

TEXWINCA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Websites: http://www.texwinca.com/ http://www.irasia.com/listco/hk/texwinca/

(Stock Code: 0321)

INTERIM RESULTS

FINANCIAL INFORMATION

The Board of Directors of Texwinca Holdings Limited (the "Company") has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005. The interim results for the six months ended 30 September 2005 have been reviewed by the Company's

Condensed Consolidated Income Statement

Condensed Consolidated Income Statement			
		Six months ended	1 30 September 2004
		(Unaudited)	(Unaudited and restated)
TUDNOVED	Notes	HK\$'000	HK\$'000
TURNOVER Cost of sales	4	3,751,305 (2,613,560)	3,600,250 (2,588,114)
Gross profit		1,137,745	1,012,136
Other revenue and gains Selling and distribution costs Administrative expenses Other operating expenses, net		39,891 (707,953) (251,221) 3,390	18,458 (569,067) (216,200) 2,941
PROFIT FROM OPERATING ACTIVITIES		221,852	248,268
Share of profit of an associate Finance costs		24,550 (9,679)	16,519 (3,760)
PROFIT BEFORE TAX		236,723	261,027
Tax	6	(32,698)	(23,848)
PROFIT FOR THE PERIOD		204,025	237,179
ATTRIBUTABLE TO: Equity holders of the Company Minority interests		250,142 (46,117)	234,254 2,925
		204,025	237,179
Proposed interim dividend		145,886	132,588
Proposed interim dividend per share (HK cents)		11.0	10.0
Earnings per share (HK cents) Basic	7	18.9	17.7
Diluted		18.8	17.5
Condensed Consolidated Balance Sheet			
	Notes	At 30 September 2005 (Unaudited) <i>HK\$</i> '000	At 31 March 2005 (Restated) HK\$'000
NON-CURRENT ASSETS Fixed assets Investment properties Construction in progress Prepaid land lease payments Trademarks Interest in an associate Long term rental deposits Deferred rental expenses Long term time deposits		1,910,778 52,850 92,449 3,221 33,189 149,098 93,294 10,802	1,919,700 52,850 19,589 3,288 33,119 139,548 115,323
CURRENT ASSETS Inventories Trade and bills receivable Prepayments, deposits and other receivables Derivative financial instruments Cash and cash equivalents	8	2,345,681 1,076,644 847,060 370,233 49,747 663,457	2,299,017 1,055,106 424,015 342,440 16,395 681,590
CURRENT LIABILITIES Due to an associate Trade and bills payable Other payables and accrued liabilities Tax payable Dividend payable Long term bank loan — current portion Bank advances under discounted bills Bank overdrafts Short term shareholder loan	9	3,007,141 104,744 1,018,786 192,560 132,617 145,881 164,722 286,190 522 3,617 2,049,639	2,519,546 55,536 875,323 207,125 116,574 418,684 1,673,242
NET CURRENT ASSETS		957,502	846,304
TOTAL ASSETS LESS CURRENT LIABILITIES		3,303,183	3,145,321
NON-CURRENT LIABILITIES Long term bank loan — non-current portion Long term shareholder loan Provision for long service payments Deferred tax		189,167 266,376 8,207 6,411	135,278 266,376 8,111 3,059
		470,161	412,824
		2,833,022	2,732,497
CAPITAL AND RESERVES Equity attributable to equity holders of the Company Issued capital Reserves Proposed interim/final dividend		66,312 2,563,833 145,886	66,305 2,416,813 145,881
		2,776,031	2,628,999
Minority Interests		56,991	103,498
		2,833,022	2,732,497

Notes to the Condensed Consolidated Financial Statements

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")

Principal accounting policies

(h)

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements.

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 26, 27, 28, 33, 37, 40, HK- Int 4 and HK(SIC)-Int 15 has had consolidated financial statements, except for the followings:

- HKAS 1 Presentation of Financial Statements
- HKAS 32 and HKAS 39 Financial Instruments (c)

HKFRS 3

Total effect at 1 April 2005

- HKAS 38 Intangible Assets (d) HKAS 40 — Investment Property (e)
- (f) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets
- HKFRS 2 Share-based Payment

HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

- The effects of the above changes are summarised in note 3.
- Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows

Effect on opening balance of total equity at 1 April 2005

Effect of new policies (Increase/ (decrease))	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Goodwill on acquisition (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) <i>HK\$</i> '000
Prior period adjustments: HKFRS 2 — Employee share option scheme HK(SIC)-Int 21 — Deferred tax arising from	5,369	_	_	(5,369)	_
revaluation of investment property		(1,886)			(1,886)
	5,369	(1,886)	_	(5,369)	(1,886)
Opening adjustments: HKAS 39 — Derivative financial instruments HKAS 40	_	_	_	14,906	14,906

(1.421)

(3,307)

1,421

11,003

45

13,020

(45)

Effect on opening balance of total equity at 1 April 2004

Effect of new policies (Increase/ (decrease))	Notes	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments:					
- Employee share option					
scheme HK(SIC)-Int 21	2(g)	93	_	(93)	_
- Deferred tax arising from					
revaluation of investment property	2(h)		(1,568)		(1,568)
Total effect at 1 April 2004		93	(1,568)	(93)	(1,568)

THE TOHOWING TABLES SUMMATIES the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month ended 30 September 2005 and 2004 upon the adoption of the HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amount shown for the six months ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

Effect on profit after tax for the six months ended 30 September 2005 and 2004

of the Compa 2005	
(Unaudited) HK\$'000	2004 (Unaudited) <i>HK</i> \$'000
2,481	_
(2,365)	(2,628)
1,465	
1,581	(2,628)
HK0.1 cent	(HK0.2 cent)
HK0.1 cent	(HK0.2 cent)
=	

Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004

Effect of new policies (Increase/(decrease))	Interests of equity holders of the Company			
• • • • •	2005 (Unaudited) HK\$`000	2004 (Unaudited) <i>HK</i> \$'000		
HKFRS 2 — Employee share option scheme	2,365	2,628		

Segment information

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

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

- the production, dveing and sale of knitted fabric and varn segment
- the casual apparel and accessory retailing and distribution segment; and
- the "others" segment principally comprises the provision of motor and generator repair and maintenance services, the trading of generators and the provision of franchise services.

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

The following table presents revenue and profit information for the Group's business segments for the six months ended 30

	dyeing a of knitte	action, and sale ed fabric yarn 2004 (Unaudited	Casual a and acc retailin distrib 2005	cessory ng and	Oth 2005	ers 2004	Elimin 2005	ations 2004	Conso 2005	lidated 2004 (Unaudited
	(Unaudited) HK\$'000	and restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	and restated)
Segment revenue: Sales to external customers	2,224,786	2,272,210	1,501,740	1,302,901	24,779	25,139			3,751,305	3,600,250
Intersegment sales Other revenue	5,810		12,647	3,913	1,126 2,060	1,084 750	(1,126) (904)	(1,084) (606)	_	_
Total	2,230,596	2,279,574	1,514,387	1,306,814	27,965	26,973	(2,030)	(1,690)	3,770,918	3,611,671
Segment results	278,567	219,288	(86,247)	12,780	7,550	6,982	1,704	2,181	201,574	241,231
Interest income and other income									20,278	7,037
Profit from operating activities									221,852	248,268
Share of profit of an associate Finance costs									24,550 (9,679	
Profit before tax									236,723	261,027
Tax									(32,698	(23,848

Profit for the period

Depreciation and amortisation		
	Six months ended	1 30 September
	2005	2004
		(Unaudited and
	(Unaudited)	restated)
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	67	10
Amortisation of trademarks included in cost of sales	_	1,463
Depreciation	140,793	106,095
Total depreciation and amortisation	140,860	107,568

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group

operates, based on existing registation, interpretations and practices in respect thereof.		
	Six months ended	
	2005	2004
		(Unaudited and
	(Unaudited)	restated
	HK\$'000	HK\$'000
Hong Kong and the People's Republic of China taxes:		
Current period provision	32,355	23,848
Deferred tax charge	343	
Tax charge for the period	32,698	23,848
Share of tax attributable to an associate amounting to HK\$2.918.000 (six months ended	30 September 2004:	HK\$1.984.000) is

included in "Share of profit of an associate" on the face of the condensed consolidated income statement.

Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$250,142,000 (six months ended 30 September 2004: HK\$234,254,000 (as restated)) and the weighted average number of 1,326,176,902 (six months ended 30 September 2004: 1,325,289,623) shares in issue during the

	Six months ender 2005 (Unaudited) HK\$'000	d 30 September 2004 (Unaudited and restated) HK\$'000
Profit attributable to equity holders of the Company	250,142	234,254
	Number of shares	Number of shares
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share Weighted average number of shares assumed to have been issued for no	1,326,176,902	1,325,289,623
consideration on deemed exercise of all share options outstanding during the period	6,813,936	9,914,379
Weighted average number of shares used in the calculation of diluted earnings per share	1,332,990,838	1,335,204,002
rade and bills receivable		

Tr

	At 30 September 2005 (Unaudited) <i>HK</i> \$'000	At 31 Marcl 200: (Audited <i>HK</i> \$'000
Within 90 days Over 90 days	801,790 45,270	413,54 10,47
	847,060	424,01

The trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issue, except for certain well-established customers, where the terms are extended up to 120 days, subject to the approval of directors. The Group seeks maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by directors. The Group discounted certain export bills of exchange amounting to HK\$286,190,000 to banks with recourse in exchange for cash during the interim period ended 30 September 2005 and pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount were included in the Group's "Trade and bills receivable" above and "Bank advances under discounted bills" as at 30 September 2005. Comparative amount as at 31 March 2005 of HK\$ 239,543,000 has not been restated.

An aged analysis of trade and bills payable, based on invoice date, is as follows

	At 30 September 2005 (Unaudited) <i>HK\$</i> '000	At 31 March 2005 (Audited) <i>HK\$</i> '000
Within 90 days Over 90 days	973,241 45,545	827,498 47,825
	1,018,786	875,323

MANAGEMENT DISCUSSION AND ANALYSIS

The Board has declared an interim dividend of HK11.0 cents (2004: HK10.0 cents) per share for the six months ended 30 September 2005. The interim dividend will be payable on Friday, 10 February 2006 to shareholders registered on the Register of Members at the close of business on Friday,13 January 2006.

Closure of Register of Members

The Register of Members will be closed from Monday, 9 January 2006 to Friday, 13 January 2006 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Tengis Limited not later than 4:00 p.m. on Friday, 6 January 2006. Tengis Limited is located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong until 2 January 2006. With effect from 3 January 2006, Tengis Limited will be relocated to 26th Floor, Tesbury Centre, 38 Observices Road Fast Worsheit Hong Kong until 2 28 Queen's Road East, Wanchai, Hong Kong.

Business Review

For this interim results ended 30 September 2005, the Group's total turnover amounted to HK\$3,751 million (2004: HK\$3,600 million), an increase of 4%. Profit for the period attributable to equity holders of the Company rose by 7% to HK\$250 million (2004: HK\$234 million). The Board has recommended an interim dividend of HK11.0 cents per share, an increase of 10% over last year's HK10.0 cents per share.

The business had a turnover of HK\$2,225 million, a slight decrease of 2% compared with last year (2004: HK\$2,272 million). The amount was 59% of the Group's total turnover. Revenue decreased mainly due to the reduction of average selling prices in view of the fall of cotton prices. Stable raw material prices had provided a better operating environment for the period, improving operating profit margin to 13% from last year's 10%. The textile quota disputes had no adverse effect on the order flow. Production capacity expansion was continued with an aim to achieve a yearly growth of approximately 20%.

Retail and distribution business

Sales of this operation amounted to HK\$1,502 million (2004: HK\$1,303 million), a growth of 15%, and represented 40% of the Group's total turnover. Business performance in the period was below expectation mainly due to adverse weather conditions. At the interim end, the development in different markets was as below:

	Sales			Retail Outlets*				
	Six month	s ended	Growth	30		30		
	30 September		rate	September	September			
	2005	2004		2005	2005	2004		
	HK\$'000	HK\$'000	%					
Mainland China	961,179	821,640	17	3,180	2,837	2,322		
Hong Kong and Macau	217,065	195,890	11	91	85	72		
Taiwan	242,973	222,261	9	266	270	241		
Singapore and Malaysia	80,523	63,110	28	110	74	45		
	1,501,740	1,302,901	15	3,647	3,266	2,680		

^{*} Include self-owned and franchised outlets

Turnover of our garment associate was HK\$526 million (2004: HK\$418 million), a rise of 26%. Net profit contribution to the Group increased by 49% to HK\$25 million (2004: HK\$17 million). During the period, about 55% of its fabric consumption was supplied by the Group's textile business and its sales to the Group's retail and distribution business accounted for about 22% of its turnover. Production capacity grew by about 15% in the period.

Financial Condition

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the cash and cash equivalents and the total equities as at the period end were 1.5, HK\$663 million and HK\$2,833 million respectively. Despite of the increase in bills receivable of HK\$286 million related to discounted bills at the period end following the adoption of HKAS 39, the Group continued to maintain a strong net cash inflow from operating activities of HK\$285 million. The interest cover, trade and bills receivable to turnover and inventory to turnover for the period under review were 40 times, 41 days and 53 days respectively. During the interim period, the Group repaid its long-term bank loans by HK\$200 million and the balance outstanding as at the period end was HK\$354 million. As at 30 September 2005, the gearing ratio was 0.9. The gearing ratio refers to the total liabilities to shareholders' equities. The Group mainly financed its operation by cash inflow from its operating activities, bank borrowings and a shareholder loan. As at the period end, the unutilized banking facilities amounted to HK\$1,874 million.

Capital expenditure

Total capital expenditures of the Group for the period amounted to HK\$187 million, of which HK\$61 million was incurred by the textile business for the expansion of its production facilities to meet the increasing demand from its customers. On the other hand, HK\$126 million was mainly incurred by the retail and distribution business of the Group for the addition of retail outlets in the Mainland China

No significant assets were pledged as at 30 September 2005.

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudence policy in managing its interest rate and currency exchange maturity due within three years. To reduce the interest rate risks, the Group had arranged financial instruments to reduce its exposure. During the period, the major revenue, expenses and procurements of the Group were denominated in HKD, USD,

Renminbi and Yen. The Group had entered into forward contracts to reduce its currency exchange risk.

204,025

As at 30 September 2005, the contingent liabilities of the Group amounted to HK\$37 million. These mainly represented the corporate guarantee made by the Group in respect of the banking facilities of HK\$13 million of its associated company, the possible long service payments of HK\$5 million not provided in the accounts and the contingent liabilities of HK\$16 million related to the claim of business tax against a subsidiary of the Group in Taiwan. The details of the claim has been stated in note 31(c) to the 2005 Annual Report of the Group.

As at 30 September 2005, the Group had about 21,100 employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual

employee.

Outlook Cotton prices have been stable and global economic conditions have been improving. The textile export disputes have reached a temporary settlement. Looking ahead, the textile business would have a more smooth path. The

Group will continue to grow capacity to capture further market share. For the retail business, many new outlets operated last year are having mature performance. This year the Group would slow down its store expansion but to enhance same store performance. Improved results are expected in the

OTHER INFORMATION

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 six months ended 30 September 2005.

The Audit Committee (the "Committee") of the Group comprises the three independent non-executive directors, Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David. 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 management the interim report and the internal controls of the Group and has made recommendations to the Board.

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

All the existing non-executive directors of the Company are not appointed for 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 By-laws of the Company.

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

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

the roles of chairman and chief executive officer upon the then circumstances. 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 because the executive director has been serving for similar duties

for many years and he has good understanding of each business segment of the Group. Model Code for Securities Transactions by Directors of Listed Issuers

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

> By order of the Board Poon Bun Chak Chairman

Hong Kong, 16 December 2005