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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 2010

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 2010. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Income Statement

	<i>Notes</i>	Six months ended 30 September	
		2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
REVENUE	4	5,375,828	4,977,227
Cost of sales		(3,665,153)	(3,351,774)
Gross profit		1,710,675	1,625,453
Other income and gains	5	87,986	56,631
Selling and distribution costs		(869,645)	(844,733)
Administrative expenses		(333,076)	(318,628)
Other operating expenses, net		(873)	(2,078)
Finance costs		(14,014)	(3,880)
Share of profit of an associate, net of tax		20,870	20,915
PROFIT BEFORE TAX	6	601,923	533,680
Income tax expense	7	(62,664)	(48,182)
PROFIT FOR THE PERIOD		539,259	485,498

Attributable to:			
Equity holders of the Company		504,604	480,317
Minority interests		34,655	5,181
		539,259	485,498

Earnings per share attributable to ordinary equity holders of the Company (HK cents)

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Basic		37.8	36.2
Diluted		37.4	36.1

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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	539,259	485,498
Other comprehensive income:		
Exchange differences on translation of foreign operations	44,405	(14,438)
Total comprehensive income for the period	583,664	471,060
Attributable to:		
Equity holders of the Company	550,437	471,977
Minority interests	33,227	(917)
	583,664	471,060

Condensed Consolidated Statement of Financial Position

		At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,186,137	2,218,268
Investment properties		156,017	155,170
Prepaid land lease payments		23,585	23,755
Construction in progress		66,331	55,303
Trademarks		33,293	33,293
Interest in an associate		144,310	120,349
Long term rental deposits		102,236	109,864
Total non-current assets		2,711,909	2,716,002
CURRENT ASSETS			
Inventories		2,167,385	2,163,787
Trade and bills receivables	11	970,923	1,020,513
Prepayments, deposits and other receivables		611,780	538,101
Held-to-maturity investments		68,570	272,888
Derivative financial assets		21,493	17,731
Cash and cash equivalents		2,253,108	1,526,465
Total current assets		6,093,259	5,539,485
CURRENT LIABILITIES			
Due to an associate		30,727	42,633
Trade and bills payables	12	1,135,553	1,035,660
Other payables and accrued liabilities		402,212	359,288
Derivative financial liabilities		3,714	3,194
Tax payable		243,154	252,770
Interest-bearing bank borrowings		1,124,642	1,223,044
Dividend payable		347,042	-
Total current liabilities		3,287,044	2,916,589
Net current assets		2,806,215	2,622,896
Total assets less current liabilities		5,518,124	5,338,898

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	423,598	489,744
Deferred tax	62,687	56,458
Total non-current liabilities	486,285	546,202
Net assets	5,031,839	4,792,696
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	66,753	66,730
Reserves	4,401,264	4,159,084
Proposed interim/final dividends	310,755	347,042
	4,778,772	4,572,856
Minority interests	253,067	219,840
Total equity	5,031,839	4,792,696

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company												
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Asset revaluation reserve	Legal reserve	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	(Unaudited)	(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	HK\$'000
At 1 April 2010	66,730	392,208	4,110	1,687	3,986	145,582	25,389	49	3,586,073	347,042	4,572,856	219,840	4,792,696
Exchange realignment	-	-	-	-	-	45,833	-	-	-	-	45,833	(1,428)	44,405
Profit for the period	-	-	-	-	-	-	-	-	504,604	-	504,604	34,655	539,259
Total comprehensive income for the period	-	-	-	-	-	45,833	-	-	504,604	-	550,437	33,227	583,664
Exercise of share options	23	3,173	(675)	-	-	-	-	-	-	-	2,521	-	2,521
2009/2010 final dividend	-	-	-	-	-	-	-	-	-	(347,042)	(347,042)	-	(347,042)
2010/2011 proposed interim dividend	-	-	-	-	-	-	-	-	(310,755)	310,755	-	-	-
At 30 September 2010	66,753	395,381	3,435	1,687	3,986	191,415	25,389	49	3,779,922	310,755	4,778,772	253,067	5,031,839
At 1 April 2009	66,360	352,413	6,581	1,687	3,986	172,912	23,920	49	3,218,069	291,986	4,137,963	136,825	4,274,788
Exchange realignment	-	-	-	-	-	(8,340)	-	-	-	-	(8,340)	(6,098)	(14,438)
Profit for the period	-	-	-	-	-	-	-	-	480,317	-	480,317	5,181	485,498
Total comprehensive income for the period	-	-	-	-	-	(8,340)	-	-	480,317	-	471,977	(917)	471,060
Exercise of share options	5	492	-	-	-	-	-	-	-	-	497	-	497
Forfeiture of share options	-	-	(75)	-	-	-	-	-	75	-	-	-	-
Surplus on revaluation upon transfer of leasehold land and buildings	-	-	-	-	-	-	1,469	-	-	-	1,469	-	1,469
2008/2009 final dividend	-	-	-	-	-	-	-	-	-	(291,986)	(291,986)	-	(291,986)
2009/2010 proposed interim dividend	-	-	-	-	-	-	-	-	(292,008)	292,008	-	-	-
At 30 September 2009	66,365	352,905	6,506	1,687	3,986	164,572	25,389	49	3,406,453	292,008	4,319,920	135,908	4,455,828

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM		
OPERATING ACTIVITIES	736,619	465,259
NET CASH FLOWS USED IN		
INVESTING ACTIVITIES	(526,284)	(555,330)
NET CASH FLOWS (USED IN)/FROM		
FINANCING ACTIVITIES	(176,042)	7,012
NET INCREASE/(DECREASE) IN CASH AND		
CASH EQUIVALENTS	34,293	(83,059)
Cash and cash equivalents at beginning of period	1,274,389	800,800
Foreign exchange adjustments	(5,170)	(30,592)
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	1,303,512	687,149
ANALYSIS OF BALANCES OF		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	310,176	265,110
Non-pledged time deposits with original maturity within three months when acquired	993,336	422,039
Non-pledged time deposits with original maturity over three months when acquired	949,596	513,513
Cash and cash equivalents as stated in the consolidated statement of financial position	2,253,108	1,200,662
Less : Non-pledged time deposits with original maturity over three months when acquired	(949,596)	(513,513)
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,303,512	687,149

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. 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 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the HKFRSs listed above has had no significant impact on the Group's unaudited condensed interim financial statements for the six months ended 30 September 2010.

For the following 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.

HKFRS 1 Amendments	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for the First-time Adopters
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 2010.

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 motor vehicles repair and maintenance services and the provision of franchise services.

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 interest income and finance costs 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/(loss) information of the Group for the six months ended 30 September 2010 and 30 September 2009:

	Production, dyeing and sale of knitted fabric and yarn		Retailing and distribution of casual apparel and accessory		Others		Eliminations		Consolidated	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	3,092,871	2,862,616	2,265,825	2,092,114	17,132	22,497	–	–	5,375,828	4,977,227
Intersegment sales	-	1,276	–	–	2,539	1,069	(2,539)	(2,345)	–	–
Other revenue	48,062	10,826	4,151	24,136	8,395	12,242	(1,574)	–	59,034	47,204
Total	3,140,933	2,874,718	2,269,976	2,116,250	28,066	35,808	(4,113)	(2,345)	5,434,862	5,024,431
Segment results	454,761	465,868	100,206	23,859	12,148	12,340	(1,000)	5,151	566,115	507,218
Interest income									28,952	9,427
Finance costs									(14,014)	(3,880)
Share of profit of an associate, net of tax									20,870	20,915
Profit before tax									601,923	533,680
Income tax expense									(62,664)	(48,182)
Profit for the period									539,259	485,498

5. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	28,952	9,427
Net fair value gains on foreign exchange derivative financial instruments	25,349	-
Gross rental income on investment properties	4,277	4,697
Compensation from landlords for early termination of leasing agreements	172	2,143
Compensation from suppliers for defective goods	4,633	3,988
Scrap sales	-	519
Government subsidies	2,435	-
Gain on disposal of items of property, plant and equipment	1,674	-
Sundry income	20,494	35,857
	87,986	56,631

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	152,830	162,054
Recognition of prepaid land lease payments	291	332
Write-back of provision for slow-moving inventories	(299)	(24,354)
Loss on disposal of items of property, plant and equipment	-	1,828

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2009: 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 locations in which the Group operates.

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Hong Kong and the mainland China taxes:		
Current period provision	62,484	47,900
Elsewhere tax:		
Current period provision	180	282
Tax charge for the period	62,664	48,182

8. DIVIDENDS

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Proposed interim dividend	310,755	292,008
Proposed interim dividend per share (<i>HK cents</i>)	23.0	22.0

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 the period attributable to ordinary equity holders of the Company of HK\$504,604,000 (six months ended 30 September 2009: HK\$480,317,000) and the weighted average number of 1,334,793,350 (six months ended 30 September 2009: 1,327,227,497) 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	504,604	480,317
Number of shares		
Six months ended		
30 September		
2010		
(Unaudited)		
2009		
(Unaudited)		
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,334,793,350	1,327,227,497
Effect of dilution — Weighted average number of ordinary shares:		
Share options	13,708,608	3,971,302
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	1,348,501,958	1,331,198,799

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group acquired items of property, plant and equipment with a cost of HK\$84,884,000 (six months ended 30 September 2009: HK\$46,340,000). Items of property, plant and equipment with a net book value of HK\$1,310,000 were disposed of during the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$11,024,000).

11. TRADE AND BILLS RECEIVABLES

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

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
Within 90 days	914,960	986,109
Over 90 days	55,963	34,404
	970,923	1,020,513

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.

12. TRADE AND BILLS PAYABLES

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

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
Within 90 days	1,117,859	1,018,179
Over 90 days	17,694	17,481
	1,135,553	1,035,660

At the end of the reporting period, the trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. EVENTS AFTER THE REPORTING PERIOD

On 24 September 2010, the Group entered into a share purchase agreement with Welsom Consultants Limited and Galantine Management Limited (the “Vendors”) to acquire 1,000 shares of US\$1 each in the issued share capital of Baleno Holdings Limited (“BHL”), a non-wholly-owned subsidiary of the Company, from the Vendors at the consideration of HK\$203,280,000. Welsom Consultants Limited and Galantine Management Limited are wholly-owned by Mr. Chan Min and Mr. Fung Wai Lun, Daniel, the directors of BHL, respectively. Pursuant to the agreement, the consideration would be satisfied by a cash payment of HK\$60,880,000 and by the issue and allotment of 16,000,000 new shares of the Company at the issue price of HK\$8.9 per share.

The acquisition was completed on 25 October 2010 and the Group’s equity interest in BHL increased from 54% to 64% after the acquisition.

14. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, contingent liabilities not provided for in the interim financial statements were as follows:

	At 30 September 2010 (Unaudited) HK\$’000	At 31 March 2010 (Audited) HK\$’000
Bank guarantees given in lieu of property rental deposits	4,234	4,517
Guarantees of banking facilities granted to an associate	12,500	12,500

- (b) During the year ended 31 March 2007, the Hong Kong Inland Revenue Department (the “IRD”) initiated a review on the tax affairs for the past years of certain subsidiaries of the Group. In March 2007, March 2008, February 2009 and January 2010, protective tax assessments totalling HK\$322,038,000, HK\$224,000,000, HK\$275,000,000 and HK\$578,000,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003 and 2003/2004, respectively, have been issued by the IRD. Objections have been raised by the Group against the protective tax assessments. The directors of the subsidiaries believe that there are valid grounds to object the tax claimed. Subsequent to the objections, the IRD agreed to hold over the tax claimed completely subject to the purchase of tax reserve certificates in the sum of HK\$40,000,000, HK\$35,000,000, HK\$25,000,000 and HK\$25,000,000 for the years of assessment 2000/2001, 2001/2002, 2002/2003 and 2003/2004, respectively. In view that the tax review 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 subsidiaries consider that adequate tax provisions have been made in the financial statements.

15. CAPITAL COMMITMENTS

The commitments for capital expenditure of the Group at the end of the reporting period were as follows:

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
In respect of property, plant and equipment, contracted but not provided for	2,301	41,011
In respect of property, plant and equipment, authorised but not contracted for	330,331	330,331
In respect of an investment in a subsidiary	34,000	34,000
	366,632	405,342

16. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 September 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Sales to Megawell	<i>(i)</i>	181,644	264,298
Purchases from Megawell	<i>(ii)</i>	188,905	151,100
Rental expenses paid to related companies	<i>(iii)</i>	12,211	9,363

Notes:

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

In addition, the Company and Group have provided certain guarantees for banking facilities granted to Megawell, as detailed in note 14(a) to the financial statements.

(b) At 30 September 2010, Baleno Kingdom Limited, a non-wholly-owned subsidiary of the Company, has provided advances of HK\$5,495,000 to Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company (31 March 2010: Nice Dyeing Factory Limited provided advances of HK\$19,736,000 to Baleno Kingdom Limited), at Hong Kong Interbank Offered Rate ("HIBOR") plus 3% (31 March 2010: HIBOR plus 3%) per annum. The advance is unsecured and has no fixed terms of repayment.

At 30 September 2010, Nice Dyeing Factory (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$213,044,000 (31 March 2010: HK\$268,297,000) to Baleno Holdings Limited, a non-wholly-owned subsidiary of the Company, at 83% of HIBOR plus 3% (31 March 2010: 83% of HIBOR plus 3%) per annum. The advance is unsecured and has no fixed terms of repayment.

In addition, as at 30 September 2010, Dongguan Texwinca Textile & Garment Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$35,545,000 (31 March 2010: nil) to Guangzhou Friendship Baleno Company Limited, a non-wholly-owned subsidiary of the Company, at 2.375% per annum. The advance is unsecured and repayable on 11 July 2011.

The principal purpose of the above advances is to finance the operations of Baleno Holdings Limited and its subsidiaries.

(c) A minority shareholder of the Group's 54%-owned subsidiary had provided an unconditional guarantee to indemnify the Group from any loss arising from the recoverability of prepayments made to a supplier of the Group of HK\$24,126,000 (31 March 2010: HK\$24,178,000) as included in the balance of the prepayments, deposits and other receivables of the Group as at the end of the reporting period.

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

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	42,041	52,212
Post-employment benefits	30	30
Total compensation paid to key management personnel	42,071	52,242

Management's Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK23.0 cents (six months ended 30 September 2009: HK22.0 cents) per share for the six months ended 30 September 2010. The interim dividend will be payable on Wednesday, 19 January 2011 to shareholders registered on the Register of Members at the close of business on Friday, 7 January 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3 January 2011 to Friday, 7 January 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2010, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 31 December 2010.

BUSINESS REVIEW

The Group's total turnover for the six months ended 30 September 2010 amounted to HK\$5,376 million (six months ended 30 September 2009 : HK\$4,977 million), an increase of 8.0% compared to last year. Net profit attributable to the equity holders of the Company was HK\$505 million (six months ended 30 September 2009 : HK\$480 million), a rise of 5.1% over last year. The Board has recommended an interim dividend of HK23.0 cents per ordinary share, an increase of 4.5% over last interim period's HK22.0 cents per ordinary share.

Textile business

Turnover of the fabric business increased by 8.0% to HK\$3,093 million (six months ended September 2009 : HK\$2,863 million). The amount represented 57.5% of the Group's total turnover. Average selling price rose by 14.7% compared with the same period last year mainly due to the upsurge of raw material cost. However, sales volume dropped by 8%. The business environment was unstable in the period because of the sharp rise of cotton prices. Gross profit margin fell to 19.7% from last interim's 22.9%. The Group required longer period to secure raw materials in such a volatile situation, causing the decrease of rush orders. The business performance and the key financial ratios were as below :

<i>(in HK\$'million)</i>	Six months ended 30 Sep 2010	Yearended 31 Mar 2010	Six months ended 30 Sep 2009	Yearended 31 Mar 2009	Yearended 31 Mar 2008
Net sales	3,093	5,540	2,863	5,058	5,386
Gross profit margin (%)	19.7	21.6	22.9	21.2	21.3
Operating profit <i>(note)</i>	455	853	466	776	910
EBITDA <i>(note)</i>	569	1,074	575	992	1,108
Return on total assets (%) <i>(note)</i>	6.3	12.6	7.4	13.7	14.8
Return on sales (%) <i>(note)</i>	14.2	14.9	15.6	15.1	15.4
Return on equity (%) <i>(note)</i>	9.7	18.8	10.5	18.9	22.5
Capital expenditure	50	121	35	104	216

Note : Exclude interest income and rental income.

Retail and distribution business

Sales of this business amounted to HK\$2,266 million (six months ended 30 September 2009 : HK\$2,092 million), an increase of 8.3%, and was 42.1% of the Group's total revenue. The operating environment was positive in the period. Gross profit margin improved to 48.2% from the last year's 45.6%. Business expansion was concentrated in the mainland China, with 133 new stores added in the place within the period. At the period end :

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

<i>(in HK\$'million)</i>	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales	2,266	4,960	2,092	4,900	4,239
Gross profit margin (%)	48.2	46.4	45.6	45.3	49.1
Sales growth of comparable shops (%) <i>(note 1)</i>	10.3	3.7	(2.2)	6.5	21.4
Operating profit <i>(note 2)</i>	100	253	24	160	242
EBITDA <i>(note 2)</i>	139	351	76	279	364
Return on total assets (%) <i>(note 2)</i>	3.1	9.7	0.1	5.5	2.1
Return on sales (%) <i>(note 2)</i>	3.0	3.7	0.1	1.3	0.8
Return on equity (%) <i>(note 2)</i>	13.1	40.0	0.7	23.5	26.2
Capital expenditure	43	53	27	107	76

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

(2) Exclude interest income and rental income.

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

<i>(in HK\$'million)</i>	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Baleno	1,186	2,463	1,025	2,311	1,589
S&K	331	757	306	809	826
I.P. Zone	247	601	262	639	528
ebase	165	326	140	383	462
Others	337	813	359	758	834
Total	2,266	4,960	2,092	4,900	4,239

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

Mainland China

	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales <i>(HK\$'million)</i>	1,901	4,097	1,696	3,834	3,124
Increase in net sales (%)	12	7	3	23	29
Retail floor area <i>(sq. ft.)</i> *#	1,813,599	1,748,531	1,921,076	1,866,008	1,692,967
Number of sales associates *#	10,325	9,957	9,915	10,701	10,442
Number of outlets * Δ	3,772	3,639	3,820	3,828	3,477

Hong Kong & Macau

	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales <i>(HK\$'million)</i>	194	416	181	402	404
Increase/(decrease) in net sales (%)	7	3	(2)	(1)	(15)
Retail floor area <i>(sq. ft.)</i> *#	51,751	52,555	49,783	56,131	63,957
Number of sales associates *#	409	422	399	398	396
Number of outlets *#	60	62	59	65	70

Taiwan

	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales (HK\$'million)	171	375	159	426	397
Increase/(decrease) in net sales (%)	8	(12)	(25)	7	(7)
Retail floor area (sq. ft.) ^{**}	133,695	125,497	154,502	187,230	199,443
Number of sales associates ^{**}	551	602	537	641	747
Number of outlets ^{*△}	160	154	159	194	217

Singapore

	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales (HK\$'million)	-	48	38	166	233
Increase/(decrease) in net sales (%)	-	(71)	(55)	(29)	5
Retail floor area (sq. ft.) ^{**}	-	-	14,694	24,877	43,149
Number of sales associates ^{**}	-	-	90	157	318
Number of outlets ^{**}	-	-	15	23	44

Malaysia

	Six months ended 30 Sep 2010	Year ended 31 Mar 2010	Six months ended 30 Sep 2009	Year ended 31 Mar 2009	Year ended 31 Mar 2008
Net sales (HK\$'million)	-	24	18	72	81
Increase in net sales (%)	-	(67)	(44)	(11)	16
Retail floor area (sq. ft.) ^{**}	-	-	28,186	33,185	44,630
Number of sales associates ^{**}	-	-	90	134	149
Number of outlets ^{**}	-	-	12	16	20

* At the end of the reporting period

For self-managed stores

△ Include self-managed and franchise stores

Garment manufacturing business

Turnover of this associate dropped 15.4% to HK\$581 million (six months ended 30 September 2009 : HK\$687 million). Net profit contribution to the Group amounted to the HK\$21 million (six months ended 30 September 2009 : HK\$21 million), roughly the same compared with last year. Business environment was unfavourable mainly due to the sharp rise of raw material prices. In the period, 60% (six months ended 30 September 2009: 80%) of the fabric consumption was supplied by the fabric division and sales to the retail division accounted for 32% (six months ended 30 September 2009: 22%) of its revenue.

FINANCIAL CONDITION

Liquidity and financial resources

The Group continued to maintain a strong financial position. The current ratio, the total bank debts and the gearing ratio as at the period end were 1.9, HK\$1,548 million and 0.0 (31 March 2010: 1.9, HK\$1,713 million and 0.0) respectively. The gearing ratio refers to the ratio of the total interest-bearing debts, less of cash and cash equivalents, divided by total equity. The net cash inflow from operating activities for the period was HK\$737million (six months ended 30 September 2009: HK\$465 million).

During the period, the interest cover, the trade and bills receivables to turnover and the inventory to turnover for the period under review were 44 times, 33 days and 74 days (six months ended 30 September 2009: 139 times, 36 days and 60 days) respectively. The increase in inventory turnover days was mainly due to the increase in inventory level by the Group for the hedge of the surge in cotton price during the period. The Group mainly financed its operation with cash inflow from its operating activities and bank borrowings. 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\$2,253 million, HK\$4,779 million and HK\$2,535 million (31 March 2010: HK\$1,526 million, HK\$4,573 million and HK\$3,074 million) respectively.

Capital expenditure

As the global economic recovery was still moderate during the period, the Group remained cautious with its capital expenditure spending strategy. For the six months ended on 30 September 2010, the total capital expenditure incurred by the Group was HK\$95 million (six months ended 30 September 2009: HK\$62 million). HK\$50 million (six months ended 30 September 2009: HK\$35 million) was incurred by the textile business for the expansion of its manufacturing plant and the addition of machinery and HK\$43 million (six months ended 30 September 2009: HK\$27 million) was incurred by the retail and distribution business mainly for the expansion of its retail outlets.

Pledge of assets

No significant of assets were pledged as at 30 September 2010 and 31 March 2010.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2010 and 31 March 2010 have been set out in note 14 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 floating rate borrowings with maturity due within four years. As the recovery of the US economy remains sluggish, the interest rate is expected to stay at a low level for a longer period. The Group will continue to monitor the interest rate movement and will arrange financial instruments to hedge the risk whenever appropriate.

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

HUMAN RESOURCES

As at 30 September 2010, the Group had about 22,900 (31 March 2010: 24,000) employees in the Greater China. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

OUTLOOK

Raw material prices have been up by over 100% from last year. The textile business is unstable in such a volatile situation. Meanwhile, the industry consolidation has been going on and the Group has been further gaining market share. In the longer run, the prospect of the fabric business is still highly positive.

After the business consolidation works in the past years, the retail business is now in a solid and healthy status. The Management expects the business can grow extremely fast in the mainland China market. At the same time, the business results of this sector will be improving consistently.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held and capacity			Total	Percentage of the Company's issued share capital
	Directly or beneficially owned	Through spouse or minor children	Through controlled corporation		
Executive directors:					
Poon Bun Chak	32,888,000	168,800,104 ⁽¹⁾	456,450,000 ⁽²⁾	658,138,104	49.3
Poon Kai Chak	8,202,800	—	—	8,202,800	0.6
Poon Kei Chak	22,977,200	—	41,922,000 ⁽³⁾	64,899,200	4.9
Poon Kwan Chak	14,270,800	—	—	14,270,800	1.1
Ting Kit Chung	2,600,000	—	—	2,600,000	0.2
Independent non-executive director:					
Au Son Yiu	100,000	—	—	100,000	0.0
	81,038,800	168,800,104	498,372,000	748,210,904	56.1

Notes:

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

Long positions in share options of the Company:

	Number of share options directly held or beneficially owned
Executive directors:	
Poon Kai Chak	9,500,000
Poon Kei Chak	9,000,000
Poon Kwan Chak	9,000,000
Ting Kit Chung	9,000,000
Independent non-executive directors:	
Au Son Yiu	400,000
Cheng Shu Wing	400,000
Wong Tze Kin, David	200,000
	<hr/> 37,500,000 <hr/>

Save as disclosed above, as at 30 September 2010, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

At 30 September 2010, 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	625,250,104	46.8
Farrow Star Limited	Through controlled corporation	1	456,450,000	34.2
	Directly owned		168,800,104	12.6
		3	625,250,104	46.8
Giant Wizard Corporation	Directly owned	1, 2	456,450,000	34.2
FMR LLC	Through controlled corporation		79,930,001	6.0
Heung Mi Kuen Miraner	Through spouse	4	22,977,200	1.7
	Through controlled corporation	4	41,922,000	3.1
			64,899,200	4.8

Long positions in share options of the Company:

Name	Capacity	Note	Number of share options held	Percentage of the Company's issued share capital
Heung Mi Kuen Miraner	Through spouse	4	9,000,000	0.7

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..
4. The interests of Ms Heung Mi Kuen Miraner in the Company were duplicated by the interests in the Company held by Mr. Poon Kei Chak, whose interests are set out in "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 30 September 2010, 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.

SHARE OPTION SCHEME

A share option scheme, in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company on 28 August 2002 for a period of ten years, details of which have been set out in the Group's annual financial statements for the year ended 31 March 2010. As at 30 September 2010, the following share options were outstanding:

Name or category of participant	Date of grant of share options*	Exercise price of share options** <i>HK\$ per share</i>	At 1 April 2010	Number of share options		Exercise period of share options
				Exercised during the period	At 30 September 2010	
Executive Directors						
Poon Kai Chak	11 September 2002	4.97	6,500,000	-	6,500,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	3,000,000	26 March 2004 to 25 March 2014
			9,500,000	-	9,500,000	
Poon Kei Chak	11 September 2002	4.97	6,000,000	-	6,000,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	3,000,000	-	3,000,000	26 March 2004 to 25 March 2014
			9,000,000	-	9,000,000	
Poon Kwan Chak	11 September 2002	4.97	3,000,000	-	3,000,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	6,000,000	-	6,000,000	26 March 2004 to 25 March 2014
			9,000,000	-	9,000,000	
Ting Kit Chung	11 September 2002	4.97	3,000,000	-	3,000,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	6,000,000	-	6,000,000	26 March 2004 to 25 March 2014
			9,000,000	-	9,000,000	
			36,500,000	-	36,500,000	
Independent non-executive directors						
Au Son Yiu	11 September 2002	4.97	200,000	-	200,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
			400,000	-	400,000	

Cheng Shu Wing	11 September 2002	4.97	200,000	-	200,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	200,000	-	200,000	
			400,000	-	400,000	
<hr/>						
Wong Tze Kin, David	26 March 2004	5.60	200,000	-	200,000	26 March 2004 to 25 March 2014
			1,000,000	-	1,000,000	
<hr/>						
Other employees						
In aggregate	11 September 2002	4.97	250,000	-	250,000	11 September 2002 to 10 September 2012
	26 March 2004	5.60	2,740,000	(450,000)	2,290,000	
			2,990,000	(450,000)	2,540,000	
			40,490,000	(450,000)	40,040,000	
<hr/>						

Notes:

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

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

The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$8.65 per share.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2010 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 "Financial Results Publication" in due course.

By Order of the Board
Poon Bun Chak
Chairman

Hong Kong, 22 November 2010