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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 2019

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 2019. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Profit or Loss

		Six months ended	
		30 September	
	Notes	2019	2018
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	4,197,328	4,345,938
Cost of sales		(2,865,905)	(3,003,138)
Gross profit		1,331,423	1,342,800
Other income and gains	5	76,255	81,729
Selling and distribution expenses		(680,898)	(806,192)
Administrative expenses		(431,571)	(419,213)
Other operating expenses, net		(11,877)	(2,100)
Finance costs		(34,654)	(15,121)
Share of profit of an associate		6,483	54,740
PROFIT BEFORE TAX	6	255,161	236,643
Income tax expense	7	(43,595)	(46,197)
PROFIT FOR THE PERIOD		211,566	190,446

*For identification purpose only

	<i>Note</i>	Six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		211,566	195,275
Non-controlling interests		—	(4,829)
		<hr/> 211,566	<hr/> 190,446
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (<i>HK cents</i>)		<hr/> 15.3	<hr/> 14.1

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	211,566	190,446
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(181,844)</u>	<u>(249,432)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(181,844)</u>	<u>(249,432)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>29,722</u>	<u>(58,986)</u>
Attributable to:		
Ordinary equity holders of the Company	29,722	(28,527)
Non-controlling interests	<u>—</u>	<u>(30,459)</u>
	<u>29,722</u>	<u>(58,986)</u>

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,222,310	1,355,312
Right-of-use assets		609,375	—
Investment properties		643,040	565,250
Prepaid land lease payments		—	12,215
Construction in progress		—	528
Trademarks		33,293	33,293
Investment in an associate		32,038	25,556
Prepayments		3,294	31,428
Long term rental deposits		77,863	86,720
Financial assets at fair value through profit or loss		82,218	88,352
Long term debt instruments at amortised cost		137,538	164,239
Deferred tax assets		18,099	18,099
Total non-current assets		2,859,068	2,380,992
CURRENT ASSETS			
Inventories		2,051,215	2,171,758
Trade receivables	11	908,957	763,999
Bills receivable		174,778	186,501
Prepayments, deposits and other receivables		844,252	863,185
Financial assets at fair value through profit or loss		58,578	56,946
Debt instruments at amortised cost		84,802	68,536
Derivative financial assets		—	7,057
Cash and cash equivalents		2,235,575	2,079,982
Total current assets		6,358,157	6,197,964
CURRENT LIABILITIES			
Trade payables	12	946,704	824,564
Bills payable		9,255	21,443
Other payables and accrued liabilities		569,654	532,849
Lease liabilities		211,040	—
Derivative financial liabilities		2,799	3,334
Interest-bearing bank borrowings		1,362,433	1,491,113
Tax payable		214,681	192,244
Dividend payable		207,254	—
Total current liabilities		3,523,820	3,065,547
NET CURRENT ASSETS		2,834,337	3,132,417
TOTAL ASSETS LESS CURRENT LIABILITIES		5,693,405	5,513,409

	<i>Note</i>	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Deposit received		4,000	4,000
Lease liabilities		393,206	—
Interest-bearing bank borrowings		—	37,500
Deferred tax liabilities		96,177	94,355
		<hr/>	<hr/>
Total non-current liabilities		493,383	135,855
		<hr/>	<hr/>
Net assets		5,200,022	5,377,554
		<hr/>	<hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		69,085	69,085
Reserves		4,992,767	5,101,215
Interim/final dividends	8	138,170	207,254
		<hr/>	<hr/>
Total equity		5,200,022	5,377,554
		<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 2019	69,085	703,365	1,695	3,986	54,668	99,246	—	375,180	3,863,075	207,254	5,377,554	—	5,377,554
Profit for the period	—	—	—	—	—	—	—	—	211,566	—	211,566	—	211,566
Other comprehensive loss for the period :													
Exchange differences on translation of foreign operations	—	—	—	—	(181,844)	—	—	—	—	—	(181,844)	—	(181,844)
Total comprehensive income/ (loss) for the period	—	—	—	—	(181,844)	—	—	—	211,566	—	29,722	—	29,722
2018/2019 final dividend	—	—	—	—	—	—	—	—	—	(207,254)	(207,254)	—	(207,254)
2019/2020 interim dividend	—	—	—	—	—	—	—	—	(138,170)	138,170	—	—	—
At 30 September 2019	69,085	703,365	1,695	3,986	(127,176)	99,246	—	375,180	3,936,471	138,170	5,200,022	—	5,200,022
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

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	502,878	(104,462)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(95,068)	(94,972)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(321,194)	(403,941)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,616	(603,375)
Cash and cash equivalents at beginning of period	1,975,981	2,099,699
Foreign exchange adjustments	(17,558)	(80,172)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,045,039	1,416,152
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	460,109	458,759
Non-pledged time deposits with original maturity within three months when acquired	1,584,930	957,393
Non-pledged time deposits with original maturity over three months when acquired	190,536	386,100
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	2,235,575	1,802,252
Less : Non-pledged time deposits with original maturity over three months when acquired	(190,536)	(386,100)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	2,045,039	1,416,152

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 2019.

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 2019, 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:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on these condensed interim financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases* (“HKAS 17”), HK (IFRIC)- Int 4 *Determining whether an Arrangement contains a Lease* (“HK(IFRIC)-Int 4”), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most of the leases under a single onbalance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases
Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for certain (i) leases of low-value assets (e.g., office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in lease liabilities.

The right-of-use assets for most of the leases were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. For the other leases, the right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The difference between the operating lease commitments applying HKAS 17 as at 31 March 2019 and lease liabilities recognised in the interim condensed consolidated statement of financial position as at 1 April 2019, the date of initial application of HKFRS 16 by the Group is mainly due to discounting of future lease payments, reclassification of accrued lease expenses to lease liabilities and the election not to recognise lease liabilities for certain leases for which the lease term ends within 12 months of the date of initial application or for leases of low-value, and lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options not to recognise as at 31 March 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 ranged from 3.0% to 4.9%.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impact arising from the adoption of HKFRS 16 as at 1 April 2019 is as follows:

	Increase/ (decrease) (Unaudited) <i>HK\$000</i>
Assets	
Increase in right-of-use assets	720,297
Decrease in property, plant and equipment	(2,163)
Decrease in prepaid land lease payments	<u>(12,652)</u>
Increase in total assets	<u>705,482</u>
Liabilities	
Increase in lease liabilities and total liabilities	<u>707,911</u>
Decrease in retained earnings	<u>(2,429)</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease buildings for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short noncancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			Lease liabilities HK\$ '000
	Land HK\$ '000	Buildings HK\$ '000	Total HK\$ '000	
As at 1 April 2019	205,368	514,929	720,297	707,911
Additions	—	50,219	50,219	49,496
Depreciation charge	(2,977)	(132,344)	(135,321)	—
Interest expenses	—	—	—	13,279
Payments	—	—	—	(155,014)
Exchange realignment	(11,250)	(14,570)	(25,820)	(11,426)
As at 30 September 2019	191,141	418,234	609,375	604,246

* Lease liabilities as at 30 September 2019 included in current liabilities and non-current liabilities amounting to HK\$211,040,000 and HK\$393,206,000, respectively.

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 2019.

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 garments segment;
- (b) the retailing and distribution of casual apparel and accessories segment; and
- (c) the “others” segment comprises, principally, 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 interest income, finance costs and share of profit/(loss) of an associate, net of tax are excluded from such measurement.

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

	Production, dyeing and sale of knitted fabric, yarn and seamless garments		Retailing and distribution of casual apparel and accessories		Others		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(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	2,849,791	2,625,980	1,346,157	1,718,507	1,380	1,451	—	—	4,197,328	4,345,938
Intersegment sales	18,913	—	—	—	3,017	3,996	(21,930)	(3,996)	—	—
Other revenue	25,446	30,261	2,814	3,568	17,293	22,340	(4,159)	(3,750)	41,394	52,419
	2,894,150	2,656,241	1,348,971	1,722,075	21,690	27,787	(26,089)	(7,746)	4,238,722	4,398,357
Segment results	354,826	208,583	(121,182)	(62,677)	14,827	21,808	—	—	248,471	167,714
<i>Reconciliation :</i>										
Interest income									34,861	29,310
Finance costs									(34,654)	(15,121)
Share of profit of an associate									6,483	54,740
Profit before tax									255,161	236,643
Income tax expense									(43,595)	(46,197)
Profit for the period									211,566	190,446

5. REVENUE, OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
Sales of goods	4,190,439	4,335,573
Rendering of services	5,746	9,173
Franchise and royalty income	1,143	1,192
	4,197,328	4,345,938
<i>Disaggregated revenue information</i>		
Timing of revenue recognition		
At a point in time	4,190,439	4,335,573
Over time	6,889	10,365
	4,197,328	4,345,938
Other income and gains		
Interest income	34,861	29,310
Net fair value gains on foreign exchange derivative financial instruments	1,743	1,636
Rental income on investment properties	11,323	14,395
Compensation from suppliers for defective goods	13,213	9,613
Gain on disposal of items of property, plant and equipment	65	170
Government subsidies	6,402	5,634
Sundry income	8,648	20,971
	76,255	81,729

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	127,566	129,483
Depreciation of right-of-use assets	135,321	—
Amortisation of prepaid land lease payments	—	207
Write-down/(reversal of write-down) of inventories	(4,605)	9
Impairment/(reversal of impairment) loss allowance of trade receivables	8,091	(297)
Net gain on disposal of items of property, plant and equipment	(65)	(170)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong and Mainland China:		
Charge for the period	41,773	45,347
Underprovision in prior years	—	1
Deferred	1,822	849
	<hr/>	<hr/>
Total tax charge for the period	43,595	46,197

8. DIVIDENDS

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend	138,170	207,254
Interim dividend per ordinary share (<i>HK cents</i>)	10.0	15.0

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 of 1,381,696,104 (six months ended 30 September 2018: 1,381,696,104) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of HK\$73,484,000 (six months ended 30 September 2018: HK\$99,737,000). Items of property, plant and equipment with a net book value of HK\$5,744,000 (six months ended 30 September 2018: HK\$5,360,000) were disposed of during the six months ended 30 September 2019.

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 loss allowance of HK\$21,590,000 (31 March 2019: HK\$13,499,000), is as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 90 days	799,392	648,562
Over 90 days	109,565	115,437
	908,957	763,999

Payment terms of the Group's customers mainly range from "cash before delivery" to "90 days from the date of invoice". A significant portion of the customers trades with the Group under documentary credit terms. The Group seeks to maintain strict credit control on its outstanding receivables and has a policy to manage its credit risk. Since the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

12. TRADE PAYABLES

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 90 days	927,866	791,729
Over 90 days	18,838	32,835
	946,704	824,564

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 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	5,088	4,193

- (b) The Hong Kong Inland Revenue Department (the “IRD”) initiated a review on the tax affairs of certain subsidiaries of the Group for the years of assessment from 2005/2006 to 2016/2017.

Details of protective tax assessments issued by the IRD to certain subsidiaries of the Group:

Protective tax assessments			Amount of tax reserve certificates purchased
Related to the year of assessment	Issued in month/year	Tax amount	
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
2005/2006	March 2012	69,125	4,500
2006/2007	March 2013	189,000	31,500
2007/2008	March 2014	388,878	34,000
2008/2009	March 2015	376,200	38,000
2009/2010	March 2016	323,648	38,000
2010/2011	January 2017	237,600	50,000
2011/2012	January 2018	183,745	7,090
2012/2013	April 2018 and January 2019	175,049	46,069
2013/2014	April 2018	498,940	166,320
2014/2015	April 2018	247,460	82,500
2015/2016	April 2018	230,400	71,710
2016/2017	April 2018	129,628	49,808

The directors of these subsidiaries believe that there are valid grounds to object to the tax claimed. Subsequent to the objections filed, the IRD agreed to hold over the tax claimed completely subject to the purchases of tax reserve certificates.

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 Company consider that adequate tax provisions have been made in these 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 2019 (Unaudited) <i>HK\$ '000</i>	31 March 2019 (Audited) <i>HK\$ '000</i>
In respect of property, plant and equipment, contracted but not provided for	16,922	104,709

15. RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	Six months ended 30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental expenses paid to related companies	(i)	12,231	12,843

Note:

(i) *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, 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 rent of RMB1,329,900. During the period, the Group paid to MRL operating lease rentals in respect of the above property of HK\$9,224,186 (six months ended 30 September 2018: HK\$9,836,206).

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 2018: 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 2018: HK\$379,000).

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

	Six months ended 30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	26,274	28,035
Post-employment benefits	18	18
Total compensation paid to key management personnel	26,292	28,053

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 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>	30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
Financial assets				
Derivative financial instruments	—	7,057	—	7,057
Financial assets at fair value through profit or loss	140,796	145,298	140,796	145,298
Debt instruments at amortised cost	222,340	232,775	224,441	229,019
	363,136	385,130	365,237	381,374
Financial liabilities				
Derivative financial instruments	2,799	3,334	2,799	3,334

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

The Group's finance department headed by the 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 financial assets at fair value through profit or loss and debt instruments at amortised cost are estimated based on quoted prices.

The fair values of the long term rental deposits and non-current 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 2019 was assessed to be insignificant.

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

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

Assets measured at fair value:

	Fair value measurement as at 30 September 2019 (Unaudited)			
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Derivative financial assets	—	—	—	—
Financial assets at fair value through profit or loss	140,796	—	—	140,796
	140,796	—	—	140,796

	Fair value measurement as at 31 March 2019 (Audited)			
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Derivative financial assets	—	7,057	—	7,057
Financial assets at fair value through profit or loss	145,298	—	—	145,298
	145,298	7,057	—	152,355

Liabilities measured at fair value:

Fair value measurement as at 30 September 2019 (Unaudited)			
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
—	2,799	—	2,799

Fair value measurement as at 31 March 2019 (Audited)			
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
—	3,334	—	3,334

As at 30 September 2019 and 31 March 2019, 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 2018: nil).

Assets for which fair values are disclosed:

Fair value measurement as at 30 September 2019 (Unaudited)			
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
224,441	—	—	224,441

Fair value measurement as at 31 March 2019 (Audited)			
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
229,019	—	—	229,019

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	445,212
Less: Total consideration paid to the non-controlling shareholders	(69,450)
Legal and professional fees	(582)
	<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 HK10.0 cents (six months ended 30 September 2018: HK15.0 cents) per ordinary share for the six months ended 30 September 2019. The interim dividend will be payable on Friday, 3 January 2020 to shareholders registered on the Register of Members of the Company on Wednesday, 11 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 9 December 2019 to Wednesday, 11 December 2019 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2019. 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 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 6 December 2019.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

For the six months ended 30 September 2019, the Group's total turnover decreased by 3.4% to HK\$4,197 million (six months ended 30 September 2018: HK\$4,346 million). Profit for the period attributable to the ordinary equity holders of the Company amounted to HK\$212 million (six months ended 30 September 2018: HK\$195 million), an increase of 8.7%. The Group's gross profit margin was 31.7% (six months ended 30 September 2018: 30.9%), an increase of 0.8 percentage point from last year. The Board has recommended an interim dividend of HK10.0 cents per ordinary share, a decrease of 33.3% compared to last interim period's HK15.0 cents per ordinary share.

Textile business

Revenue of the business grew by 8.5% to HK\$2,850 million (six months ended 30 September 2018: HK\$2,626 million). The amount was 67.9% (six months ended 30 September 2018: 60.4%) of the Group's total turnover. In the period, global economy was still sluggish primarily due to the US-China trade tensions. Costs in labour and environmental related works continued to rise. The prices of raw materials and fuel decreased during the period, resulting a more favourable cost structure. The Group focused on cost reduction and production automation to hold operating profitability. Both growth in revenue and volume was achieved. The average selling price decreased by 5.6% and the gross profit margin rose to 23.2% from last year's 17.8%. The performance and the key financial ratios of the business were as below:

<i>(Amounts expressed in HK\$' million, unless specified)</i>	Six months ended 30 Sep 2019	Year ended 31 Mar 2019	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Net sales	2,850	4,759	2,626	4,535	3,807
Gross profit margin (%)	23.2	18.3	17.8	15.9	16.9
Operating profit(<i>note 1</i>)	355	354	209	241	350
EBITDA (<i>note 1</i>)	447	526	293	410	518
Return on total assets (%) <i>(annualised) (note 2)</i>	8.8	4.2	5.1	1.9	4.9
Return on sales (%) <i>(note 2)</i>	10.8	5.9	6.3	2.9	10.2
Return on equity (%) <i>(annualised)</i> <i>(note 2)</i>	15.0	6.8	8.2	3.0	8.4
Capital expenditure	34	160	121	162	143

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

(2) Exclude rental income.

Retail and distribution business

Sales of the business dropped by 21.7% to HK\$1,346 million (six months ended 30 September 2018: HK\$1,719 million). The sum represented 32.1% (six months ended 30 September 2018: 39.6%) of the Group's total turnover. The consumer sentiment in the mainland China fell in the period mainly resulting from the US-China trade war. Retail market in Hong Kong has also slowed down due to the recent social unrest. Under such a challenging business environment, the Group managed to close underperforming stores to maintain overall operation stability. The Group has also focused to speed up developing export franchising business. The gross profit margin was 49.8%, a 1.0 percentage point decrease from last year's 50.8%. The performance and the key financial ratios of this business were as below:

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 2019	Year ended 31 Mar 2019	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Net sales	1,346	3,448	1,719	3,989	4,044
Gross profit margin (%)	49.8	50.1	50.8	47.4	45.5
Sales growth of comparable shops (%)(note 1)	(15.9)	(12.8)	(5.3)	(6.9)	(7.8)
Operating profit/(loss) (note 2)	(121)	(110)	(63)	14	(96)
EBITDA (note 2)	49	(24)	(18)	102	(11)
Return on total assets (%) (annualised)(note 3)	(8.9)	(4.3)	(5.1)	0.4	(4.8)
Return on sales %(note 3)	(8.6)	(2.9)	(3.0)	0.2	(2.3)
Return on equity (%) (annualised)(note 3)	(25.4)	(8.8)	(9.1)	0.7	(15.9)
Capital expenditure	40	76	38	94	73

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 2019	Year ended 31 Mar 2019	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Baleno	1,219	3,073	1,527	3,274	3,144
Others	127	375	192	715	900
Total	1,346	3,448	1,719	3,989	4,044

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

Mainland China

	Six months ended 30 Sep 2019	Year ended 31 Mar 2019	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Net sales (<i>HK\$ million</i>)	1,053	2,767	1,441	3,414	3,476
Increase/(decrease) in net sales (%)	(27)	(19)	3	(2)	(13)
Retail floor area (<i>sq. ft.</i>) ^{*#}	1,446,033	1,626,047	1,630,731	1,781,314	1,723,190
Number of sales associates ^{*#}	4,104	4,182	4,672	4,946	5,493
Number of outlets ^{*△}	1,985	2,183	2,232	2,499	2,326

Hong Kong

	Six months ended 30 Sep 2019	Year ended 31 Mar 2019	Six months ended 30 Sep 2018	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Net sales (<i>HK\$ million</i>)	294	681	278	575	568
Increase / (decrease) in net sales (%)	6	18	10	1	(2)
Retail floor area (<i>sq. ft.</i>) ^{*#}	89,074	87,752	86,221	79,822	65,515
Number of sales associates ^{*#}	520	571	546	484	385
Number of outlets ^{*#}	80	78	78	73	60

* As at the end of the reporting period

For self-managed stores

△ Including self-managed stores, consignment stores and franchise stores

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 1.8, HK\$1,362 million and -0.2 (31 March 2019: 2.0, HK\$1,529 million and -0.1) 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 8 times, 47 days and 89 days (six months ended 30 September 2018: 17 times, 47 days and 95 days) respectively. The interest cover decreased compared with last year mainly because the Company adopted HKFRS 16 *Leases* during the period. Under the HKFRS 16, the finance costs related to the affected leases of the current period were classified as finance costs, instead of as rental expenses forming part of the selling and distribution expenses or administrative expenses as in last year. 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\$2,236 million, HK\$5,200 million and HK\$5,454 million (31 March 2019: HK\$2,080 million, HK\$5,378 million and HK\$5,586 million), respectively.

Capital expenditure

The Capital expenditure incurred by the Group during the period was HK\$74 million (six months ended 30 September 2018: HK\$159 million). The capital expenditure incurred by the textile business for the period was HK\$34 million (six months ended 30 September 2018: HK\$121 million) mainly for the addition of plant and machinery for the dyeing and knitting factory. For the retail and distribution business, our capital expenditure incurred for the period amounted to HK\$40 million (six months ended 30 September 2018: HK\$38 million) mainly for the addition of leasehold improvements of the retail outlets.

Pledge of assets

No significant assets were pledged as at 30 September 2019 and 31 March 2019.

Contingent Liabilities

Details of the contingent liabilities as at 30 September 2019 and 31 March 2019 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 one years (31 March 2019: within two years). At the period end, the cash and cash equivalents, debt instruments at amortised cost and financial assets at fair value through profit or loss 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 2019: within one year). And, the debt instruments at amortised cost and financial assets at fair value through profit or loss were mainly fixed interest rate investments with maturity due within six years or at perpetuity (31 March 2019: within six years or at perpetuity). As affected by the trade war between the US and China, the economic outlook becomes more uncertain. The interest rate may decrease and stay at the low level for a prolonged period. 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 2019, the Group had about 12,426 (31 March 2019: 12,657) 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) Poverty Alleviation in Guangdong Province;
- (3) The Community Chest of Hong Kong “The Community Chest Green Day”;
- (4) The Hong Kong Council of Social Service “Caring Company”; and
- (5) 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, the global economy and the retail environment are expected to remain uncertain. The Group's fabric business has no direct impact by the US-China trade war as the Group does not directly export fabric to the US from China. However, the world economic slowdown would have negative effect on the Group's export business. The Group will continue to strengthen its competitive advantage in accelerating overall efficiency. Meanwhile, the Management is actively finding a new production base for cost reduction and risk diversification.

The retail business is facing immense challenges due to the US-China trade dispute and social unrest in Hong Kong. The Group will monitor the economic situation closely to implement necessary measures for the challenges. We will further strengthen our brand image and develop the export franchising markets.

Though the operating environment is uncertain, the Group holds a prudent but positive view towards the performance in the second half of the year.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, 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	665,934,104	48.2
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 665,934,104 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 2019, 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 2019, 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	<i>1</i>	665,934,104	48.2
Poon's Holdings Limited	Through controlled corporation	<i>1</i>	665,934,104	48.2
Farrow Star Limited	Directly owned	<i>1</i>	665,934,104	48.2
Edgbaston Investment Partners LLP	Investment manager		96,683,000	7.0
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 665,934,104 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 665,934,104 Shares held by Farrow Star Limited.

Save as disclosed above, as at 30 September 2019, 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 2019 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 2019 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, 4 November 2019