TUNGTEX

(Holdings) Company Limited

同得仕（集團）有限公司

Stock Code 股份代號：00518

ANNUAL REPORT 年報 2013

CONTENTS

HEAD OFFICE - HONG KONG

OUR VISION

To be a leader in providing fashion solution to global apparel buyers, leading in terms of reliability, superb product quality, customized solutions, and maximizing value and satisfaction.

Hangzhou *China*	**Shenzhen** *China*	**Zhongshan** *China*
Shenzhen *China*	**Dongguan** *China*	**Panyu** *China*
Vietnam	*Thailand*	

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-Executive Directors

Tung Siu Wing
Kevin Lee Kwok Bun

Independent Non-Executive Directors

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Robert Yau Ming Kim
Edwin Siu Pui Lap
Leslie Chang Shuk Chien

AUDIT COMMITTEE

Leslie Chang Shuk Chien *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Edwin Siu Pui Lap

REMUNERATION COMMITTEE

Robert Yau Ming Kim *(Chairman)*
Benson Tung Wah Wing
Tony Chang Chung Kay
Leslie Chang Shuk Chien

NOMINATION COMMITTEE

Benson Tung Wah Wing *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien

COMPANY SECRETARY

Lee Siu Mei

REGISTERED OFFICE

12th Floor, Tungtex Building
203 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
Fax: 2343 9668

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank N.A.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong & Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

http://www.tungtex.com
http://www.irasia.com/listco/hk/tungtex


Major Factories / Offices
ZELDA
Wholesale Label
in the United States
betu
Retail Stores
in China
Europe
Office
London
North America
Wholesale Label in the
United States / Offices
New York
ZELDA
Asia
Major Factories / Offices /
Retail Stores in China
Beijing betu
Xian betu
Nanjing betu
Mianyang betu
Deiyang betu
Chengdu betu
Wuhan betu
Shanghai betu
Hangzhou
Chongqing betu
Guangzhou betu
Dongguan
Foshan betu
Panyu
Zhongshan
betu Shenzhen
Hong Kong
Vietnam
Thailand

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report the result of the Group for the fiscal year ended March 31, 2013.

During the year under review, global economy remained fragile and unsteady due to concerns about the United States' fiscal position and the persistent debt crisis in the eurozone. Restrained by various lingering economic problems, consumption market remained stagnant. With shrinking demand in our export business, the Group's turnover for the year ended March 31, 2013 decreased to HK$1,476 million, a slide of 7.8% versus last fiscal year's. Taking into consideration of the increase in fair value of investment properties, the Group's loss before tax lowered by 18.5% to HK$13.0 million for the fiscal year. Loss attributable to owners of the Company and loss per share lessened by 25.4% to HK$13.9 million and HK$4.0 cents respectively.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend but has resolved to recommend at the forthcoming Annual General Meeting a special dividend of HK1 cent per share (2012: final special dividend of HK2 cents per share), payable on September 13, 2013 to shareholders whose names appear on the Register of Members on September 5, 2013. Together with an interim special dividend of HK1 cent per share (2012: interim special dividend of HK2 cents per share), the total dividends for the year will be HK2 cents per share (2012: HK4 cents per share).

BUSINESS REVIEW

During the year under review, global economy had yet to break away from the worrisome economic conditions. In the United States, the growth in real gross domestic product and improvement in employment numbers in the year under review were both too feeble, not strongly enough for the national economy to truly recover from the recent trough. In Europe, economy continued shrinking during the fiscal year with no bounce in sight. Abiding government austerity, indebtedness and jobless problem weighed the continent, failing to bring back the confidence of consumers and investors. Those negative factors had particularly apparent impact on the Group's export business during the fiscal year. Geographically, total export sales to North America segment decreased by 11.7% to HK$1,099 million, representing 74.5% of the Group's turnover. The Group's United States wholesale brand, "Zelda", continued to be managed precisely in a restricted business scale. As for Europe, the impact of stringent economic conditions to our turnover was direct and considerably prominent. Our export sales to Europe and other markets segment recorded a noticeable drop of 24.6% to HK$121 million, which accounted for 8.2% of the Group's turnover.

Though the effect of Renminbi's appreciation abated during the year under review, the upsurge of labor's wages and the inflationary effect on our raw materials and production costs both exerted pressure on our margins. To counteract the uprising costs, the Group endeavored to streamline human resources and advocate lean management during the fiscal year. Furthermore, the Group pursued continuous effort in raising production efficiency and improving product precision by way of realigning and streamlining production flow. By enhancing customers' satisfaction, we achieved to minimize operating risks and underpin our reputation.

In spite of the head-wind of stiff financial environment, the Group forged ahead with specific strategies during the fiscal year with the purpose to achieve its long-term objective of maximizing shareholders' value and sustaining steady business development in the long run. These included strategically raising the Group's factory capacities in Vietnam and Mainland China for long-term development and quickening the growing pace in its China retail business.

In accordance with the Group's plan to strategically increase production capacities in Asian countries other than China, the Group entered into a sub-lease land use right agreement in August 2012 for a piece of land in Long An province of Vietnam with the purpose of constructing factory premises. The transaction was completed in October 2012, while the relevant construction works for the factory premises are almost at the completion stage. The estimated total sum for the preliminary investment of this project is approximately HK$35 million. It is expected that the production lines in the new factory premises will commence operation and attract additional export orders in the financial year of 2013 – 2014.

In November 2012, the Group entered into an agreement for the acquisition of an industrial property in Dongguan of China at a consideration of RMB46 million (equivalent to approximately HK$57 million). The Group has planned to occupy the industrial property in Dongguan for additional factory capacities after the expiry of an existing lease agreement with a third party in 2014. Afterwards, the Group will be able to rationalize its existing manufacturing facilities in China and gain further impetus to exploit potential market locally.

During the fiscal year, the Group strategically purchased the office premises in Shenzhen at a consideration of RMB27.5 million, acting as a headquarter for the Group's retail brand business. With number of directly managed stores and franchised stores increased to 139 and 159 respectively, the Group's retail sales in Mainland China grew by 31.7% to HK$202 million and accounted for 13.7% of the Group's turnover, notwithstanding the slowdown in economic growth and acute market competition in China.

PROSPECTS

The global economic outlook for the coming fiscal year is still considerably precarious. Europe's economy is hampered by the prolonged slump, while the United States looks frail in its revival pace. These would probably restrain the world-wide economy upturn and destabilize the financial market in the short to medium term.

With real gross domestic product edging up, consumer confidence and unemployment in the United States were improving lately. Despite current data providing a glimmer of hope, the overall economic growth is still despairing and falls short of the levels needed to bring the national economy back to trend. More worryingly, the eurozone remains stuck in recession, with economy contracted for the sixth straight quarter. Record high unemployment, social and political tugs and rising debt burdens are reigniting doubts about Europe's economic future.

In the midst of austere economic environment, evidently, the Group is undergoing a strenuous period. Unavoidably its upcoming short term profitability will continue to be affected by numerous uncertainties prevailing in economic conditions and market demand. Along with its pragmatic management attitude, strong competitive edges and long-term trust with customers, the Group is cautiously optimistic to triumph over the existing predicament once the global consumer market is rejuvenated with the alleviation of the eurozone crisis. Looking forward, the Group will continue applying all efforts to reinforce a firm base of customer-oriented services, fulfilling their precise requirements and high quality demand. As for cost control, we will continue realigning our resources to reduce costs structurally and devoting our efforts to implement lean management over all manageable areas to ensure all expenses are closely supervised and producing greatest benefits for the Group.

It is expected that the operational environment of the Group will continue to be arduous in the financial year of 2013 – 2014. Nonetheless, we have invested strategically to strive for gradual recovery in the coming years. With production facilities and workforce being outfitted stage-by-stage, the Group expects the throughput of the factory in Vietnam will gradually increase starting from the financial year of 2013 – 2014 and be able to help uplifting the Group's production capacities in the financial year of 2014 – 2015. After the expiry of the lease agreement with existing tenant in 2014, the industrial property in Dongguan of China that the Group newly acquired will be utilized by the Group for rationalization of its manufacturing facilities in China.

As indicated by the lower than expected gross domestic product, China's economic growth unexpectedly stumbled in the first three months of 2013. However, the Group is on the right track to seize the opportunities in the prevailing tough market and will be able to reap the rewards gradually in the years ahead. With our sustainable competitive advantages such as fashionable products, impressive image and expedient store locations, we are better positioned for business growth in the competitive market. As at the report date, there are 147 "Betu" stores directly managed by the Group; while 159 are operated by our franchisees.

ACKNOWLEDGEMENT

Last but not least, I would like to express my sincere appreciation to our valued shareholders, banks, customers, suppliers and fellow directors for their steadfast support and precious opinions. I would also like to thank the management team and all staff who devoted themselves to the Group throughout the past year.

Benson Tung Wah Wing
Chairman
Hong Kong, June 28, 2013

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors:

Benson Tung Wah Wing

Chairman

Chairman of Nomination Committee

Member of Remuneration Committee

Aged 62, is the principal founder of the Group. He has been involved in the garment industry since 1967. Under his leadership, the Group was listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1988. He is the brother of Mr. Tung Siu Wing, the uncle of Mr. Raymond Tung and the father of Mr. Martin Tung and Mr. Billy Tung. He and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona Investments Limited ("Corona"). Corona is the substantial shareholder of the Company (as disclosed in the section headed "Substantial Shareholders" in Directors' Report). Mr. Benson Tung is also a director of Corona.

Alan Lam Yiu On

Managing Director

Aged 51, was appointed as an executive director in 1995, the deputy managing director in 2001 and then the managing director in 2003. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Raymond Tung Wai Man

Aged 47, joined the Group in 1988 and was appointed as an executive director in 2000. He is also an executive director of Tungtex Trading Company Limited. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung and Mr. Tung Siu Wing and the cousin of Mr. Martin Tung and Mr. Billy Tung.

Martin Tung Hau Man

Aged 38, joined the Group in 2000 and was promoted to assistant director in 2002 and was appointed as an executive director in 2010. He is also the managing director of Sing Yang Trading Limited. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick. He is the son of Mr. Benson Tung, the brother of Mr. Billy Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung. Mr. Martin Tung is a director of Corona.

Billy Tung Chung Man

Aged 36, joined the Group in 2001 and was promoted to assistant director in 2003, and was appointed as an executive director in 2010. He is also the managing director of the Group's retail operation. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung, the brother of Mr. Martin Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung. Mr. Billy Tung is a director of Corona.

Non-executive Directors:

Tung Siu Wing

Aged 63, is a co-founder of the Group. He was re-designated as a non-executive director in 2002. He has been involved in the garment industry for over 47 years. He is a brother of Mr. Benson Tung and the uncle of Mr. Raymond Tung, Mr. Martin Tung and Mr. Billy Tung.

Kevin Lee Kwok Bun

Aged 63, was appointed as an executive director in 1987. He was re-designated as a non-executive director of the Company in 1995. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science Degree from The University of Hong Kong.

Independent Non-executive Directors:

Johnny Chang Tak Cheung

Aged 70, has been a non-executive director since the listing of the Company's shares in 1988. He was re-designated as an independent non-executive director of the Company in 1995. He has 45 years' experience in the garment business and is currently a director of a famous shirt making private company. He is the uncle of Mr. Tony Chang.

Tony Chang Chung Kay

Member of Audit Committee, Remuneration Committee and Nomination Committee

Aged 57, was appointed as a non-executive director in 1994. He was re-designated as an independent non-executive director of the Company in 1995. He is a director of a famous shirt making private company and has 36 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University. He is the nephew of Mr. Johnny Chang.

Robert Yau Ming Kim

Chairman of Remuneration Committee

Member of Audit Committee and Nomination Committee

Aged 74, was appointed as an independent non-executive director in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of The Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he served as trade officer in the Hong Kong Government in 1960s. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, which shares are listed on the Main Board of the Stock Exchange.

Edwin Siu Pui Lap

Member of Audit Committee

Aged 61, was appointed as the independent non-executive director in September 2012. He is a retired banker with extensive experience in banking operations and business finance activities. He began his banking career in 1972 and held senior positions in various large international banks for the following 40 years, with extensive experience in the fields of internal audit, financial analysis, credit administration and corporate finance. He retired from the banking industry in mid-2012 and now engages in providing business and financial advisory services to private companies.

Leslie Chang Shuk Chien

Chairman of Audit Committee

Member of Remuneration Committee and Nomination Committee

Aged 66, was appointed as the independent non-executive director in November 2012. He is an associate member of Hong Kong Institute of Certified Public Accountants. He is the managing director of Chang Leung Hui & Li C.P.A. Limited since 1997. He is a certified public accountant practicing in Hong Kong since 1982 and has over 35 years of experience in the field of auditing and accounting.

Senior Management:

Dixon Ng Po Chuen

Aged 56, is the managing director of Golden Will Fashions Limited. He joined the Group in 1991 and has 38 years' experience in the garment industry. He holds a Certificate in Clothing from the Institute of Vocational Education (Kwun Tong).

Lee Siu Mei

Aged 39, is the group chief financial officer and the company secretary of the Company. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in 1999, she worked for an international accounting firm for about 3 years. She holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Monnie Tong Lai Ying

Aged 51, is the general manager of Do Do Fashion Limited in charge of Finance and Administration. She joined the Group in 1988 and has 29 years' experience in the garment industry.

Tammy Wong Ming Hung

Aged 54, is a director of Yellow River, Inc.. Prior to joining Yellow River, Inc. in 1986, she worked for Do Do Fashion Limited for 9 years. She has 36 years' experience in the garment industry.

Daniel Kwok Sui Chuen

Aged 59, is the president of THL Inc.. Prior to joining the Group in 2004, he was the owner and senior management of a number of apparel manufacturing and retail companies in the United States. He has 29 years' experience in the garment industry. He holds a Bachelor of Science Degree from Stanford University and a Master of Business Administration Degree from The University of Chicago.

Dong Zhong Hui

Aged 58, is the assistant general manager of China operation and a director of Sing Yang (Overseas) Limited. He joined the Group in 1983 and has 33 years' experience in the garment industry. He graduated from the Physics Department of Shanghai Fudan University.


betu

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Due to the sluggish revival pace in world-wide economy, the Group's turnover dropped by 7.8% to HK$1,476 million in the fiscal year. Together with the increase in fair value of investment properties, however, the loss attributable to owners of the Company and loss per share diminished by 25.4% to HK$13.9 million and HK$4.0 cents respectively.

In terms of geographical segment, export sales to North America segment and Europe and other market segment declined by 11.7% and 24.6% respectively; while total sales in Asia segment increased by 30.9%. Decline in overall sales during the fiscal year hindered the economies of scale and therefore affecting the Group's profitability as a whole. The pre-tax contribution from North America segment, Europe and other markets segment and Asia segment fell to HK$7.2 million, HK$0.9 million and negative HK$2.3 million respectively. Benefited from the rising real estate market, the Group recorded an increase in fair value of its investment properties of HK$47.9 million, a rise of HK$27.2 million as compared with last year's.

During the fiscal year, the Group managed to maintain the percentage of consolidated cost of sales to total sales as 80.9%, which marginally better than last year's 81.0%. The Group reinforced promotion activities for its retail business during the year, making the selling and distribution costs increased by 1.1% to HK$100.8 million. Meanwhile, the administrative expenses sustained at HK$241.9 million, similar to that of last year. Due to the increased utilization of bank loans for financing our operation and development projects, finance costs increased by 32.0% to HK$4.0 million.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$69.3 million capital expenditure (2012: HK$16.0 million) including the addition of prepaid lease payments. Apart from the regular replacement and upgrade of production facilities, it mainly represented the acquisition of the commercial premises in Shenzhen of China and the investments in Vietnam's factory.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position continued to be closely monitored and prudently managed throughout the year under review. At the end of the financial year, the Group's cash level was recorded at HK$224 million as compared to HK$179 million of last year. Most of the bank balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$227 million, which were denominated in USD, HKD, RMB and Euro, consisted of HK$161 million short-term bank borrowings and HK$66 million long-term bank borrowings. The gearing ratio (total bank borrowings to total equity) was 49.6% and net debt to equity ratio (total bank borrowings net of bank balances and cash to total equity) was 0.6%. The Group is of the opinion that, after taking into account the financial resources available including the existing banking facilities of the Group, internally generated funds and the estimated net proceeds from the rights shares issued after fiscal year end, the Group has sufficient working capital to satisfy its operating requirements. Working capital cycle remained under strict control. Inventory turnover shortened from last year's 41 days to 39 days. Trade receivable turnover of this year was 43 days, 4 days longer than last year's, mainly due to the decline in annual sales volume while the sales of the last month of the fiscal year being greater than that of last year. Owing to the increase in bank borrowings in the fiscal year, current ratio and quick ratio reduced from last year's 2.1 and 1.4 to 1.6 and 1.2 respectively, which have been subsequently improved after the completion of rights issue after the fiscal year end.

At the end of the financial year, certain land and buildings with an aggregate net book value of approximately HK$5 million (2012: HK$11 million) and certain investment properties with an aggregate carrying value of approximately HK$136 million (2012: HK$66 million) were pledged to banks to secure general banking facilities granted to the Group. During the fiscal year, there was an additional security given to a bank for an investment property with fair value of HK$38 million.

RIGHTS ISSUE

In early June of 2013, the Company issued 70,346,259 ordinary shares of HK$0.20 each at a subscription price of HK$0.80 each, by way of rights issue in the proportion of one rights share for every five shares held on May 9, 2013. As a result of the rights issue, the total number of issued shares of the Company increased to 422,077,557. With estimated net proceeds of the rights issue of approximately HK$53.8 million, the Group has adequate financial resources to enhance its production capacities in Vietnam and Mainland China and to support its general working capital.

TREASURY POLICY

The Group continued to adopt prudent policies consistently to hedge 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 incomes from our retail business in China are denominated in RMB and a tiny portion destined for the European export markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB and the EUR exchange rate fluctuation may be significant, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

The Group regards employees as the most valuable asset and the core element of our long-term success. Building a strong and coherent team has always been our management priority. During the year under review, the Group has streamlined the human resources structure so as to sustain competitive edge. As at March 31, 2013, the Group has approximately 5,400 employees globally, as compared to 5,800 as at March 31, 2012. Meanwhile, we keep on retaining competent staff who dedicate to develop their careers with our corporate values by offering career development opportunities and competitive remuneration package with reference to the market practice. To inspire our staff's efforts towards our strategic goals, we aim at developing all our employees a sense of belonging to the Group via providing job satisfaction and empowerment.


ZELDA

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") made various amendments to the Code on Corporate Governance (the "Former Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and renamed it the Corporate Governance Code (the "Code"). The Code took effect on April 1, 2012. The Company complied with all the code provisions set out in the Code throughout the review year.

A. DIRECTORS

A.1 The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders.

The Board meets regularly, and at least four times a year scheduled at approximately quarterly intervals according to the Code. Between scheduled meetings, monthly updates for the performance of the Group are provided to directors on a regular basis. Whenever warranted, additional board meetings are held. During the year ended March 31, 2013, an Annual General Meeting ("AGM") and seven Board meetings were held. The attendance of each director is set out as follows:

Name of director	Attendance at 2012 AGM	Attendance at Board meetings
Mr. Benson Tung Wah Wing	1/1	7/7
Mr. Alan Lam Yiu On	1/1	7/7
Mr. Raymond Tung Wai Man	1/1	7/7
Mr. Martin Tung Hau Man	1/1	7/7
Mr. Billy Tung Chung Man	1/1	7/7
Mr. Tung Siu Wing	1/1	7/7
Mr. Kevin Lee Kwok Bun	1/1	7/7
Mr. Johnny Chang Tak Cheung	1/1	7/7
Mr. Tony Chang Chung Kay	1/1	7/7
Mr. Robert Yau Ming Kim	1/1	7/7
Mr. Edwin Siu Pui Lap (appointed on September 27, 2012)	N/A	4/4
Mr. Leslie Chang Shuk Chien (appointed on November 7, 2012)	N/A	3/3
Mr. Joseph Wong King Lam (resigned on September 27, 2012)	1/1	3/3

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is normally given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

A.2 Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr. Benson Tung Wah Wing being the Chairman and Mr. Alan Lam Yiu On being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. Apart from the regular Board meetings, the Chairman holds at least one meeting with the non-executive directors (including independent non-executive directors) annually without the presence of executive directors.

A.3 Board composition

The Board consists of five executive directors, two non-executive directors and five independent non-executive directors:

Executive directors:

Mr. Benson Tung Wah Wing *(Chairman)*
Mr. Alan Lam Yiu On *(Managing Director)*
Mr. Raymond Tung Wai Man
Mr. Martin Tung Hau Man
Mr. Billy Tung Chung 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. Robert Yau Ming Kim
Mr. Edwin Siu Pui Lap
Mr. Leslie Chang Shuk Chien

More than one-third of the Board are independent non-executive directors. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Johnny Chang Tak Cheung is the uncle of Mr. Tony Chang Chung Kay. They declare the relationship does not affect their independence as they make decision independently and vote in their own accord. Mr. Leslie Chang Shuk Chien, an independent non-executive director of the Company, is the managing director of Chang Leung Hui & Li C.P.A. Limited ("Mr. Chang's Firm") which provides auditing, accounting and taxation services to the public. Mr. Chang's Firm, through another engagement partner, has been providing auditing, accounting and taxation services to a private company controlled by Mr. Robert Yau Ming Kim, an existing independent non-executive director of the Company, and personal taxation service to Mr. Yau himself for over 20 years. Mr. Chang personally was not, and would not be involved in the provision of any services to Mr. Yau and his controlled company. Apart from the above, Mr. Chang or Mr. Chang's Firm has not provided and does not provide services to any of the Company's existing directors (including executive directors) and/or substantial shareholders. Nor has he been involved and is involved in business dealings with the Company, its respective subsidiaries, its executive directors or with any connected persons of the Company. In view of the above and that the level of fees received by Mr. Chang's Firm from Mr. Yau and his controlled company is insignificant, the Company considers they are independent. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

The relationship among members of the Board is disclosed in "Profile of Directors and Senior Management" of this annual report.

A.4 Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 9 to 10.

The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group. Any nomination of directors will be reviewed and discussed by the Nomination Committee. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration.

A.5 Nomination Committee

A Nomination Committee was established by the Company on March 20, 2012. The Committee is chaired by Mr. Benson Tung Wah Wing, the Chairman of the Board. The other members are independent non-executive directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify and nominate potential individuals for directorship, and assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. Nomination Committee meets at least once a year. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the year ended March 31, 2013, the Nomination Committee held three meetings, with attendance record as follows:

Name of member	**Number of attendance**
Mr. Benson Tung Wah Wing *(Chairman)*	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Robert Yau Ming Kim	3/3
Mr. Leslie Chang Shuk Chien (appointed on November 7, 2012)	N/A

The following is a summary of the work of the Nomination Committee during the year ended March 31, 2013:

– Reviewed the structure and composition of the Board;
– Reviewed the retirement of directors by rotation and the re-appointment of retiring directors at 2012 AGM;
– Nominated new directors; and
– Assessed the independence of independent non-executive directors.

A.6 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended March 31, 2013. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

The directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

The Company has from time to time provided relevant reading materials and briefings to directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements relating to the roles, functions and duties of a listed company director. Attendance at external seminars or briefing sessions on the relevant topics also counts toward Continuous Professional Development ("CPD") training.

The directors have provided to the Company their records of CPD training during the year ended March 31, 2013 and the CPD training undertaken by the directors is summarised into the following areas:

Name of Director	Legal, regulatory and Corporate Governance	Directors' roles, functions and duties
Executive directors:		
Mr. Benson Tung Wah Wing	✓	✓
Mr. Alan Lam Yiu On	✓	✓
Mr. Raymond Tung Wai Man	✓	✓
Mr. Martin Tung Hau Man	✓	✓
Mr. Billy Tung Chung 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. Robert Yau Ming Kim	✓	✓
Mr. Edwin Siu Pui Lap	✓	✓
Mr. Leslie Chang Shuk Chien	✓	✓

A.7 Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Robert Yau Ming Kim, who is an independent non-executive director and a majority of the members are independent non-executive directors.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. The Remuneration Committee ensures that no Director or any of his associates is involved in deciding his own remuneration. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2013, the Remuneration Committee held four meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	3/4
Mr. Benson Tung Wah Wing	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Leslie Chang Shuk Chien (appointed on November 7, 2012)	1/1
Mr. Joseph Wong King Lam (resigned on September 27, 2012)	2/2

The following is a summary of the work of the Remuneration Committee during the year ended March 31, 2013:

- Determined, with delegated responsibility, the remuneration packages of individual executive directors and senior management;
- Made recommendations to the Board on the remuneration of non-executive directors;
- Approved the remuneration packages for new directors;
- Approved annual bonus for the year ended March 31, 2013; and
- Ensured that no director or any of his associates is involved in deciding his own remuneration.

The remuneration paid to the members of senior management by bands for the year ended March 31, 2013 is set out below:

Remuneration bands	Number of individuals
Up to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	2
HK$2,500,001 to HK$3,000,000	1

In order to attract and retain suitable and high-calibre personnel, to incentivise them to contribute to the future development and growth of the Group, a share option scheme was adopted by the Company on September 5, 2006. Details of the share option scheme are set out in note 31 to the consolidated financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended March 31, 2013 is in accordance with statutory requirements and applicable accounting standards.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis.

The primary objective of the Company is to maximize shareholders' value and sustain steady business development in the long run. The "Chairman's Statement" contain a discussion and analysis of the group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

C.2 Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Resources, qualifications and experience of the Group's accounting staff and financial reporting function, and their training programmes and budget are considered by the Board from time to time.

C.3 Audit Committee

The Audit Committee was established in 1999 and all the members are independent non-executive directors. Mr. Edwin Siu Pui Lap was appointed as the Chairman of the Committee to replace Mr. Joseph Wong King Lam on September 27, 2012 and then he has resigned this position and has remained as a member of the Committee both with effect from November 7, 2012. Mr. Leslie Chang Shuk Chien, who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting, has been appointed as the Chairman of the Committee with effect from November 7, 2012. None of the Audit Committee members is a former partner of the existing auditing firm of the Company during the one year after he ceases to be a partner of the auditing firm. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2013 the Audit Committee held four meetings with attendance record as follows:

Name of member	Number of attendance
Mr. Leslie Chang Shuk Chien (appointed as Chairman on November 7, 2012)	1/1
Mr. Tony Chang Chung Kay	4/4
Mr. Robert Yau Ming Kim	3/4
Mr. Edwin Siu Pui Lap (appointed as Chairman on September 27, 2012 and redesignated as member on November 7, 2012)	1/1
Mr. Joseph Wong King Lam (Former Chairman, resigned on September 27, 2012)	3/3

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2013 and the interim accounts for six months ended September 30, 2012 respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

C.4 Remuneration to the external auditors of the Company

The remuneration to the external auditors of the Company for the year ended March 31, 2013 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit services	1,877
Non-audit services	
– taxation services	194
– other services	349

D. DELEGATION BY THE BOARD

D.1 Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

D.2 Board committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

D.3 Corporate governance functions

The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Terms of Reference of the Board of the Company and the relevant duties include the followings:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the AGM. The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company gives at least 20 clear business days' prior notice to shareholders before the AGM. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

At the 2012 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board (also being the Chairman of the Nomination Committee), Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2012 AGM and were available to answer questions of the shareholders.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis. The Board has adopted a shareholders' communication policy which will be subject to periodic review to ensure its effectiveness.

E.2 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2012 AGM.

At the 2013 AGM, the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and the Stock Exchange on the business day following the general meeting.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments. The activities of its principal subsidiaries and associates are set out in notes 20 and 21 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 19% and 37%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 23% and 36%, respectively.

At no time during the year did a director, associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2013 are set out in the consolidated income statement on page 37.

An interim special dividend of HK1 cent per share amounting to HK$3,517,000 was paid to the shareholders during the year. The directors now recommend the payment of a special dividend of HK1 cent per share to the shareholders on the register of members on September 5, 2013, amounting to HK$4,221,000 in aggregate.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2013 represented the retained profits of HK$297,895,000 (2012: HK$330,400,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 112.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at March 31, 2013. The increase in fair value of investment properties of HK$47,949,000 is recognised in the consolidated income statement. Details of the movements during the year in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has incurred capital expenditure of HK$69,323,000 including the addition of prepaid lease payments. It mainly represented purchase of new office premises, sublease of land use right, construction of a new factory premises, leasehold improvements and upgrading of production facilities.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-executive directors:

Tung Siu Wing
Kevin Lee Kwok Bun

Independent non-executive directors:

Johnny Chang Tak Cheung	
Tony Chang Chung Kay	
Robert Yau Ming Kim	
Edwin Siu Pui Lap	(appointed on September 27, 2012)
Leslie Chang Shuk Chien	(appointed on November 7, 2012)
Joseph Wong King Lam	(resigned on September 27, 2012)

Pursuant to Article 84(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as The Stock Exchange of Hong Kong Limited (the "Stock Exchange") may from time to time prescribe. Accordingly, Messrs. Billy Tung Chung Man, Tung Siu Wing, Tony Chang Chung Kay and Robert Yau Ming Kim retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 87 of the Company's Articles of Association, Mr. Edwin Siu Pui Lap and Mr. Leslie Chang Shuk Chien retire and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2013, the interests and short positions of the directors, the 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions 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 Issuers (the "Model Code") contained in the Listing Rules 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	0.53%
Raymond Tung Wai Man	Beneficial owner	300,000	1,000,000	1,300,000	0.37%
Martin Tung Hau Man	Beneficial owner	370,000	1,000,000	1,370,000	0.39%
Billy Tung Chung Man	Beneficial owner	412,000	1,000,000	1,412,000	0.40%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.56%
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%

Notes:

(a) Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona Investments Limited ("Corona"). Corona owned 125,049,390 shares in the Company as at March 31, 2013, representing 35.55% of the issued share capital of the Company. By virtue of the SFO, Mr. Benson Tung Wah Wing is deemed to be interested in the shares held by Corona.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 231,680 shares in the Company as at March 31, 2013. He is also a beneficiary of a trust, Chaco International Limited, which owned 1,710,000 shares in the Company as at March 31, 2013.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at March 31, 2013, none of the directors, the 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 associated corporations (within the meaning of Part XV of the SFO) which have been to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions 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.

SHARE OPTIONS

Particulars of the share option scheme and the movements in share options of the Company are set out in note 31 to the consolidated financial statements.

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

					Number of share options				
	Date of grant	Vesting period	Exercise period	Exercisable price per share *HK$*	Outstanding at April 1, 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at March 31, 2013
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
Martin Tung Hau Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Billy Tung Chung Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Total for directors					6,000,000	–	–	–	6,000,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,600,000	–	–	(1,700,000)	4,900,000
Total for employees					6,600,000	–	–	(1,700,000)	4,900,000
Total for all categories					12,600,000	–	–	(1,700,000)	10,900,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above and in note 31 "Share-based payment transactions" to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or 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 year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2013, shareholders who had interests or short positions in the shares and underlying shares of the Company, other than directors or chief executives of the Company, 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:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited	Beneficial owner	125,049,390 *(note a)*	35.55%
Madam Wong Fung Lin	Interest of controlled corporation	125,049,390 *(note b)*	35.55%
	Interest of a spouse	1,500,000 *(note c)*	0.43%
FMR LLC	Investment manager	25,000,000 *(note d)*	7.11%

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) The 125,049,390 shares are shares in issue held by Corona, the entire issued share capital of which is beneficially owned by Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, in equal shares. By virtue of the SFO, Madam Wong Fung Lin is deemed to be interested in the shares held by Corona.

(c) The 1,500,000 shares are underlying shares held by Mr. Benson Tung Wah Wing, the spouse of Madam Wong Fung Lin, under the Share Options. By virtue of the SFO, Madam Wong Fung Lin is deemed to be interested in these shares in which Mr. Benson Tung Wah Wing is interested.

(d) FMR LLC was deemed to be interested as an investment manager in the 25,000,000 shares through its controlled corporations, Fidelity Management & Research Company, which was interested in 22,000,000 shares, and Fidelity Management Trust Company, Pyramis Global Advisors Trust Company and Pyramis Global Advisors LLC, which were interested in 3,000,000 shares in total.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Other than as disclosed above, as at March 31, 2013, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company, other than those mentioned in the section Directors' and Chief Executives' Interests and Short Positions in shares, Underlying Shares and Debentures, 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.

CONNECTED AND RELATED PARTY TRANSACTIONS

Connected and related party transactions entered into by the Group during the year ended March 31, 2013 are disclosed in note 39 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2013, the Company complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange with effect from April 1, 2012.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 17 to 26 of the Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Company's performance.

The Company has adopted a share option scheme to directors and eligible employees, details of the scheme are set out in note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2013.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$193,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Benson Tung Wah Wing
Chairman

Hong Kong, June 28, 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕(集團)有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 111, which comprise the consolidated and company statements of financial position as at March 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
June 28, 2013

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Revenue	*7*	**1,476,055**	1,600,592
Cost of sales		**(1,194,690)**	(1,296,101)
Gross profit		**281,365**	304,491
Other income	*8*	**3,503**	3,317
Increase in fair value of investment properties		**47,949**	20,677
Fair value changes on derivative financial instruments		**386**	56
Selling and distribution costs		**(100,804)**	(99,680)
Administrative expenses		**(241,929)**	(242,167)
Finance costs	*9*	**(3,955)**	(2,997)
Share of profits of associates		**473**	332
Loss before tax	*10*	**(13,012)**	(15,971)
Income tax expense	*13*	**(8,473)**	(5,946)
Loss for the year		**(21,485)**	(21,917)
Loss for the year attributable to:			
Owners of the Company		**(13,900)**	(18,630)
Non-controlling interests		**(7,585)**	(3,287)
		(21,485)	(21,917)
Loss per share	*15*		
Basic and diluted (HK cents)		**(4.0)**	(5.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2013

	2013 *HK$'000*	2012 *HK$'000*
Loss for the year	**(21,485)**	(21,917)
Other comprehensive (expenses) income		
Exchange differences arising on translation of foreign operations	**(2,970)**	660
Exchange differences arising on translation of associates	**–**	100
Other comprehensive (expenses) income for the year	**(2,970)**	760
Total comprehensive expenses for the year	**(24,455)**	(21,157)
Total comprehensive expenses for the year attributable to:		
Owners of the Company	**(16,870)**	(17,850)
Non-controlling interests	**(7,585)**	(3,307)
	(24,455)	(21,157)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	16	**144,169**	97,416
Property, plant and equipment	17	**144,594**	100,077
Prepaid lease payments	18	**16,805**	11,296
Deposit paid for acquisition of property, plant and equipment		**12,373**	–
Intangible assets	19	**–**	33
Interests in associates	21	**3,324**	2,851
Deferred tax assets	22	**13**	74
		321,278	211,747
Current assets			
Inventories	23	**159,374**	180,709
Trade and other receivables	24	**220,338**	206,087
Prepaid lease payments	18	**456**	384
Amount due from an associate	39	**–**	3,030
Tax recoverable		**2,299**	4,330
Derivative financial instruments	28	**386**	56
Bank balances and cash	25	**224,490**	178,667
		607,343	573,263
Current liabilities			
Trade and other payables	26	**217,346**	228,739
Amount due to an associate	39	**738**	–
Amount due to a non-controlling shareholder of a subsidiary	39	**–**	900
Tax liabilities		**101**	816
Obligations under finance leases – due within one year	27	**124**	76
Bank borrowings	29	**161,238**	44,292
		379,547	274,823
Net current assets		**227,796**	298,440
Total assets less current liabilities		**549,074**	510,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Non-current liabilities			
Bank borrowings	*29*	**66,150**	–
Deferred tax liabilities	*22*	**24,673**	17,076
Obligations under finance leases			
– due after one year	*27*	**207**	60
		91,030	17,136
		458,044	493,051
Capital and reserves			
Share capital	*30*	**70,346**	70,346
Reserves		**357,042**	384,464
Equity attributable to owners of the Company		**427,388**	454,810
Non-controlling interests		**30,656**	38,241
		458,044	493,051

The consolidated financial statements on pages 37 to 111 were approved and authorised for issue by the Board of Directors on June 28, 2013 and are signed on its behalf by:

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

STATEMENT OF FINANCIAL POSITION

At March 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**2,403**	3,087
Investments in subsidiaries	20	**113,196**	113,196
Investment in an associate	21	**1,686**	1,686
		117,285	117,969
Current assets			
Deposits and other receivables	24	**1,729**	2,451
Amounts due from subsidiaries	39	**349,503**	383,776
Tax recoverable		**–**	7
Bank balances and cash	25	**9,595**	5,071
		360,827	391,305
Current liabilities			
Other payables and accruals	26	**5,322**	4,836
Amounts due to subsidiaries	39	**15,014**	14,089
		20,336	18,925
Net current assets		**340,491**	372,380
Total assets less current liabilities		**457,776**	490,349
Non-current liability			
Deferred tax liabilities	22	**43**	111
		457,733	490,238
Capital and reserves			
Share capital	30	**70,346**	70,346
Reserves	32	**387,387**	419,892
		457,733	490,238

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2013

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital redemption reserve**	**Translation reserve**	**Share option reserve**	**Asset revaluation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2011	70,346	84,880	3,930	(1,505)	682	6,128	330,182	494,643	44,748	539,391
Loss for the year	–	–	–	–	–	–	(18,630)	(18,630)	(3,287)	(21,917)
Exchange differences arising on translation of foreign operations	–	–	–	717	–	–	–	717	(57)	660
Exchange differences arising on translation of associates	–	–	–	63	–	–	–	63	37	100
Total comprehensive expenses for the year	–	–	–	780	–	–	(18,630)	(17,850)	(3,307)	(21,157)
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	(21,983)	(21,983)	–	(21,983)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,200)	(3,200)
At March 31, 2012	70,346	84,880	3,930	(725)	682	6,128	289,569	454,810	38,241	493,051
Loss for the year	–	–	–	–	–	–	(13,900)	(13,900)	(7,585)	(21,485)
Exchange differences arising on translation of foreign operations	–	–	–	(2,970)	–	–	–	(2,970)	–	(2,970)
Total comprehensive expenses for the year	–	–	–	(2,970)	–	–	(13,900)	(16,870)	(7,585)	(24,455)
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	(10,552)	(10,552)	–	(10,552)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	3,596	3,596
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,596)	(3,596)
At March 31, 2013	**70,346**	**84,880**	**3,930**	**(3,695)**	**682**	**6,128**	**265,117**	**427,388**	**30,656**	**458,044**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2013

	2013 *HK$'000*	2012 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(13,012)**	(15,971)
Adjustments for:		
Depreciation of property, plant and equipment	**20,133**	20,575
Increase in fair value of investment properties	**(47,949)**	(20,677)
Write down of inventories	**5,533**	505
Finance costs	**3,955**	2,997
Amortisation of prepaid lease payments	**456**	384
Loss on disposal of property, plant and equipment	**248**	418
Amortisation of intangible assets	**33**	73
Share of profits of associates	**(473)**	(332)
Bank interest income	**(238)**	(249)
Fair value changes on derivative financial instruments	**(386)**	(56)
Operating cash flows before movements in working capital	**(31,700)**	(12,333)
Decrease (increase) in inventories	**15,802**	(5,776)
(Increase) decrease in trade and other receivables	**(14,251)**	2,272
Decrease (increase) in amount due from/to an associate	**3,768**	(88)
(Decrease) increase in trade and other payables	**(14,648)**	13,143
Increase (decrease) in derivative financial instruments	**56**	(756)
Cash used in operations	**(40,973)**	(3,538)
Hong Kong Profits Tax paid	**(377)**	(4,085)
Taxation in other jurisdictions paid	**(1,208)**	(813)
Hong Kong Profits Tax refunded	**1,868**	4,260
Taxation in other jurisdictions refunded	**299**	391
NET CASH USED IN OPERATING ACTIVITIES	**(40,391)**	(3,785)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(62,955)**	(15,835)
Deposit paid for acquisition of property, plant and equipment	**(12,373)**	–
Addition to prepaid lease payments	**(6,037)**	–
Proceeds on disposal of property, plant and equipment	**586**	203
Interest received	**238**	249
NET CASH USED IN INVESTING ACTIVITIES	**(80,541)**	(15,383)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2013

	2013 *HK$'000*	2012 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	226,167	122,254
Capital contribution by non-controlling shareholders of subsidiaries	3,596	–
Repayment of bank borrowings	(44,209)	(121,624)
Dividends paid	(10,552)	(21,983)
Interest paid	(3,955)	(2,997)
Dividends paid to non-controlling shareholders of subsidiaries	(3,596)	(3,200)
Repayment to a non-controlling shareholder of a subsidiary	(900)	(400)
Repayment of obligations under finance leases	(152)	(160)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	166,399	(28,110)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,467	(47,278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	178,667	224,767
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	356	1,178
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balance and cash	224,490	178,667

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company is disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 20 and 21, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments to standards in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. Since the Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time through generating rental income, rather than through sale, the directors have rebutted the presumption in HKAS 12. Consequently, the Group continues to recognise deferred tax for its investment properties based on the expectation that they will be recovered through use. The application of the amendments to HKAS 12 in the current year has had no effect on the deferred tax liabilities in relation to the Group's investment properties.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 7 Disclosures – "Transfers of Financial Assets"

The Group has applied for the first time the amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as discounted bills (see note 29). The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7 (see note 24a). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurements[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

1 Effective for annual periods beginning on or after January 1, 2013.
2 Effective for annual periods beginning on or after January 1, 2014.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after July 1, 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2015 and will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at March 31, 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and the directors anticipate that the application of HKFRS 13 may result in more extensive disclosures in the consolidated financial statements, particularly in respect of the Group's investment properties measured at fair value.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are relevant to the Group are described below.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

The package of five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013.

The directors anticipate these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and it may lead to more extensive disclosures.

Other than described above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

If an investment property becomes a property, plant and equipment because its use has changed as evidenced by the end of holding to earn rentals and/or for capital appreciation and commencement of owner-occupation, it is transferred from investment property to property, plant and equipment at fair value (which is regarded as deemed cost) on the date of transfer.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or for administrative purposes (other than properties under construction as described below) are stated at cost (or deemed cost) less subsequent accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than freehold land (other than properties under construction as described below), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

Investments in associates

An associate is an entity, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the statement of financial position of the Company, investments in associates are stated at cost, as reduced by any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and is included in the "Fair value changes on derivative financial instruments" in the consolidated income statement. Fair value is determined in the manner described in note 28.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from an associate/subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Other financial liabilities (including trade and other payables, amounts due to a non-controlling shareholder of a subsidiary/an associate/subsidiaries, obligation under finance leases and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generated unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share option scheme expires, the share option reserve related to forfeited share options will be transferred to retained profits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, through generating rental income. Therefore, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group continues to recognised deferred tax for its investment properties based on the expectation that they will recover through use, rather than through sale. As at March 31, 2013, deferred tax liabilities related to the revaluation of investment properties is HK$21,231,000 (2012: HK$13,540,000).

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated allowance for trade and other receivables

Management regularly reviews the recoverability of trade and other receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows are less than expected, additional allowance may be required. No allowance for trade and other receivables were provided for both years. As at March 31, 2013, the carrying amount of trade and other receivables is HK$220,338,000 (2012: HK$206,087,000).

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of their recoverable amount, which is the higher of the property, plant and equipment's fair value less costs to sell and value in use. The property, plant and equipment's fair value less costs to sell was estimated based on the best information available to reflect the amount that the Group can obtain, at the end of the reporting period, from the disposal of the property, plant and equipment in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Where the recoverable amount is less than expected, a material impairment loss may arise. No impairment of property, plant and equipment were provided for both years. As at 31 March 2013, the carrying amount of property, plant and equipment is HK$144,594,000 (2012: HK$100,077,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
At FVTPL – Derivative financial instruments	**386**	56	**–**	–
Loans and receivables (including cash and cash equivalents)	**407,634**	362,367	**359,959**	390,534
	408,020	362,423	**359,959**	390,534
Financial liabilities				
Obligation under finance lease	**331**	136	**–**	–
Amortised cost	**375,957**	204,816	**15,835**	14,920
	376,288	204,952	**15,835**	14,920

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, amounts due from an associate, derivative financial instruments, bank balances and cash, trade and other payables, amounts due to a non-controlling shareholder of a subsidiary/an associate, obligations under finance leases and bank borrowings. The major financial instruments of the Company include other receivables, amounts due from subsidiaries, bank balance and cash, other payables and amounts due to subsidiaries and financial guarantee contracts. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Company has foreign currency amounts due from (to) subsidiaries, which expose the Company to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the group entities and the Company with USD as functional currency at the end of the reporting period that are considered significant by management are as follows:

	THE GROUP				THE COMPANY			
	Liabilities		Assets		Liabilities		Assets	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**136,550**	64,580	**29,108**	21,640	**15,835**	14,920	**358,035**	386,069
Renminbi ("RMB")	**1,796**	2,055	**2,566**	2,662	**–**	–	**25**	25
EURO ("EUR")	**1,236**	30	**1,382**	3,011	**–**	–	**–**	–
Thai Baht ("THB")	**792**	664	**1,353**	1,067	**–**	–	**–**	–

As at March 31, 2013, the derivative financial instruments of the Group represent foreign currency forward contracts with aggregate notional amounts of HKD25,300,000, EUR597,000 and USD38,000 (2012: HKD44,300,000 and EUR623,000). Details of which are set out in note 28. Upon the maturity of the foreign currency forward contracts, the Group buy RMB, USD and EUR amounting to RMB20,565,000 and USD781,000 and EUR29,000, respectively, in total (2012: the Group buy RMB and USD amounting to RMB36,257,000 and USD811,000, in total).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

As HKD is pegged with USD, currency risk in relation to HKD denominated monetary assets/liabilities is expected to be minimal.

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB, EUR and THB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be increase in post-tax loss for the year where USD strengthens against RMB, EUR and THB by 5%, and vice versa.

	THE GROUP					
	RMB impact		EUR impact		THB impact	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Increase/(decrease) in post-tax loss for the year	**32**	25	**6**	124	**23**	17

As at March 31, 2013, for the Group's outstanding foreign currency forward contracts, if the market bid forward foreign exchange rate of RMB against HKD and USD against EUR had been 5% higher/lower, post-tax loss for the year would decrease/increase by approximately HK$859,000 and HK$34,000, respectively.

As at March 31, 2012, for the Group's outstanding foreign currency contracts, if the market bid forward foreign exchange rate of RMB against HKD and USD against EUR had been 5% higher/lower, post-tax loss for the year would decrease/increase by approximately HK$1,618,000 and HK$269,000, respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings as at March 31, 2013. The Group is mainly exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances, amount due to a non-controlling shareholder of a subsidiary and bank borrowings as at March 31, 2012. In addition, the Company is also exposed to cash flow interest rate risk in relation to the floating-rate bank balances and amounts due from subsidiaries as at March 31, 2013 and 2012. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the years ended March 31, 2013 and 2012, the Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's bank borrowings. The Company does not have exposure to interest rate risk on financial liabilities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting date.

The analysis is prepared assuming the outstanding amount at the end of the reporting period was outstanding for the whole year. For the year ended March 31, 2013, 50 basis points increase or decrease for bank borrowings is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$1,137,000.

For the year ended March 31, 2013, the Company's exposure to interest rate risk of financial liabilities is not significant and no sensitivity analysis is performed.

For the year ended March 31, 2012, the Group's and the Company's exposure to interest rate risk on financial liabilities is not significant and no sensitivity analysis performed.

Credit risk

As at March 31, 2013, the maximum exposure to credit risk by the Group and the Company which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amounts of the recognised financial assets as stated in the consolidated and Company statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Company as disclosed in note 35.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's concentration of credit risk on trade receivables by geographical locations is mainly in the United States of America (the "USA") which accounted for 73% (2012: 74%) of the total trade receivables balance at March 31, 2013. The Group also has concentration of credit risk on its five largest customers which represent 28% (2012: 30%) of the total trade receivables balance and of which the largest customer represents 11% (2012: 9%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment trading and are located in the USA, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at March 31, 2013, the directors have made an impairment of HK$24,000,000 (2012: nil) in respect of amount due from certain subsidiaries based on the current business performance and future operation expectation of those subsidiaries. The Company has concentration of credit risk on five of its subsidiaries which represent 98% (2012: 87%) of the total amounts due from subsidiaries balance.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at March 31, 2013, the Group has available unutilised banking facilities of approximately HK$838,854,000 (2012: HK$1,055,775,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE GROUP

2013

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	139,455	6,937	1,439	–	147,831	147,831
Amount due to an associate	–	738	–	–	–	738	738
Obligations under finance leases	8.83	12	25	113	226	376	331
Bank borrowings *(Note)*							
– floating-rate	2.72	153,838	1,861	5,653	67,791	229,143	227,388
		294,043	8,823	7,205	68,017	378,088	376,288

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE GROUP *(Continued)*

2012

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	144,884	13,995	745	–	159,624	159,624
Amount due to a non-controlling shareholder of a subsidiary	2.05	–	–	905	–	905	900
Obligations under finance leases	14.60	14	29	51	73	167	136
Bank borrowings *(Note)*							
– floating-rate	6.09	44,292	–	–	–	44,292	44,292
		189,190	14,024	1,701	73	204,988	204,952

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at March 31, 2013, the aggregate principal amount of these bank loans amounted to HK$153,838,000 (2012: HK$44,292,000). Taking into account the Group's is financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment date set out in the loan agreement. The aggregate principal and interest cash outflows of bank borrowings with a repayment on demand clause are amounted to HK$154,305,000 (2012: HK$44,784,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE COMPANY

2013

	On demand or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2013 *HK$'000*
Non-derivative financial liabilities			
Other payables	821	821	821
Amounts due to subsidiaries	15,014	15,014	15,014
	15,835	15,835	15,835
Financial guarantee contracts	388,672	388,672	–

2012

	On demand or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2012 *HK$'000*
Non-derivative financial liabilities			
Other payables	831	831	831
Amounts due to subsidiaries	14,089	14,089	14,089
	14,920	14,920	14,920
Financial guarantee contracts	323,672	323,672	–

Note: The amount excludes unlimited guarantees issued by the Company to banks to secure banking facilities granted to certain subsidiaries.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

All of the derivative financial instruments of the Group that are measured subsequent to initial recognition at fair value are grouped into Level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in an active market included within Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).

7. REVENUE AND SEGMENTAL INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses on the geographical areas of sales made by the Group's operating divisions based on the location of customers. The Group is principally engaged in the manufacture and sale of women garments. The Group is currently organised into operating divisions which constitute four operating segments – USA, Canada, Asia and Europe and others.

No segment assets and liabilities are disclosed as they are not reported to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended March 31, 2013:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,052,760	46,638	255,809	120,848	1,476,055
SEGMENT PROFITS (LOSS)	6,598	601	(2,289)	874	5,784
Unallocated income					3,503
Unallocated expenses					(67,152)
Increase in fair value of investment properties					47,949
Fair value changes on derivative financial instruments					386
Finance costs					(3,955)
Share of profits of associates					473
Loss before tax					(13,012)

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2012:

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE					
Sales of goods – external	1,222,118	22,780	195,370	160,324	1,600,592
SEGMENT PROFITS	17,576	123	366	11,911	29,976
Unallocated income					3,317
Unallocated expenses					(67,332)
Increase in fair value of investment properties					20,677
Fair value changes on derivative financial instruments					56
Finance costs					(2,997)
Share of profits of associates					332
Loss before tax					(15,971)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned (expensed) 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 investment properties, fair value changes on derivative financial instruments, share of profits 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.

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the USA, the PRC, United Kingdom, other European countries, and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2013	2012
	HK$'000	*HK$'000*
The USA	**1,052,760**	1,222,118
The PRC	**227,333**	168,163
United Kingdom	**65,388**	94,827
Other European countries	**34,161**	46,789
Canada	**46,638**	22,780
Hong Kong	**12,061**	5,062
Others	**37,714**	40,853
	1,476,055	1,600,592

The Group's business activities are conducted predominantly in Hong Kong, the PRC and the USA. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**159,661**	113,217
The PRC	**128,972**	81,893
The USA	**300**	712
Others	**29,008**	13,000
	317,941	208,822

Note: Non-current assets excluded interests in associates and deferred tax assets.

Information about major customers

For the year ended March 31, 2013, there is one (2012: one) external customer in the USA operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$274,077,000 (2012: HK$317,671,000).

8. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	238	249
Rental income from investment properties under operating leases, net of outgoings of HK$287,000 (2012: HK$283,000)	3,265	3,068
	3,503	3,317

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	3,920	2,958
Finance leases	35	39
	3,955	2,997

10. LOSS BEFORE TAX

	2013 HK$'000	2012 HK$'000
Loss before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	362,933	364,271
Contributions to retirement benefit schemes	14,755	11,220
Total employee benefits expenses	377,688	375,491
Auditor's remuneration	2,143	2,120
Cost of inventories recognised as an expense	1,194,690	1,296,101
Write down of inventories (included in cost of sales)	5,533	505
Amortisation of intangible assets	33	73
Amortisation of prepaid lease payments	456	384
Depreciation of property, plant and equipment	20,133	20,575
Loss on disposal of property, plant and equipment	248	418

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2012: eleven) directors and the chief executive of the Company were as follows:

2013

	Benson Tung Wah Wing HK$'000	Alan Lam Yiu On HK$'000	Raymond Tung Wai Man HK$'000	Martin Tung Hau Man HK$'000	Billy Tung Chung Man HK$'000	Tung Siu Wing HK$'000	Kevin Lee Kwok Bun HK$'000	Johnny Chang Tak Cheung HK$'000	Tony Chang Chung Kay HK$'000	Robert Yau Ming Kim HK$'000	Joseph Wong King Lam HK$'000 (note 2)	Edwin Siu Pui Lap HK$'000 (note 3)	Leslie Chang Shuk Chien HK$'000 (note 4)	Total HK$'000
Fees	–	–	–	–	–	80	80	80	170	170	70	64	71	785
Other emoluments:														
Salaries and other benefits	3,640	2,893	1,597	1,300	1,235	–	–	–	–	–	–	–	–	10,665
Contributions to retirement benefit schemes	15	15	15	15	15	–	–	–	–	–	–	–	–	75
Performance related incentive payments *(note 1)*	–	–	87	50	45	–	–	–	–	–	–	–	–	182
Total emoluments	3,655	2,908	1,699	1,365	1,295	80	80	80	170	170	70	64	71	11,707

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2012

	Benson Tung Wah Wing	Alan Lam Yiu On	Raymond Tung Wai Man	Martin Tung Hau Man	Billy Tung Chung Man	Tung Siu Wing	Kevin Lee Kwok Bun	Johnny Chang Tak Cheung	Tony Chang Chung Kay	Robert Yau Ming Kim	Joseph Wong King Lam	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	60	60	60	100	80	100	460
Other emoluments:												
Salaries and other benefits	3,770	2,893	1,591	1,300	1,235	–	–	–	–	–	–	10,789
Contributions to retirement benefit schemes	12	12	12	12	12	–	–	–	–	–	–	60
Performance related incentive payments *(note 1)*	–	–	376	150	150	–	–	–	–	–	–	676
Total emoluments	3,782	2,905	1,979	1,462	1,397	60	60	60	100	80	100	11,985

Notes:

1. The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

2. Mr. Joseph Wong King Lam has resigned as independent non-executive director on September 27, 2012.

3. Mr. Edwin Siu Pui Lap was appointed as independent non-executive director on September 27, 2012.

4. Mr. Leslie Chang Shuk Chien was appointed as independent non-executive director on November 7, 2012.

Mr. Alan Lam Yiu On is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

No directors waived any emoluments in the years ended March 31, 2012 and 2013.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining (2012: two) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	2,577	4,584
Contributions to retirement benefit schemes	64	136
	2,641	4,720

Their emoluments were within the following bands:

	Number of employees	
	2013	2012
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	1

During both years, no emoluments were paid by the Group to any of the directors and chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSE

	2013 *HK$'000*	2012 *HK$'000*
Current tax:		
Hong Kong	**90**	411
The PRC	**526**	1,383
Other jurisdictions	**39**	55
	655	1,849
Underprovision in prior years	**160**	76
	815	1,925
Deferred taxation (note 22)	**7,658**	4,021
	8,473	5,946

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries of the Company increased progressively from 15% to 25% before January 1, 2013. The tax rate of the other PRC subsidiaries was 25% for both years.

According to the EIT 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 since January 1, 2008.

13. INCOME TAX EXPENSE *(Continued)*

Two subsidiaries of the Company, which were incorporated in Hong Kong, received protective/additional profits tax assessments from the Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$29.2 million, respectively, relating to the years of assessment 1998/99 to 2009/10, that is, for the financial years ended March 31, 1999 to 2010. The protective/additional profits tax assessments related mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD as from the opinion of the directors and the advice from the Group's tax advisors, substantial manufacturing operations of these subsidiaries were undertaken in the PRC, however, such view did not gain the IRD's acceptance. In order to avoid any further protracted debate and to save the costs in pursuing further, the Group had proposed, on a without prejudice basis, settlement of the matters for these two subsidiaries. The settlement proposals were accepted and agreed by the IRD and were fully settled during the year ended March 31, 2012.

The income tax expense can be reconciled to the loss before tax per the consolidated income statement as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(13,012)**	(15,971)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(2,147)**	(2,636)
Tax effect of expenses not deductible for tax purpose	**1,708**	2,204
Tax effect of income not taxable for tax purpose	**(1,670)**	(1,595)
Tax effect of share of results of associates	**(78)**	(55)
Underprovision in prior years	**160**	76
Tax effect of tax losses not recognised	**11,549**	8,310
Utilisation of tax losses previously not recognised	**(957)**	(430)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(92)**	72
Income tax expense	**8,473**	5,946

Details of deferred taxation for the year are set out in note 22.

14. DIVIDENDS

	2013 *HK$'000*	2012 *HK$'000*
Dividends recognised as distribution during the year:		
2013 special of HK1 cent (2012: 2012 special of HK2 cents) per share	**3,517**	7,035
2012 special of HK2 cents (2012: 2011 final of HK4.25 cents) per share	**7,035**	14,948
	10,552	21,983

A special dividend of HK1 cent per share (2012: special dividend of HK2 cents per share) for the year ended March 31, 2013, amounting to HK$4.2 million (2012: HK$7.0 million), has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

15. LOSS PER SHARE

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

	2013 *HK$'000*	2012 *HK$'000*
Loss for the year attributable to owners of the Company	**(13,900)**	(18,630)

	2013	2012
Number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**351,731,298**	351,731,298

The calculation of basic and diluted loss per share for the year ended March 31, 2013 and 2012 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods.

16. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At April 1, 2011	76,739
Increase in fair value recognised in profit or loss	20,677
At March 31, 2012	97,416
Increase in fair value recognised in profit or loss	47,949
Transfer to property, plant and equipment	(1,196)
At March 31, 2013	**144,169**

The fair values of the Group's investment properties at March 31, 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property or where appropriate by the direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the Group's investment properties shown above comprises:

	2013 *HK$'000*	2012 *HK$'000*
Properties in Hong Kong held under medium-term leases	**139,339**	92,726
Properties in the PRC held under medium-term land use rights	**4,830**	4,690
	144,169	97,416

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles and yacht	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP								
COST								
At April 1, 2011	4,625	17,278	103,920	62,631	222,472	6,844	–	417,770
Exchange adjustments	(78)	–	650	1,140	3,312	123	–	5,147
Additions	–	–	–	8,334	4,038	3,598	–	15,970
Disposals	–	–	–	(7,514)	(3,746)	(1,119)	–	(12,379)
At March 31, 2012	4,547	17,278	104,570	64,591	226,076	9,446	–	426,508
Exchange adjustments	233	–	1,052	144	1,200	30	–	2,659
Additions	–	–	34,867	14,328	3,219	973	9,899	63,286
Transfer from investment property	–	–	1,196	–	–	–	–	1,196
Disposals	–	–	–	(5,646)	(6,456)	(1,259)	–	(13,361)
At March 31, 2013	**4,780**	**17,278**	**141,685**	**73,417**	**224,039**	**9,190**	**9,899**	**480,288**
DEPRECIATION								
At April 1, 2011	–	6,439	55,307	51,642	195,878	4,906	–	314,172
Exchange adjustments	–	–	100	844	2,411	87	–	3,442
Provided for the year	–	289	3,679	8,286	7,556	765	–	20,575
Eliminated on disposals	–	–	–	(7,453)	(3,369)	(936)	–	(11,758)
At March 31, 2012	–	6,728	59,086	53,319	202,476	4,822	–	326,431
Exchange adjustments	–	–	424	91	1,132	10	–	1,657
Provided for the year	–	289	3,498	9,245	6,025	1,076	–	20,133
Eliminated on disposals	–	–	–	(5,547)	(5,994)	(986)	–	(12,527)
At March 31, 2013	**–**	**7,017**	**63,008**	**57,108**	**203,639**	**4,922**	**–**	**335,694**
CARRYING VALUES								
At March 31, 2013	**4,780**	**10,261**	**78,677**	**16,309**	**20,400**	**4,268**	**9,899**	**144,594**
At March 31, 2012	4,547	10,550	45,484	11,272	23,600	4,624	–	100,077

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying value of the Group's land and buildings as at the end of the reporting period comprises:

	2013	2012
	HK$'000	*HK$'000*
Leasehold land and building in Hong Kong held under medium-term leases	12,644	11,948
Buildings in the PRC held under medium-term land use rights	68,548	36,107
Freehold land and buildings in Thailand	12,526	12,526
	93,718	60,581

The carrying value of the Group's motor vehicles amounted to HK$467,000 (2012: furniture and fixtures and motor vehicles amounted to HK$25,000 and HK$289,000, respectively) in respect of assets held under finance leases. The Group has pledged leasehold land and buildings having a carrying value of HK$4,719,000 (2012: HK$10,898,000) to secure general banking facilities granted to the Group.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles and yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
COST				
At April 1, 2011	4,813	6,154	456	11,423
Additions	31	210	2,850	3,091
Disposals	–	(1)	–	(1)
At March 31, 2012	4,844	6,363	3,306	14,513
Additions	3	35	–	38
At March 31, 2013	**4,847**	**6,398**	**3,306**	**14,551**
DEPRECIATION				
At April 1, 2011	4,695	5,861	395	10,951
Provided for the year	108	164	204	476
Eliminated on disposal	–	(1)	–	(1)
At March 31, 2012	4,803	6,024	599	11,426
Provided for the year	15	137	570	722
At March 31, 2013	**4,818**	**6,161**	**1,169**	**12,148**
CARRYING VALUES				
At March 31, 2013	**29**	**237**	**2,137**	**2,403**
At March 31, 2012	41	339	2,707	3,087

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis (other than construction in progress), after taking into account of their estimated residual values, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the terms of the lease
Buildings	4%
Leasehold improvements	Over the shorter of the terms of the lease, or five years
Plant and machinery, furniture, fixtures and equipment	12.5% – 20%
Motor vehicles and yacht	12.5% – 20%

18. PREPAID LEASE PAYMENTS

	2013	2012
	HK$'000	*HK$'000*
THE GROUP		
The Group's prepaid lease payments comprise leasehold land:		
– in the PRC held under medium-term land use rights	**11,296**	11,680
– in Vietnam held under medium-term land use rights	**5,965**	–
	17,261	11,680
Analysed for reporting purposes as:		
Non-current assets	**16,805**	11,296
Current assets	**456**	384
	17,261	11,680

19. INTANGIBLE ASSETS

	Trademark *HK$'000*
THE GROUP	
COST	
At April 1, 2011, March 31, 2012 and **March 31, 2013**	774
AMORTISATION	
At April 1, 2011	668
Provided for the year	73
At March 31, 2012	741
Provided for the year	33
At March 31, 2013	**774**
CARRYING VALUES	
At March 31, 2013	**–**
At March 31, 2012	33

The trademark has a finite useful life and is amortised on a straight-line basis over ten years.

20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2013 ***HK$'000***	2012 *HK$'000*
Unlisted shares/investments, at cost	**113,196**	113,196

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at March 31, 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital *(HK$ unless otherwise indicated)*	Class of shares held	Proportion ownership interest held by the Company Directly %	Indirectly %	Principal activities
Do Do Fashion Limited	Hong Kong	720,000	Ordinary	100	–	Garment manufacture
Dorcash Industrial Limited	Hong Kong	20	Ordinary	100	–	Property holding
Golden Will Fashions Limited	Hong Kong	9,000,000	Ordinary	–	60	Garment trading
Sing Yang (Overseas) Limited	Hong Kong	100,000	Ordinary	100	–	Garment manufacture
Sing Yang Trading Limited	Hong Kong	100,000	Ordinary	100	–	Garment trading
THL Inc.	USA	US$10,000	Ordinary	–	100	Garment trading
Tung Thai Fashions Limited	Thailand	Baht 100,000,000	Ordinary	100	–	Garment manufacture
Tungtex Trading Company Limited	Hong Kong	6,000,000	Ordinary	100	–	Garment manufacture
Tungtex (U.K.) Limited	United Kingdom	£10,000	Ordinary	100	–	Liaison office in garments
Tungtex (U.S.A.) Inc.	USA	US$838,802	Ordinary	100	–	Investment holding
West Pacific Enterprises Corporation	USA	US$90,000	Ordinary	–	100	Garment design and trading
Yellow River, Inc.	USA	US$80,000	Ordinary	–	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC (a)	37,800,000	Registered capital	–	90	Garment manufacture
華裳服裝（深圳）有限公司	PRC (b)	8,000,000	Registered capital	–	100	Garment manufacture
深圳百多爾時裝有限公司	PRC (b)	RMB67,000,000	Registered capital	–	100	Garment manufacture
同得仕（杭州）時裝有限公司	PRC (b)	US$7,100,000	Registered capital	100	–	Garment manufacture
杭州金譽時裝有限公司	PRC (b)	US$1,000,000	Registered capital	–	60	Garment manufacture
榮華服裝（深圳）有限公司	PRC (b)	RMB780,217	Registered capital	–	100	Garment manufacture
東莞同得仕時裝有限公司	PRC (b)	RMB47,000,000	Registered capital	–	100	Garment manufacture
Tungtex Fashions (Vietnam) Limited	Vietnam	US$1,500,000	Registered capital	–	100	Garment manufacture

Notes:

(a) This company is a sino-foreign equity joint venture.

(b) These companies are wholly foreign owned enterprises.

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

During the year ended March 31, 2013, Tungtex Fashions (Vietnam) Limited, 東莞同得仕時裝有限公司 and 榮華服裝（深圳）有限公司 were incorporated.

During the year ended March 31, 2012, Fashiontex Sdn Bhd. and 廣州百圖時裝有限公司 were deregistered. The subsidiaries deregistered in the year ended March 31, 2012 were inactive.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

21. INTERESTS IN ASSOCIATES

	2013 ***HK$'000***	2012 *HK$'000*
THE GROUP		
Cost of investment in associates – unlisted	**8,683**	8,683
Share of post-acquisition losses and other comprehensive income	**(5,359)**	(5,832)
	3,324	2,851
THE COMPANY		
Cost of investment in an associate, at cost	**1,686**	1,686

21. INTERESTS IN ASSOCIATES *(Continued)*

As at March 31, 2013 and 2012, the Group had interests in the following associates, which are registered and operate in the PRC as sino-foreign equity enterprises:

Name of entity	Class of capital held	Proportion of registered capital held by the Company				Principal activity
		Directly		Indirectly		
		2013 %	2012 %	2013 %	2012 %	
番禺市金源時裝有限公司	Registered capital	–	–	30	30	Garment manufacture
嵊州同泰絲服飾有限公司	Registered capital	30	30	–	–	Garment manufacture

The summarised financial information in respect of the Group's associates is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	37,009	34,732
Total liabilities	(25,929)	(25,229)
Net assets	11,080	9,503
The Group's share of net assets of associates	3,324	2,851
Revenue	39,200	35,043
Profit for the year	1,576	1,107
The Group's share of profit of associates for the year	473	332

22. DEFERRED TAXATION

THE GROUP

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At April 1, 2011	(10,178)	(2,869)	61	5	(12,981)
Charged to profit or loss	(3,362)	(608)	–	(51)	(4,021)
At March 31, 2012	(13,540)	(3,477)	61	(46)	(17,002)
Charged to profit or loss	(7,691)	48	(61)	46	(7,658)
At March 31, 2013	**(21,231)**	**(3,429)**	**–**	**–**	**(24,660)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**13**	74
Deferred tax liabilities	**(24,673)**	(17,076)
	(24,660)	(17,002)

At March 31, 2013, the Group has unused tax losses of approximately HK$339 million (2012: HK$291 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$339 million (2012: HK$290.6 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$162 million (2012: HK$160 million) that can be carried forward for five years and losses of approximately HK$87 million (2012: HK$76 million) that can be carried forward for twenty years. Unrecognised tax losses of HK$16 million (2012: HK$13 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

22. DEFERRED TAXATION *(Continued)*

THE COMPANY

	Accelerated tax depreciation *HK$'000*
At April 1, 2011	178
Credit to profit or loss	(289)
At March 31, 2012	(111)
Charge to profit or loss	68
At March 31, 2013	**(43)**

23. INVENTORIES

	THE GROUP	
	2013 ***HK$'000***	2012 *HK$'000*
Raw materials	**43,935**	43,856
Work in progress	**59,756**	62,369
Finished goods	**55,683**	74,484
	159,374	180,709

24. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables	**171,950**	168,869	**–**	–
Deposits, prepayments and other receivables	**48,388**	37,218	**1,729**	2,451
	220,338	206,087	**1,729**	2,451

The Group allows a credit period ranging from 30 days to 90 days to its trade customers, with a significant portion being 30 days. Included in trade and other receivables are trade and bills receivables, mainly denominated in USD, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Up to 30 days	**131,575**	116,558
31 – 60 days	**27,362**	26,621
61 – 90 days	**8,325**	22,927
More than 90 days	**4,688**	2,763
	171,950	168,869

Before accepting any new customer, the Group will assess the potential customer's credit quality and define its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. Trade receivables of HK$147,638,000 (2012: HK$146,781,000) that are neither past due nor impaired have good credit quality with reference to the track records of these customers under internal assessment by the Group.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$24,312,000 (2012: HK$22,088,000) which are past due as at the reporting date for which the Group has not provided for impairment loss, as the Group considers such balance can be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables which are past due but not impaired, at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
31 – 60 days	**15,865**	9,110
61 – 90 days	**5,304**	10,215
More than 90 days	**3,143**	2,763
	24,312	22,088

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**2,794**	5,360	**150**	200
RMB	**80**	1	**–**	–
EUR	**45**	2,068	**–**	–
THB	**550**	254	**–**	–
	3,469	7,683	**150**	200

24a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at March 31, 2013 that were transferred to banks by discounting those receivables on a full recourse basis.

	HK$'000
Carrying amount of bills receivables transferred	5,935
Carrying amount of associated liabilities	(5,935)
Net position	–

The Group discounted bills receivables to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as discounted bills (see note 29). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

25. BANK BALANCES AND CASH

Bank balances and cash of the Group and of the Company comprises bank balances and cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates ranging from 0.001% to 2.00% (2012: 0.001% to 1.49%) per annum.

The bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**26,314**	16,280	**8,382**	2,093
RMB	**2,486**	2,662	**25**	25
EUR	**1,337**	943	**–**	–
THB	**803**	813	**–**	–
	30,940	20,698	**8,407**	2,118

26. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills payables	**126,466**	144,466	**–**	–
Other payables and accrued charges	**90,880**	84,273	**5,322**	4,836
	217,346	228,739	**5,322**	4,836

The aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period are as follows:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Up to 30 days	**83,487**	88,928
31 – 60 days	**29,612**	33,406
61 – 90 days	**6,267**	16,803
More than 90 days	**7,100**	5,329
	126,466	144,466

The average credit period on purchases of goods ranges from 30 to 60 days. The Group has financial risk management policies in place to ensure that most of the payables are settled within the credit timeframe.

The trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**39,201**	63,680	**821**	831
RMB	**1,796**	2,055	**–**	–
EUR	**17**	30	**–**	–
THB	**792**	664	**–**	–
	41,806	66,429	**821**	831

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**150**	94	**124**	76
More than one year but not exceeding two years	**113**	55	**94**	45
More than two years but not exceeding three years	**113**	18	**113**	15
	376	167		
Less: Future finance charges	**(45)**	(31)		
Present value of lease obligations	**331**	136	**331**	136
Less: Amount due within one year shown under current liabilities			**(124)**	(76)
Amount due after one year			**207**	60

The Group leases certain of its furniture and fixtures and motor vehicles under finance leases. The average lease term is three years. For the year ended March 31, 2013, the average effective borrowing rate was 8.83% (2012: 14.60%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

28. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, major terms of outstanding foreign currency forward contracts of the Group were as follows:

2013

Notional amount	**Maturity date**	**Currency conversion**
15 contracts to sell HKD25,300,000 in total	April 17, 2013 to March 10, 2014	HKD1:RMB0.8065 to 0.8270
5 contracts to sell EUR597,000 in total	April 30, 2013 to September 30, 2013	EUR1:USD1.2835 to 1.3188
1 contract to sell USD38,000	June 7, 2013	USD1:EUR0.7660

2012

Notional amount	Maturity date	Currency conversion
6 contracts to sell HKD14,400,000 in total	March 23, 2012 to September 24, 2012	HKD1:RMB0.8092 to 0.8183
4 contracts to sell HKD15,500,000 in total	April 10, 2012 to July 10, 2012	HKD1:RMB0.8142 to 0.8280
9 contracts to sell EUR623,000 in total	April 23, 2012 to October 18, 2012	EUR1:USD1.2701 to 1.4180
6 contracts to sell HKD14,400,000 in total	October 22, 2012 to March 15, 2013	HKD1:RMB0.8162 to 0.8264

As at March 31, 2013, a fair value gain of HK$386,000 (2012: HK$56,000) was recognised in profit or loss. The above foreign currency forward contracts were measured at fair value at end of the reporting period, determined based on the prices quoted from the counterparty financial institutions with reference to forward rates with appropriate yield curve of foreign currencies as at March 31, 2013.

29. BANK BORROWINGS

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Floating-rate borrowings:		
Bank loans	**130,291**	30,696
Discounted bills with recourse	**5,935**	–
Trust receipts loans	**43,718**	13,596
Import trade loans	**47,444**	–
	227,388	44,292
Secured	**176,588**	44,292
Unsecured	**50,800**	–
	227,388	44,292
Carrying amount repayable:		
Within one year *	**161,238**	44,292
In more than one year but not exceeding two years	**66,150**	–
	227,388	44,292

* Amounted to HK$153,838,000 (2012: HK$44,292,000) are amounts due based on scheduled repayment dates set out in the loan agreements and also contains a repayable on demand clause and amounted to HK$7,400,000 belongs to amount repayable within one year and does not contain a repayment on demand clause.

Amounted to HK$103,038,000 (2012: HK$44,292,000) bank borrowings at the end of the reporting period are secured and amounted to HK$50,800,000 (2012: nil) bank borrowing at the end of the reporting period are unsecured. Both amounts are with a repayable on demand clause and repayable within one year and are included under current liabilities. Amounted to HK$7,400,000 (2012: nil) are bank borrowings secured and without repayable on demand clause and repayable within one year and are included under current liabilities.

The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowings ranged from 1.20% to 6.90% (2012: 1.24% to 8.42%) per annum.

The bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
HKD	**96,611**	–
EUR	**1,219**	–
	97,830	–

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
At April 1, 2011, March 31, 2012 and March 31, 2013	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
At April 1, 2011, March 31, 2012 and March 31, 2013	351,731,298	70,346

31. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on September 5, 2006 for the primary purpose of attracting and retaining suitable and high-calibre personnel, incentivising them to contribute to the future development and growth of the Group and any invested entity by sharing in the equity interests of the Company. The Scheme will expire on September 4, 2016. Under the Scheme, the Board of the Company may grant options to full time employees, including executive directors of the Company, its subsidiaries or any invested entity ("Participants"), to subscribe for shares in the Company.

At March 31, 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 10,900,000 (2012: 12,600,000), representing 3.10% (2012: 3.58%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 5% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders.

The Scheme shall be valid and effective for a period of ten years. The Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board of Directors may specify any vesting period.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Options granted must be taken up within twenty-eight days of the date of grant upon payment of HK$1 per grant. The exercise price in respect of any particular option shall be such price as determined by the Board at its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The following table discloses the movement of the options under the Scheme held by the directors and employees of the Company or the Group and movements in such holdings during the year:

					Number of share options				
Category	**Date of grant**	**Vesting period**	**Exercisable period**	**Exercise price per share**	**At April 1, 2011**	**Lapsed during the year**	**At March 31, 2012**	**Lapsed during the year**	**At March 31, 2013**
				HK$					
Directors	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,000,000	–	6,000,000	–	6,000,000
Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,800,000	(200,000)	6,600,000	(1,700,000)	4,900,000
					12,800,000	(200,000)	12,600,000	(1,700,000)	10,900,000
Exercisable at end of the year					12,800,000		12,600,000		10,900,000
Weighted average exercise price					HK$1.80	HK$1.80	HK$1.80	HK$1.80	HK$1.80

No options are granted or exercised for the year ended March 31, 2013 and 2012 and 1,700,000 share options were lapsed during the year (2012: 200,000).

The options granted to the above directors and employees were because of their services to the Group.

32. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY					
At April 1, 2011	84,880	3,930	682	342,601	432,093
Profit and total comprehensive income for the year	–	–	–	9,782	9,782
Dividends recognised as distribution *(note 14)*	–	–	–	(21,983)	(21,983)
At March 31, 2012	84,880	3,930	682	330,400	419,892
Loss and total comprehensive income for the year	–	–	–	(21,953)	(21,953)
Dividends recognised as distribution *(note 14)*	–	–	–	(10,552)	(10,552)
At March 31, 2013	**84,880**	**3,930**	**682**	**297,895**	**387,387**

33. MAJOR NON-CASH TRANSACTION

During the year ended March 31, 2013, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease contracts of HK$331,000 (2012: HK$136,000).

During the year ended March 31, 2012, amounted to HK$32,722,000 tax reserve certificate recorded in other receivables were transferred to settle the additional tax assessment from IRD.

34. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$16,820,000 (2012: HK$21,174,000) in respect of rented premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**16,993**	12,690
In second to fifth year inclusive	**12,716**	9,117
	29,709	21,807

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for terms ranging from one to five years and rentals are fixed.

The Group as lessor

Property rental income (before outgoings) earned during the year was HK$3,552,000 (2012: HK$3,351,000). The properties held have committed tenants for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**1,868**	2,793
In second to fifth year inclusive	**663**	1,632
	2,531	4,425

35. CONTINGENT LIABILITIES

At March 31, 2013, the Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of approximately HK$389 million (2012: HK$324 million) and has also issued unlimited guarantees to banks to secure banking facilities granted to the subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2013 amounted to HK$227 million (2012: HK$44 million).

36. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**46,401**	–
– addition of construction in progress	**2,421**	–

37. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group have been pledged to banks to secure general banking facilities granted to the Group:

	2013	2012
	HK$'000	*HK$'000*
Investment properties	**135,719**	66,137
Leasehold land	**3,890**	8,877
Buildings	**829**	2,021

38. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,250 from June 1, 2012 (2012: HK$1,000), for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees in the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Group's contributions subject to the regulations of the relevant local authorities.

The total cost charged to profit or loss of HK$14,755,000 (2012: HK$11,220,000) represents contributions paid and payable to these schemes by the Group for the year ended March 31, 2013.

39. CONNECTED AND RELATED PARTIES DISCLOSURES

(a) During the year, details of transactions with connected persons, as defined in Rule 14A. of the Listing Rules, and related parties are set out as follows:

(i) Connected transactions

	2013	2012
	HK$'000	*HK$'000*
Fabric print and artwork service expenses paid to Fine Print Studio Inc. ("Fine Print")	**459**	1,158

Fine Print is wholly owned by Mr. Peter Kan Mui (deceased in 2009), a non-controlling shareholder that had significant influence over a subsidiary of the Company, and his associates (as defined in the Listing Rules).

(ii) Related party transactions

	2013	2012
	HK$'000	*HK$'000*
Purchases from the Group's associate	**39,183**	35,658

39. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(b) The Group and the Company had the following balances with related parties at the end of the reporting period:

The Group

At March 31, 2013, amount due to an associate is HK$738,000 (2012: nil) which is trade in nature. The amount due to an associate is unsecured, interest free and repayable on demand. The amount is denominated in HKD, foreign currency of the relevant subsidiary of the Company.

At March 31, 2012, amount due from an associate of HK$3,030,000 for prepayments to the associate under trading nature, which was unsecured, interest-free and repayable on demand. None of the amount due from an associate was past due or impaired and this amount was considered to be of good quality under the internal assessment by the Group. Such amount had been fully repaid during the year ended March 31, 2013.

At March 31, 2012, the amount due to a non-controlling shareholder of a subsidiary of HK$900,000 was unsecured, bore interest at Hong Kong Interbank Offered Rate plus 1.5% per annum, repayable within one year and denominated in HKD, a foreign currency of the subsidiary of the Company with USD as functional currency. Such amount had been fully repaid during the year ended March 31, 2013.

The Company

(i) At March 31, 2013, the amounts due from subsidiaries amounted to HK$349,503,000 (2012: HK$383,776,000) net of provision for impairment of HK$24,000,000 (2012: nil). The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amount is a balance of HK$82,083,000 (2012: HK$86,433,000) which bears interest at Hong Kong Prime Rate and the remaining balances are interest-free. Before making any advances, the Company will review the potential subsidiary's credit quality and defines its credit limit. Amount due from subsidiaries are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

In the opinion of the directors, taking into account of the current business performance and future operations expectation in relation to the subsidiaries, an impairment loss of HK$24,000,000 (2012: nil) was made on the amounts due from certain subsidiaries during the year. The remaining amounts due from subsidiaries are neither past due nor impaired at the end of the reporting period. The amounts due from subsidiaries have good credit quality with reference to the track records of these subsidiaries under internal assessment by the Company. In addition, the Company does not hold any collateral over these balances.

At March 31, 2012, all the Company's amounts due from subsidiaries are neither past due nor impaired at the end of the reporting period. The amounts due from subsidiaries have good credit quality with reference to the track records of these subsidiaries under internal assessment by the Company. In addition, the Company does not hold any collateral over these balances.

39. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(b) The Group and the Company had the following balances with related parties at the end of the reporting period: *(Continued)*

The Company *(Continued)*

(ii) At March 31, 2013, amounts due to subsidiaries of HK$15,014,000 (2012: HK$14,089,000) are unsecured, interest-free and repayable on demand.

The amounts due from/to subsidiaries are denominated in HKD, foreign currency of the Company.

(c) At March 31, 2013 and 2012, the Company issued unlimited financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. As at March 31, 2013, amounted to HK$67,748,000 (2012: HK$25,933,000) banking facilities has been utilised by these subsidiaries.

(d) Compensation of key management personnel

The remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in note 11 and certain highest paid employees as disclosed in note 12, during the year was as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Short-term benefits	**14,209**	16,509
Post-employment benefits *(note)*	**139**	196
	14,348	16,705

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 10 and 38.

The emoluments are determined, among other things, by reference to their duties and responsibilities, their experience for the industry, prevailing market conditions and the Group's performance.

40. LITIGATION

In December 2010, the Estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) instituted legal proceeding (the "US Proceeding") against Tungtex (U.S.A.) Inc. ("Tungtex US"), a wholly-owned subsidiary of the Company and the 51% shareholder of Yellow River, and Yellow River in the Surrogate's Court of the State of New York, County of New York (the "Court") alleging Tungtex US was engaged in oppressive conduct as a majority shareholder of Yellow River and (a) seeking the dissolution of Yellow River and the appointment of receiver to oversee the dissolution; (b) requiring Tungtex US to turnover to the Estate of Peter Mui 49% of the value of Yellow River; (c) requiring Tungtex US to account for sums received from Yellow River since 1 April 2009; (d) requiring Tungtex US to turnover to Yellow River funds improperly looted and diverted by it; and (e) seeking the grant of such other and further relief as the Court may deem just and proper. By the verified answers and counterclaims filed, Tungtex US and Yellow River both denied the allegations made by, and asserted counterclaims for damages against, the Estate of Peter Mui. The US Proceeding was in the discovery stage as at report date. Based on and after consideration of the legal advices obtained and the possible business and financial impacts, the Directors are of the view that Tungtex US and Yellow River have meritorious defenses and viable counterclaims and the US Proceeding is not of material importance to the Group.

41. EVENT AFTER THE REPORTING PERIOD

Pursuant to an announcement by the Company dated April 9, 2013, the Company proposed rights issue to raise approximately HK$56.28 million (assuming no share options are exercised on or before May 9, 2013 (the "Record Date")) and approximately HK$58.02 million (assuming all share options are exercised on or before the Record Date), before expenses, by issuing not less than 70,346,259 rights shares and not more than 72,526,259 rights shares at the subscription price of HK$0.80 per rights share on the basis of one rights share for every five shares held on the Record Date ("Rights Issue").

On June 3, 2013, the Company announced the results of the Rights Issue. On June 4, 2013, share certificates of 70,346,259 fully-paid rights shares were despatched. Details are set out in the announcement.

FINANCIAL SUMMARY

RESULTS

	For the year ended March 31,				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	2,012,529	1,576,936	1,732,113	1,600,592	**1,476,055**
(Loss) profit before tax	65,743	22,861	32,913	(15,971)	**(13,012)**
(Loss) profit for the year attributable to owners of the Company	42,232	21,959	30,119	(18,630)	**(13,900)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share – Basic	12.0	6.2	8.6	(5.3)	**(4.0)**

ASSETS AND LIABILITIES

	As at March 31,				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	892,319	858,014	843,532	785,010	**928,621**
Total liabilities	(305,811)	(304,574)	(304,141)	(291,959)	**(470,577)**
	586,508	553,440	539,391	493,051	**458,044**
Equity attributable to owners of the Company	528,599	505,885	494,643	454,810	**427,388**
Non-controlling interests	57,909	47,555	44,748	38,241	**30,656**
	586,508	553,440	539,391	493,051	**458,044**

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