer pricing policy of the Group’s retail and distribution operation in the Mainland China for the past years since 1996. According to the Group’s internal pricing policies, the prices of all intra-group transactions are determined based on arm’s length transaction basis. The Group has made an appropriate tax provision in the accounts.

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$390,265,000 (six months ended 30 September 2006: HK\$275,191,000) and the weighted average number of 1,326,434,388 (six months ended 30 September 2006: 1,326,288,104) ordinary shares in issue during the period.

(b) Diluted earnings per share

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

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>390,265</u>	<u>275,191</u>

	Number of shares	
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,326,434,388	1,326,288,104
Effect of dilution — Weighted average number of ordinary shares: Share options	<u>6,782,727</u>	<u>44,588</u>
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	<u>1,333,217,115</u>	<u>1,326,332,692</u>

7. TRADE AND BILLS RECEIVABLE

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

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Within 90 days	1,007,059	1,037,043
Over 90 days	69,313	53,344
	<u>1,076,372</u>	<u>1,090,387</u>

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

8. TRADE AND BILLS PAYABLE

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

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Within 90 days	994,083	921,419
Over 90 days	86,777	29,499
	<u>1,080,860</u>	<u>950,918</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has declared an interim dividend of HK18.0 cents (six months ended 30 September 2006: HK12.0 cents) per share for the six months ended 30 September 2007. The interim dividend will be payable on Wednesday, 6 February 2008 to shareholders registered on the Register of Members at the close of business on Friday, 11 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 7 January 2008 to Friday, 11 January 2008 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for entitlement to the interim dividend, all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Registrar in Hong Kong, Tricor Tengis Limited not later than 4:00 p.m. on Friday, 4 January 2008. Tricor Tengis Limited is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

BUSINESS REVIEW

The Group achieved encouraging results again for the six months ended 30 September 2007. Total turnover increased by 17%, to HK\$4,659 million (six months ended 30 September 2006: HK\$3,996 million). Net profit for the period attributable to the equity holders of the Company amounted to HK\$390 million (six months ended 30 September 2006: HK\$275 million), a rise of 42%. Operating profit margin improved to 10% from last interim period's 7%. The Board has recommended an interim dividend of HK 18 cents per ordinary share, an increase of 50% over last interim period's HK12 cents per share.

Textile business

The fabric business made a turnover of HK\$2,862 million (six months ended 30 September 2006: HK\$2,401 million), a growth of 19%. The amount represented 61% the Group's total turnover. Due to the industry consolidation, the Group, taking advantage of its well established environmental facilities and excellent product quality, was able to take further market share from the competitors. In the period, cotton prices were stable and order flow was strong. Fabric production capacity grew by about 15% in the six months. The Group had placed close attention on the control of rising costs and efficiency improvement and gross profit margin increased to 20.1% from last period's 18.5%.

Retail and distribution business

Revenue of this business amounted to HK\$1,773 million (six months ended 30 September 2006: HK\$1,570 million), an increase of 13%, and was 38% of the Group's total turnover. The business achieved further positive performance in the period and gross profit margin increased to 49.0% from last period's 47.5%. In this interim period, business expansion was continued in the Mainland China but minor consolidation was done in Hong Kong, Taiwan, Singapore and Malaysia. At the period end, the development in different markets was as below:

	Net sales		Growth rate %	Number of outlets*		
	Six months ended			30	31	30
	30 September			September	March	September
	2007	2006		2007	2007	2006
	HK\$'000	HK\$'000				
Mainland China	1,234,981	1,019,384	21	3,458	3,347	3,231
Hong Kong and Macau	188,760	238,848	(21)	75	87	91
Taiwan	217,234	192,561	13	252	259	254
Singapore	100,794	93,015	8	56	64	59
Malaysia	31,682	26,100	21	25	30	28
	1,773,451	1,569,908	13	3,866	3,787	3,663

* Including self-managed and franchise stores

Garment manufacturing business

Turnover of this associate in the period grew 20% to HK\$653 million (six months ended 30 September 2006: HK\$546 million). Net profit contribution to the Group amounted to HK\$36 million (six months ended 30 September 2006: HK\$24 million), an increase of 50%. During the period, about 68% (six months ended 30 September 2006: 66%) of the fabric consumption was supplied by our fabric division and sales to our retail business accounted for about 18% (six months ended 30 September 2006: 17%) of its revenue.

FINANCIAL CONDITION

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the total bank debts and the gearing ratio as at the period end were 1.6, HK\$894 million and 0.3 (31 March 2007: 1.6, HK\$1,105 million and 0.3) respectively. The gearing ratio refers to the ratio of total interest-bearing debts to total equity. The net cash inflow from operating activities for the period was HK\$739 million (six months ended 30 September 2006: HK\$607 million).

The interest cover, the trade and bills receivables to turnover and the inventory to turnover for the period under review were 22 times, 42 days and 51 days (six months ended 30 September 2006: 11 times, 40 days and 50 days) respectively. The Group mainly financed its operation by cash inflow from its operating activities and bank borrowings. As at the period end, the cash and cash equivalents, the equity attributable to equity holders of the Company and the unutilized banking facilities were HK\$700 million, HK\$3,465 million and HK\$2,632 million (31 March 2007: HK\$245 million, HK\$3,248 million and HK\$2,030 million) respectively.

Capital expenditure

Total capital expenditures of the Group for the period amounted to HK\$111 million (six months ended 30 September 2006: HK\$440 million), of which HK\$79 million (six months ended 30 September 2006: HK\$364 million) was incurred by the textile business for the expansion of its production capacity to meet the increasing demand from its customers. On the other hand, HK\$32 million (six months ended 30 September 2006: HK\$76 million) was incurred by the retail and distribution business mainly for the renovation of its retail outlets in the Mainland China.

Pledge of assets

No significant assets were pledged as at 30 September 2007.

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international financial institutions.

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

Contingent liabilities

As at 30 September 2007, the contingent liabilities of the Group included:

- (i) the corporate guarantees of HK\$13 million and HK\$4 million (31 March 2007: HK\$13 million, HK\$5 million) made by the Group in respect of the banking facilities of its associate and the bank guarantees given in lieu of rental deposits respectively;
- (ii) the possible long service payments of HK\$2 million (31 March 2007: HK\$2 million) not provided in the accounts;

- (iii) A subsidiary of the Group in Taiwan is currently subject to a claim from the National Tax Authority (the “NTA”) of Taiwan for the underpayment of business tax on sales made through certain local stores in Taiwan during the period from November 1998 to December 2002 together with penalties amounted to HK\$12 million (31 March 2007 : HK\$12 million). An amendment letter against the claims was filed by the local tax representative of the subsidiary in a prior year. The directors, based on the advice from the local tax representative of the subsidiary, consider that the subsidiary has a valid ground to object the claims from the NTA, and accordingly, the Group has not made any provision for the tax claim as at 30 September 2007 (31 March 2007: Nil); and
- (iv) The Hong Kong Inland Revenue Department (the “IRD”) has raised protective tax assessments totalling HK\$322 million against certain subsidiaries of the Group for the year of assessment 2000/2001. The Group believes that it has valid ground for its objection against the claim. Following the objection made by the Group, the IRD held over the claim completely subject to the purchase of HK\$40 million tax reserve certificate. As the review is at the initial stage, the outcome is still uncertain. As at 30 September 2007, the directors of the subsidiaries considered that adequate tax provision had been made in the financial statements.

HUMAN RESOURCES

As at 30 September 2007, the Group had about 22,100 (31 March 2007: 23,400) employees in the Greater China, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

As the textile industry continues to consolidate, the Group, taking advantage of its well established environmental facilities and excellent product quality, is at a favourable position to enlarge its global market share. The Group will continue its capacity expansion to support strong demands from the customers. With excellent competitiveness, the management is optimistic to enhance profit returns.

The retail business is expected to achieve ongoing improved results. The management will especially focus on store performance acceleration and profit margin expansion.

The Management remains extremely positive on the results of the second half year.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2007, the Company repurchased a total of 526,000 of its listed shares on the Stock Exchange as follows:

<u>Month / Year</u>	Number of shares <u>repurchased</u>	Price per share		<u>Aggregate consideration</u> <i>HK\$'000</i>
		<u>Highest</u> <i>HK\$</i>	<u>Lowest</u> <i>HK\$</i>	
June 2007	526,000	5.40	5.36	2,838
Add: Brokerage and commission charges				<u>10</u>
Total cash paid				<u><u>2,848</u></u>

The above repurchased shares have been dully cancelled and the issued capital of the Company has been reduced according to the par value of the cancelled shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2007.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2007 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.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.texwinca.com under "Financial Results Publication" in due course.

By Order of the Board
Poon Bun Chak
Chairman

Hong Kong, 12 December 2007