二零零九／一零年度中期報告

Interim Report 2009-2010

TUNGTEX (HOLDINGS) COMPANY LIMITED

同得仕（集團）有限公司

Stock Code 股份代號 : 00518

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 16, which comprises the condensed consolidated statement of financial position of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries as of September 30, 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, December 9, 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended September 30, 2009

	Notes	Six months ended September 30, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Revenue	3	**754,203**	1,085,805
Cost of sales		**(588,475)**	(842,779)
Gross profit		**165,728**	243,026
Other income		**1,052**	2,277
Increase in fair value of an investment property		**250**	–
Selling and distribution costs		**(43,832)**	(56,823)
Administrative expenses		**(113,376)**	(138,565)
Finance costs		**(837)**	(1,337)
Share of results of associates		**(137)**	(1,232)
Profit before tax	4	**8,848**	47,346
Income tax	5	**532**	(11,089)
Profit for the period		**9,380**	36,257
Attributable to:			
Owners of the Company		**12,138**	30,173
Minority interests		**(2,758)**	6,084
		9,380	36,257
Earnings per share	7		
– Basic (HK cents)		**3.5**	8.6
– Diluted (HK cents)		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2009

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**9,380**	36,257
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**(3,483)**	5,017
Effect of change in tax rate	**–**	73
Other comprehensive (expense) income for the period	**(3,483)**	5,090
Total comprehensive income for the period	**5,897**	41,347
Total comprehensive income attributable to:		
Owners of the Company	**8,820**	35,379
Minority interests	**(2,923)**	5,968
	5,897	41,347

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2009

	Notes	September 30, 2009 HK$'000 (unaudited)	March 31, 2009 HK$'000 (audited)
Non-current assets			
Investment properties	8	40,998	62,998
Property, plant and equipment	8	107,920	115,136
Prepaid lease payments		23,240	23,576
Intangible assets		218	252
Interests in associates		1,328	1,465
Deferred tax assets		5,286	430
		178,990	203,857
Current assets			
Inventories		133,400	145,248
Trade and other receivables	9	212,733	254,616
Prepaid lease payments		673	673
Amount due from an associate		3,459	8,708
Tax recoverable		6,297	7,726
Bank balances and cash		294,075	269,585
		650,637	686,556
Assets classified as held for sale	8	22,250	1,906
		672,887	688,462
Current liabilities			
Trade and other payables	10	208,806	234,093
Amount due to a minority shareholder of a subsidiary		2,600	5,000
Tax liabilities		41,269	37,188
Obligations under finance leases – due within one year		287	275
Derivative financial instruments		–	338
Bank overdrafts		–	181
Bank borrowings	11	27,238	17,007
		280,200	294,082
Net current assets		392,687	394,380
Total assets less current liabilities		571,677	598,237
Non-current liabilities			
Obligations under finance leases – due after one year		344	165
Deferred tax liabilities		7,687	11,564
		8,031	11,729
		563,646	586,508
Capital and reserves			
Share capital		70,346	70,346
Reserves		439,914	458,253
Equity attributable to owners of the Company		510,260	528,599
Minority interests		53,386	57,909
		563,646	586,508

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2009

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At April 1, 2008 (audited)	70,428	84,880	3,848	(1,965)	377	6,055	367,425	531,048	62,378	593,426
Profit for the period	–	–	–	–	–	–	30,173	30,173	6,084	36,257
Exchange differences arising on translation of foreign operations	–	–	–	5,133	–	–	–	5,133	(116)	5,017
Effect of change in tax rate	–	–	–	–	–	73	–	73	–	73
Total comprehensive income for the period	–	–	–	5,133	–	73	30,173	35,379	5,968	41,347
Equity-settled share based payments	–	–	–	–	115	–	–	115	–	115
Dividends recognised as distribution	–	–	–	–	–	–	(35,214)	(35,214)	–	(35,214)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(3,802)	(3,802)
At September 30, 2008 (unaudited)	70,428	84,880	3,848	3,168	492	6,128	362,384	531,328	64,544	595,872
Profit for the period	–	–	–	–	–	–	12,059	12,059	642	12,701
Exchange differences arising on translation of foreign operations	–	–	–	534	–	–	–	534	54	588
Share of reserves of associates	–	–	–	23	–	–	–	23	10	33
Total comprehensive income for the period	–	–	–	557	–	–	12,059	12,616	706	13,322
Equity-settled share based payments	–	–	–	–	96	–	–	96	–	96
Dividends recognised as distribution	–	–	–	–	–	–	(14,948)	(14,948)	–	(14,948)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(7,341)	(7,341)
Share repurchased and cancelled	(82)	–	82	–	–	–	(493)	(493)	–	(493)
At March 31, 2009 (audited)	70,346	84,880	3,930	3,725	588	6,128	359,002	528,599	57,909	586,508
Profit for the period	–	–	–	–	–	–	12,138	12,138	(2,758)	9,380
Exchange differences arising on translation of foreign operations	–	–	–	(3,318)	–	–	–	(3,318)	(165)	(3,483)
Total comprehensive income for the period	–	–	–	(3,318)	–	–	12,138	8,820	(2,923)	5,897
Equity-settled share based payments	–	–	–	–	100	–	–	100	–	100
Dividends recognised as distribution	–	–	–	–	–	–	(27,259)	(27,259)	–	(27,259)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(1,600)	(1,600)
At September 30, 2009 (unaudited)	70,346	84,880	3,930	407	688	6,128	343,881	510,260	53,386	563,646

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended September 30, 2009

	Six months ended September 30, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Net cash from operating activities	**49,184**	64,339
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(4,806)**	(9,175)
Proceeds on disposal of assets classified as held for sale	**1,906**	–
Other investing cash flows	**182**	1,143
	(2,718)	(8,032)
Net cash used in financing activities:		
New bank loans raised	**10,214**	14,780
Repayments of bank borrowings	**–**	(19,586)
Dividend paid	**(27,259)**	(35,214)
Dividend paid to minority shareholders of a subsidiary	**(1,600)**	(3,802)
Other financing cash flows	**(3,420)**	(3,547)
	(22,065)	(47,369)
Net increase in cash and cash equivalents	**24,401**	8,938
Cash and cash equivalents at the beginning of the period	**269,404**	259,523
Effect of foreign exchange rate changes	**270**	766
Cash and cash equivalents at the end of the period	**294,075**	269,227
Analysis of cash and cash equivalents:		
Bank balances and cash	**294,075**	269,426
Bank overdrafts	**–**	(199)
	294,075	269,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2009

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended March 31, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on April 1, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. Principal accounting policies *(continued)*

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new, revised or amended standards and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]

1 Effective for annual periods beginning on or after July 1, 2009

2 Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate

3 Effective for annual periods beginning on or after January 1, 2011

4 Effective for annual periods beginning on or after February 1, 2010

5 Effective for annual periods beginning on or after January 1, 2010

6 Effective for annual periods beginning on or after January 1, 2013

The application of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after April 1, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new, revised or amended standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from April 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Company's executive directors, in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. Information regarding these geographical segments is reported below:

Six months ended September 30, 2009

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
REVENUE					
Sales of goods – external	**613,797**	**18,193**	**67,316**	**54,897**	**754,203**
SEGMENT RESULT	**33,732**	**968**	**2,584**	**6,635**	**43,919**
Unallocated corporate income					**1,302**
Unallocated corporate expense					**(35,399)**
Finance costs					**(837)**
Share of results of associates					**(137)**
Profit before tax					**8,848**

3. Segment information *(continued)*

Six months ended September 30, 2008

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
REVENUE					
Sales of goods – external	933,610	19,051	81,105	52,039	1,085,805
SEGMENT RESULT	78,572	1,555	4,723	5,653	90,503
Unallocated corporate income					2,277
Unallocated corporate expense					(42,865)
Finance costs					(1,337)
Share of results of associates					(1,232)
Profit before tax					47,346

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, increase in fair value of an investment property, share of results of associates, other income and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

4. Profit before tax

	Six months ended September 30, **2009** **HK$'000**	2008 HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**34**	**34**
Amortisation of prepaid lease payments	**336**	**352**
Depreciation of property, plant and equipment	**13,191**	**13,980**
Loss on disposal of property, plant and equipment	**42**	**–**
and after crediting:		
Bank interest income	**172**	**979**
Rental income from properties under operating leases	**880**	**1,258**
Gain on disposal of property, plant and equipment	**–**	**40**

5. Income tax

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong	**6,103**	9,514
The People's Republic of China, other than Hong Kong (the "PRC")	**–**	154
Other jurisdictions	**618**	2,718
	6,721	12,386
Underprovision	**1,480**	–
	8,201	12,386
Deferred tax relating to the origination and reversal of temporary difference	**(5,103)**	(1,297)
Deferred tax relating to the reversal of temporary difference arising on reclassification of investment properties as assets held for sale	**(3,630)**	–
	(532)	11,089

The Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "Tax Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the Tax Law. The Tax Law and Implementation Regulations changed the tax rate of certain PRC subsidiaries progressively from 15% to 25% before January 1, 2013. The tax rate of the other PRC subsidiaries was reduced from 33% to 25%.

According to the Tax Law, the profits of the PRC subsidiaries of the Company and associates of the Group derived since January 1, 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. The Group determined that no deferred tax on withholding tax liabilities shall be recognised since no significant distributable profit was derived by the PRC subsidiaries and associates from January 1, 2008.

5. Income tax *(continued)*

In prior years, two Hong Kong incorporated subsidiaries of the Company received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$5.9 million and HK$25.8 million, respectively, relating to the years of assessment 1998/99 to 2007/08, that is, for the financial years ended March 31, 1999 to 2008. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$5.4 million and HK$24.5 million being purchased by the subsidiaries, respectively. Those tax reserve certificates were purchased by the relevant subsidiaries and the remaining amount of HK$1.8 million represents the overpayment of provisional tax to the IRD. As at September 30, 2009, in respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2007/08, a provision of HK$31.7 million (as at March 31, 2009: HK$31.7 million) has been provided.

In the opinion of the directors and the advice from the Group's tax advisors, these subsidiaries' income derived from their manufacturing activities in the PRC is not arising in or derived from Hong Kong, and that sufficient tax provision has been made in the condensed consolidated financial statements in this regard.

6. Dividends

On September 2, 2009, a dividend of HK7.75 cents per share amounting to HK$27,259,000 was paid to shareholders as final dividend for the year ended March 31, 2009 (six months ended September 30, 2008: HK10 cents per share paid as final dividend for the year ended March 31, 2008, amounting to HK$35,214,000).

The directors have determined that an interim dividend of HK3.5 cents per share (six months ended September 30, 2008: HK4.25 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on January 5, 2010.

7. Earnings per share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
Profit for the period attributable to owners of the Company	**12,138**	**30,173**

	2009	**2008**
Weighted average number of ordinary shares for the purpose of basic earnings per share	**351,731,298**	**352,137,298**

The computation of diluted earnings per share for the six months ended September 30, 2009 and 2008 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

8. Movements in investment properties and property, plant and equipment

During the period, the Group entered into an agreement to dispose of an investment property at a consideration of HK$22,250,000. The respective investment property was reclassified as assets held for sale at September 30, 2009 and increase in fair value of HK$250,000 was recognised directly in the condensed consolidated income statement. The disposal was completed subsequent to September 30, 2009.

Save as mentioned above, at September 30, 2009, the directors considered the carrying amount of the Group's investment properties carried at their fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no fair value adjustment has been recognised in the current period.

In addition, the Group spent HK$4,806,000 (six months ended September 30, 2008: HK$9,175,000) on acquisition of property, plant and equipment for the purposes of regular replacement during the period.

9. Trade and other receivables

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade receivables, mainly denominated in United States dollars, with the following aged analysis:

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Up to 30 days	**95,826**	116,583
31 – 60 days	**21,531**	36,657
61 – 90 days	**17,836**	15,818
More than 90 days	**493**	228
	135,686	169,286

10. Trade and other payables

Included in trade and other payables are trade payables with the following aged analysis:

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Up to 30 days	**81,096**	85,936
31 – 60 days	**23,742**	40,590
61 – 90 days	**8,149**	6,506
More than 90 days	**4,997**	3,860
	117,984	136,892

11. Bank borrowings

During the period, the Group raised new bank borrowings in the amount of HK$10,214,000 (six months ended September 30, 2008: HK$14,780,000), which were used as general working capital. The borrowings bear variable interest at market rates and are repayable within one year.

In addition, the Group did not repay any bank borrowings during the period (six months ended September 30, 2008: repayment of HK$19,586,000).

12. Share-based payments

The Company has a share option scheme for eligible personnel of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding as at April 1, 2009	13,800,000
Lapsed during the period	(500,000)
Outstanding as at September 30, 2009	13,300,000

13. Related parties transactions

During the period, the Group had the following transactions with related parties:

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
Purchase of raw materials and finished goods from the Group's associate	**22,467**	20,178
Sales of finished goods to the Group's associate	**–**	265
Compensation of key management personnel	**6,890**	8,080

14. Capital commitments

At the end of the reporting period, the Group had capital expenditure committed as follows:

	September 30, 2009	March 31, 2009
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statetments in respect of acquisition of property, plant and equipment	**44**	227

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

The first half of the fiscal year 2009/10 under review was a period which fully reflected the unprecedented challenges and extreme adversities in the aftermath of the global financial tsunami. The drastic setback in results as compared to the same period last year was in reality a continuum of the second half of last year.

In the six months ended September 30, 2009, the Group recorded a 18.8% decrease in turnover quantity and a 30.5% decrease in turnover amount to HK$754 million, which caused a substantially negative impact on profitability as stated in our last annual report. Thanks to the tight control in production costs, continuous increase in productivity and increasing adoption of self-developed fabric materials, our gross profit margin decreased slightly from 22.4% to 22.0%, despite the volume-leverage impact caused by decline in sales. Selling and administrative expenses were stringently controlled and reduced by 22.9% and 18.2% as compared to the same period last year. Taking into account the impact of deferred tax credit of HK$8.7 million, profit for the period attributable to owners of the Company was HK$12.1 million, representing a decrease of 59.8% as compared to the same period last year, but similar to that recorded for the second half last year. Earnings per share dropped by the same percentage and recorded at HK3.5 cents. The board of directors has resolved to declare an interim dividend of HK3.5 cents per share.

Business Review

Manufacture and export business

In North America and Europe, there were no ordinary economic recessions in the first few months immediately after the global financial tsunami. The significant negative income effect resulted from the falling asset prices and the persistent rising unemployment rate continued to cause severe contraction in consumer spending and demand in our major export markets. Most of the retailers there recorded drastic decline in sales and miserable financial performance, and hence adopted extreme tight inventory control and very cautious buying budget in both volume and price. At the meantime, the continuous lack of insurance credit and bank credit in the export markets also led to our even more stringent receivable risk management practice, and inevitably furthered our prudence in accepting orders for shipments during the period under review. As a result, in terms of geographical segment, sales to North America dropped by 33.7% to HK$632.0 million, representing 83.8% of the Group's turnover. However, due to our "higher-penetration into Europe" marketing strategy and dedication, export sales to Europe and other markets recorded a growth of 5.5% to HK$54.9 million and accounted for 7.3% of the Group's turnover.

As a strategic move, we gradually discontinued the production operation in the Philippines before the expiry of factory lease and consolidated the production lines in Thailand during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Mainland China retail business

During the period under review, China seemed to have weathered the global financial crisis well and achieved an economic growth rate exceeding 8%, due to the substantial fiscal and monetary stimulus and the sufficiently high national saving rates. However, the apparel retail market in mainland China was still under difficult conditions and faced a highly competitive promotional environment, resulting in severe markdowns and discounts. To react to such hard-hit market condition, we restructured the retail distribution network and a total of 15 under-performing directly managed stores were eliminated in the period. Total retail sales recorded a decrease of 16.8% as compared to the same period last year, and accounted for about 6.4% of the Group's turnover. In July and September 2009, we opened two flagship stores in Guangzhou and Beijing respectively. As at the period end, there were 80 directly managed stores and 44 franchised stores in operation.

USA wholesale label business

We continued to contain the business scale of Zelda brand in an effective state that required controlled operating expenses, and managed to gain encouraging supports and demands from both loyal and new customers in the market.

Prospects

In the United States, although a surprising 3.5% economic growth was recorded for the third quarter attributable to temporary factors mostly notably the replenishing of inventories and government fiscal stimulus, the unemployment rate rose to 10.2% in October, breaking the psychological important 10% barrier since 1983. Such jobless recovery indicates the near-term economic growth, if any, will only be slow and will continue to be beset by the overcapacity in the manufacturing sector and housing markets, and a relatively sluggish consumer upturn. Under such conditions, we will strive to deepen and widen our lean management across every aspect of the Group and continue to lift productivity in terms of volume and quality. We will increase our labour force and refuel our production capacities gradually back to normal utilization. Barring any unforeseen circumstances, our sales performance in the second half of the year will be better than that achieved in the first half period under review.

Despite the current economic problems in the U.S. and elsewhere, mainland China economy is believed to do reasonably well on the basis of its continuing strong economic fundamentals. We will step up the momentum of China retail business by opening new directly managed stores at targeted locations, speeding up the development of franchise business. We will introduce new corporate and brand identity, continue to revamp store and product designs, further enhance the operational efficiency, and execute stringent inventory control. We are now operating 83 directly managed stores and 49 franchised stores, and target to open additional 30 new channels in total in the balance of the year. We are confident to achieve a growth of retail sales in the second half of the year.

After one year of contraction, we will increase prudently and gradually the existing lean operational scale of Zelda brand business, and will capture the increasing demand from existing and new customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Expenditure

During the period under review, the Group's capital expenditure was HK$5.2 million as compared to HK$9.5 million of the last corresponding period. The capital expenditure mainly represented leasehold improvement.

Liquidity and Financial Resources

The Group's financial position remains solid and benign, with strong cash and liquidity position. In the period under review, working capital cycle was closely monitored where inventory turnover and trade receivable turnover were staying at a healthy level. As at September 30, 2009, the Group had a cash balance of HK$294 million as compared to HK$270 million as at March 31, 2009. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings, mainly denominated in RMB, were HK$27 million as compared to HK$17 million as at March 31, 2009. Total bank borrowings as a percentage of shareholders' funds was low at 5.3% at the period end date. The Group will continue to maintain strong and effective working capital management and cash generating business model.

As at September 30, 2009, certain land and buildings with an aggregate net book value of approximately HK$13 million and certain investment properties with an aggregate carrying value of approximately HK$27 million were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the period.

Treasury Policy

We continued to adopt prudent policies in managing our treasury exposures, such as exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB, the Group entered into forward contracts to hedge the risks as deemed appropriate.

Human Resources

As at September 30, 2009, the Group, excluding the associates, had approximately 5,600 employees globally, as compared to 7,300 as at March 31, 2009. The decrease was mainly production workers of the factories in Asian countries.

Excellent human resources are the most important assets of the Group. We adopt competitive remuneration package to our employees, by reference to market practice, individual merits and performance evaluation. We will continue to offer job satisfaction and growth opportunities to maintain high-quality global workforces. We will organize more intensive training programs, both external and internal. In parallel, our people are totally committed to continuously self-upgrade to match the challenge of the ever-changing and extremely competitive external environment.

OTHER INFORMATION

Interim Dividend

The Board of Directors has declared with delight an interim dividend of HK3.5 cents per share (six months ended September 30, 2008: HK4.25 cents per share) payable on January 13, 2010 to shareholders whose names appear in the Register of Members on January 5, 2010.

Closure of Register of Members

The Register of Members will be closed from January 4, 2010 to January 5, 2010, both days inclusive, during which no share transfer will be effected. To qualify for the interim dividend, transfers must be lodged with the Company's Registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on December 31, 2009.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

At September 30, 2009, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of 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 Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of share options held	Total interests	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*/ Beneficial owner	125,049,390	1,500,000	126,549,390	35.97%
Alan Lam Yiu On	Beneficial owner	350,000	1,500,000	1,850,000	0.52%
Raymond Tung Wai Man	Beneficial owner	400,000	1,000,000	1,400,000	0.39%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.55%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust *(note b)*	1,941,680	–	1,941,680	0.55%
Tony Chang Chung Kay	Beneficial owner	3,494,760	–	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	–	1,390	0.000395%

OTHER INFORMATION *(continued)*

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures *(continued)*

Notes:

(a) Mr. Benson Tung Wah Wing has an equity interest of 100% in Corona Investments Limited, which owned 125,049,390 ordinary shares in the Company as at September 30, 2009, representing 35.55% of the issued share capital of the Company.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 231,680 ordinary shares in the Company as at September 30, 2009. He is also a beneficiary of a trust, Chaco International Limited, which owned 1,710,000 ordinary shares in the Company as at September 30, 2009.

Save as disclosed above, as at September 30, 2009, none of the directors, chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associate corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Share Options

Particulars of the share option scheme and the movements in share options of the Company are set out in note 12 to the condensed consolidated financial statements.

During the period, the movements in the share options to subscribe for the Company's shares were as follows:

					Number of share options				
	Date of grant	Vesting period	Exercisable period	Exercisable price per share HK$	Outstanding at April 1, 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at September 30, 2009
Category 1: Directors									
Benson Tung Wah Wing	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Alan Lam Yiu On	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Raymond Tung Wai Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Total for directors					4,000,000	–	–	–	4,000,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	9,600,000	–	–	(500,000)	9,100,000
	June 8, 2007	3 years	June 8, 2010 – June 7, 2015	2.08	200,000	–	–	–	200,000
Total for employees					9,800,000	–	–	(500,000)	9,300,000
Total for all categories					13,800,000	–	–	(500,000)	13,300,000

OTHER INFORMATION *(continued)*

Arrangements to Purchase Shares or Debentures

Save as disclosed under the heading "Share Options" above and in note 12 "Share-based payments" to the condensed consolidated financial statements, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of 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.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Substantial Shareholders

At September 30, 2009, shareholders who had interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' and chief executives' interests, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in the Company's Ordinary Shares

Name of shareholder	**Capacity**	**Number of issued ordinary shares held**	**Percentage of the issued share capital of the Company**
Corona Investments Limited *(note a)*	Beneficial owner	125,049,390	35.55%
Dresdner Bank VPV NV *(note b)*	Investment manager	24,077,250	6.85%
Dresdner Bank Aktiengesellschaft *(note b)*	Interest of controlled corporation	24,077,250	6.85%
Commerzbank AG *(note b)*	Interest of controlled corporation	24,077,250	6.85%

Notes:

(a) These shares have been disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(b) Dresdner Bank VPV NV is 100% indirectly owned by Dresdner Bank Aktiengesellschaft, which is 100% directly owned by Commerzbank AG.

Other than as disclosed above, as at September 30, 2009, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' and chief executives' interests, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO .

OTHER INFORMATION *(continued)*

Board of Directors

Executive Directors

Mr. Benson Tung Wah Wing, *Chairman*
Mr. Alan Lam Yiu On, *Managing Director*
Mr. Raymond Tung Wai Man

Non-executive Directors

Mr. Tung Siu Wing
Mr. Kevin Lee Kwok Bun

Independent Non-executive Directors

Mr. Johnny Chang Tak Cheung
Mr. Tony Chang Chung Kay
Mr. Joseph Wong King Lam
Mr. Robert Yau Ming Kim

Changes in Directors' Biographical Details

Changes in directors' biographical details since the date of 2008/2009 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Joseph Wong King Lam

Mr. Wong is the executive director of Asia Resources Holdings Limited, Karce International Holdings Company Limited and Grand Field Group Holdings Limited, which are listed on the Main Board of the Stock Exchange.

Mr. Robert Yau Ming Kim

Mr. Yau is an independent non-executive director of Alltronics Holdings Limited which is listed on the Main Board of the Stock Exchange.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Audit Committee

The Audit Committee has reviewed with management and the Group's external auditors, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

OTHER INFORMATION *(continued)*

Corporate Governance

The Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the review period.

Model Code

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

Benson Tung Wah Wing
Chairman

Hong Kong, December 9, 2009

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