TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕（集團）有限公司

Stock Code 股份代號 : 00518

INTERIM REPORT 2013-2014

CONTENTS

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and it subsidiaries (collectively referred to as the "Group") set out on pages 3 to 16, which comprises the condensed consolidated statement of financial position as of September 30, 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, November 28, 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2013

	Notes	Six months ended September 30, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Revenue	3	**696,017**	732,380
Cost of sales		**(568,964)**	(589,471)
Gross profit		**127,053**	142,909
Other income		**3,236**	1,735
Increase in fair value of investment properties	8	**34,765**	–
Fair value gain (loss) on derivative financial instruments		**140**	(523)
Selling and distribution costs		**(56,578)**	(50,684)
Administrative expenses		**(120,093)**	(121,370)
Finance costs		**(3,782)**	(1,416)
Share of results of associates		**155**	370
Loss before tax	4	**(15,104)**	(28,979)
Income tax expense	5	**(5,665)**	(897)
Loss for the period		**(20,769)**	(29,876)
Loss for the period attributable to:			
Owners of the Company		**(14,028)**	(26,023)
Non-controlling interests		**(6,741)**	(3,853)
		(20,769)	(29,876)
Loss per share	7		
– Basic and diluted (HK cents)		**(3.5)**	(7.4)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2013

	Six months ended September 30, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Loss for the period	**(20,769)**	(29,876)
Other comprehensive income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**5,284**	170
Items that will not be reclassified to profit or loss:		
Revaluation surplus arising on transfer of prepaid lease payments and property, plant and equipment to investment properties	**65,313**	–
Deferred tax charges arising on revaluation of investment properties transferred from prepaid lease payments and property, plant and equipment	**(10,777)**	–
	54,536	–
Other comprehensive income for the period	**59,820**	170
Total comprehensive income (expense) for the period	**39,051**	(29,706)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**45,778**	(25,846)
Non-controlling interests	**(6,727)**	(3,860)
	39,051	(29,706)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2013

	Notes	September 30, 2013 HK$'000 (unaudited)	March 31, 2013 HK$'000 (audited)
Non-current assets			
Investment properties	8	**246,734**	144,169
Property, plant and equipment	8	**195,584**	144,594
Prepaid lease payments	8	**25,804**	16,805
Deposit paid for acquisition of property, plant and equipment		**–**	12,373
Interests in associates		**3,479**	3,324
Deferred tax assets		**32**	13
		471,633	321,278
Current assets			
Inventories		**195,161**	159,374
Trade and other receivables	9	**221,877**	220,338
Prepaid lease payments	8	**678**	456
Amount due from an associate		**47**	–
Tax recoverable		**2,370**	2,299
Derivative financial instruments		**140**	386
Bank balances and cash		**174,907**	224,490
		595,180	607,343
Current liabilities			
Trade and other payables	10	**226,371**	217,346
Amount due to an associate		**–**	738
Tax liabilities		**612**	101
Obligations under finance leases – due within one year		**133**	124
Bank borrowings	11	**191,122**	161,238
		418,238	379,547
Net current assets		**176,942**	227,796
Total assets less current liabilities		**648,575**	549,074
Non-current liabilities			
Deferred tax liabilities		**40,518**	24,673
Obligations under finance leases – due after one year		**158**	207
Bank borrowings	11	**62,249**	66,150
		102,925	91,030
		545,650	458,044
Capital and reserves			
Share capital	12	**84,415**	70,346
Reserves		**438,306**	357,042
Equity attributable to owners of the Company		**522,721**	427,388
Non-controlling interests		**22,929**	30,656
		545,650	458,044

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2013

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Translation reserve** HK$'000	**Share option reserve** HK$'000	**Asset revaluation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At April 1, 2012 (audited)	70,346	84,880	3,930	(725)	682	6,128	289,569	454,810	38,241	493,051
Loss for the period	–	–	–	–	–	–	(26,023)	(26,023)	(3,853)	(29,876)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	–	–	–	177	–	–	–	177	(7)	170
Total comprehensive income (expense) for the period	–	–	–	177	–	–	(26,023)	(25,846)	(3,860)	(29,706)
Dividends recognised as distribution	–	–	–	–	–	–	(7,035)	(7,035)	–	(7,035)
At September 30, 2012 (unaudited)	70,346	84,880	3,930	(548)	682	6,128	256,511	421,929	34,381	456,310
Profit for the period	–	–	–	–	–	–	12,123	12,123	(3,732)	8,391
Other comprehensive income										
Exchange differences arising on translation of foreign operations	–	–	–	(3,147)	–	–	–	(3,147)	7	(3,140)
Total comprehensive income (expense) for the period	–	–	–	(3,147)	–	–	12,123	8,976	(3,725)	5,251
Dividends recognised as distribution	–	–	–	–	–	–	(3,517)	(3,517)	–	(3,517)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	3,596	3,596
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,596)	(3,596)
At March 31, 2013 (audited)	70,346	84,880	3,930	(3,695)	682	6,128	265,117	427,388	30,656	458,044
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(14,028)**	**(14,028)**	**(6,741)**	**(20,769)**
Other comprehensive income										
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**5,270**	**–**	**–**	**–**	**5,270**	**14**	**5,284**
Revaluation surplus arising on transfer of prepaid lease payments and property, plant and equipment to investment properties	**–**	**–**	**–**	**–**	**–**	**65,313**	**–**	**65,313**	**–**	**65,313**
Deferred tax charges arising on revaluation of investment properties transferred from prepaid lease payments and property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(10,777)**	**–**	**(10,777)**	**–**	**(10,777)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**5,270**	**–**	**54,536**	**(14,028)**	**45,778**	**(6,727)**	**39,051**
Issuance of new shares due to rights issue	**14,069**	**39,707**	**–**	**–**	**–**	**–**	**–**	**53,776**	**–**	**53,776**
Adjustment upon completion of rights issue	**–**	**–**	**–**	**–**	**(4)**	**–**	**4**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**–**	**(10)**	**–**	**10**	**–**	**–**	**–**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**(4,221)**	**(4,221)**	**–**	**(4,221)**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,000)**	**(1,000)**
At September 30, 2013 (unaudited)	**84,415**	**124,587**	**3,930**	**1,575**	**668**	**60,664**	**246,882**	**522,721**	**22,929**	**545,650**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2013

	Six months ended September 30,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(58,988)**	(7,898)
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(49,407)**	(10,141)
Additions to prepaid lease payments	**(11,992)**	–
Other investing cash flows	**191**	301
	(61,208)	(9,840)
Net cash from financing activities:		
New bank loans raised	**183,599**	74,967
Repayments of bank borrowings	**(158,140)**	(38,140)
Issue of new shares under rights issue	**56,277**	–
Share issue expenses	**(2,501)**	–
Dividend paid	**(4,221)**	(7,035)
Dividend paid to non-controlling shareholders of a subsidiary	**(1,000)**	–
Other financing cash flows	**(3,853)**	(2,402)
	70,161	27,390
Net (decrease) increase in cash and cash equivalents	**(50,035)**	9,652
Cash and cash equivalents at the beginning of the period	**224,490**	178,667
Effect of foreign exchange rate changes	**452**	29
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**174,907**	188,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2013

1. Basis of preparation

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

2. Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements. The impact of the application of the relevant standards are set out below.

2. Principal accounting policies *(continued)*

Impact of the application of HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee.

The directors of the Company reviewed and assessed the Group's investees in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group's condensed financial statements for the adoption of HKFRS 10.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Additional note under the disclosures of fair value information in accordance with the consequential amendment of HKAS 34 are set out in note 16 and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's non-financial instruments, will be presented in the consolidated financial statements for the year ending March 31, 2014.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. Principal accounting policies *(continued)*

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

No segment assets and liabilities are disclosed as they are not reported to the CODM.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements of the Group.

3. Segment information

The Group's operating segments, based on information reported to the CODM, the Company's executive directors, for the purposes of resource allocation and performance assessment which are analysed based on the location of customers, are as follows:

1. The United States of America (the "USA")
2. Canada
3. Asia
4. Europe and others

Information regarding the above segments is reported below.

Six months ended September 30, 2013

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
Sales of goods – external	**496,787**	**23,269**	**123,823**	**52,138**	**696,017**
SEGMENT (LOSS) PROFIT	**(6,926)**	**495**	**(10,951)**	**538**	**(16,844)**
Increase in fair value of investment properties					**34,765**
Unallocated income					**3,376**
Unallocated expenses					**(32,774)**
Finance costs					**(3,782)**
Share of results of associates					**155**
Loss before tax					**(15,104)**

3. Segment information *(continued)*

Six months ended September 30, 2012

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
Sales of goods – external	542,343	22,017	108,987	59,033	732,380
SEGMENT PROFIT(LOSS)	4,316	1,952	(4,375)	3,459	5,352
Unallocated income					1,735
Unallocated expenses					(35,020)
Finance costs					(1,416)
Share of results of associates					370
Loss before tax					(28,979)

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

4. Loss before tax

	Six months ended September 30,	
	2013 HK$'000	2012 HK$'000
Loss before tax has been arrived at after charging:		
Amortisation of intangible assets	**–**	33
Amortisation of prepaid lease payments	**339**	192
Depreciation of property, plant and equipment	**11,342**	10,383
Loss on disposal of property, plant and equipment	**137**	85
and after crediting:		
Bank interest income	**190**	76
Rental income from investment properties under operating leases, net of outgoings of HK$150,000 (2012: HK$148,000)	**2,896**	1,511

5. Income tax expense

	Six months ended September 30, 2013 HK$'000	2012 HK$'000
Current tax:		
Hong Kong	–	601
People's Republic of China (the "PRC")	571	434
Other jurisdictions	10	21
	581	1,056
Under (over)provision in prior years	34	(37)
	615	1,019
Deferred taxation	5,050	(122)
	5,665	897

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 periods. No provision for Hong Kong profits tax was made for period ended September 30, 2013 as the Group's entities had no assessable profit arising in Hong Kong or the assessable profit was wholly absorbed by tax losses bought forward for the period.

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 increases progressively from 15% to 25% before January 1, 2013. The tax rate of other PRC subsidiaries remains 25% for both periods.

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

6. Dividends

On September 13, 2013, a special dividend of HK1.0 cents per share for the year ended March 31, 2013, amounting to a total of HK$4,221,000 was paid to shareholders (six months ended September 30, 2012: special dividend of HK2.0 cents per share for the year ended March 31, 2012, amounting to HK$7,035,000).

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2013 (six months ended September 30, 2012: a special dividend of HK1.0 cents per share).

7. Loss per share

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

	Six months ended September 30, 2013 HK$'000	Six months ended September 30, 2012 HK$'000
Loss for the period attributable to owners of the Company	**(14,028)**	(26,023)
	2013	2012
Weighted average number of ordinary shares in issue during the period	**397,091,181**	351,731,298

During the period, the Group had issued 70,346,259 rights shares at HK$0.80 per rights issue with details noted in the note 12. There is no adjustment on the Group's basic and diluted loss per share for the current and prior period as there is no bonus element in the rights issue.

The computation of diluted loss per share for the six months ended September 30, 2013 and 2012 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price.

8. Movements in investment properties, property, plant and equipment and prepaid lease payments

The Group spent HK$49,407,000 (six months ended September 30, 2012: HK$10,529,000) on acquisition of property, plant and equipment and spent HK$11,992,000 (six months ended September 30, 2012: Nil) on acquisition of prepaid lease payments during the period.

The Group's investment properties as at the end of the current interim period were fair valued by Jones Lang LaSalle Limited, independent qualified professional valuers not connected with the Group. In determining the fair value of investment properties, direct comparison method and income capitalisation method are adopted. Direct comparison method is based on comparing the properties to be valued directly with other comparable properties, which have recently transferred its legal ownership. Income capitalisation method is based on the capitalisation of the net income potential by adopting appropriate capitalisation rate, which is derived from analysis of sale transactions and the interpretation of prevailing investor requirements or expectations.

The resulting increase in fair value changes of investment properties of HK$34,765,000 has been recognised directly in profit or loss for the six months ended September 30, 2013 (2012: Nil).

Pursuant to the change of the use of certain floors of the property located in Hong Kong during the current interim period, the Group transferred prepaid lease payments with a carrying value of HK$2,353,000 and property, plant and equipment with a carrying value of HK$134,000 to investment properties and HK$65,313,000 revaluation surplus attributable to these floors was recognised as asset revaluation reserve upon the transfer to investment properties. No such transaction was noted in last period.

During the current interim period, a deposit paid for acquisition of property, plant and equipment of HK$12,373,000 was transferred to property, plant and equipment. No such transaction was noted in last period.

9. Trade and other receivables

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 United States dollars, with the following aged analysis presented based on the invoice date at the end of the reporting period:

	September 30, 2013 HK$'000	March 31, 2013 HK$'000
Up to 30 days	**135,581**	131,575
31 – 60 days	**14,645**	27,362
61 – 90 days	**12,705**	8,325
More than 90 days	**3,415**	4,688
	166,346	171,950

10. Trade and other payables

Included in trade and other payables are trade payables with the following aged analysis presented based on the invoice date at the end of the reporting period:

	September 30, 2013 HK$'000	March 31, 2013 HK$'000
Up to 30 days	**94,067**	83,487
31 – 60 days	**12,622**	29,612
61 – 90 days	**11,143**	6,267
More than 90 days	**7,648**	7,100
	125,480	126,466

11. Bank borrowings

The Group repaid bank borrowings in the amount of HK$158,140,000 during the period (six months ended September 30, 2012: HK$38,140,000).

During the six months ended September 30, 2013, the Group raised new bank borrowings in the amount of HK$183,599,000 (six months ended September 30, 2012: HK$74,967,000), which were used as general working capital. The new bank borrowings bear variable interest at market rates and are repayable within one year.

12. Share capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
At March 31, 2013 and September 30, 2013	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
At March 31, 2013	351,731,298	70,346
Issue of new ordinary shares under rights issue *(note)*	70,346,259	14,069
At September 30, 2013	**422,077,557**	**84,415**

Note:

On May 31, 2013, the rights issue became unconditional. On June 4, 2013, share certificates of 70,346,259 fully-paid rights shares were dispatched at a subscription price of HK$0.80 per rights share, on the basis of one rights share for every five shares. The cash proceeds of approximately HK$56.3 million, before share issue expenses of HK$2.5 million, are used for increasing the Group's factory capacities in Vietnam and the PRC, and for general working capital of the Group. The rights shares rank pari passu in all respects with the then existing shares in issue.

13. Share-based payments

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

	Number of share options
Outstanding at April 1, 2013	10,900,000
Adjustment upon completion of rights issue *(note)*	(70,850)
Lapsed during the period	(198,700)
Outstanding at September 30, 2013	**10,630,450**

Note:

As announced on June 3, 2013, the exercise price of the outstanding share options and the number of shares issuable upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted with effect from May 31, 2013 as a result of the rights issue becoming unconditional.

14. Capital commitment

	Six months ended September 30, 2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of a property contracted for but not provided in the condensed consolidated financial statements	–	327

15. Related parties transactions

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

	Six months ended September 30, 2013 HK$'000	2012 HK$'000
Purchase of raw materials and finished goods from the Group's associate	**15,609**	21,853
Compensation of key management personnel	**6,272**	7,191

16. Fair value measurements of financial instruments

Fair value of a financial asset of the Group that are measured at fair value on a recurring basis

The Group's derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at September 30, 2013	Fair value hierarchy	Valuation technique and key input(s)
Foreign exchange forward contracts	HK$140,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchanges rates (from observable forward exchanges rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

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

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

During the reporting period, the Group's turnover and performance were adversely affected by continuous rigorous macroeconomic conditions. Dragged by further contraction in export demand and persistent arduous retail business environment in mainland China, our unremitting efforts could barely sufficient to mitigate the loss during the period.

Accounted for the increase in fair value of investment properties, loss attributable to owners of the Company and loss per share were HK$14.0 million and HK$3.5 cents respectively, as compared to HK$26.0 million and HK$7.4 cents respectively for the same financial period last year. The Board of Directors does not recommend the payment of an interim dividend.

Business Review

In the United States, a more upbeat outlook was expected with improvement in recent economic figures. Nevertheless, in the absence of a sustainable forceful recovery, consumer sentiment could not be regained successfully during the period. Meanwhile, the euro zone's nascent economic recovery lost momentum just after it emerged from its prolonged recession. Consumer spending continued to be impacted by adverse climate riddled with fragile economic growth, crippling levels of debts, reduced household incomes, record high unemployment and growing deflation risk. Under such business environment, the Group's turnover for the financial period slipped 5.0% to HK$696 million as compared to the same period last year. In terms of geographical segment, sales to North America fell by 7.9% to HK$520 million, representing 74.7% of the Group's turnover. Total sales to Europe and other markets dropped 11.7% to HK$52 million, accounted for 7.5% of the Group's turnover. As for Asia, total sales recorded a growth of 13.6% to HK$124 million.

With downturn in consumer confidence in mainland China and amidst the fierce competition between local and international brands, the retail business environment was getting severer during the period. Notwithstanding, the Group continues to believe expansion in its retail segment will be a key driver for its long-term development. With our ceaseless dedication during the period, the Group's retail sales in mainland China rose by 22.4% as compared with the corresponding period last year and accounted for 14.8% of the Group's turnover. At the end of the financial period, the Group had 154 directly managed stores and 177 franchised stores in operation.

During the period under review, our export quantity was inevitably impacted by the shrink in demand and economies of scales in production were thus declined. Meanwhile, export margin was confined as we could not fully transfer the inflating production costs to our customers. In spite of our continuous endeavor in trimming down production costs in all aspects, we could hardly safeguard our margin completely, resulting in a drop in the financial period. The consolidated costs of sales stood at 81.7% of total sales as compared to 80.5% of the same period last year, while slightly higher than 81.4% of the second half of last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

During the reporting period, we remained committed to disciplined management of expenses. Selling and distribution costs increased by 11.6% as compared to same period last year, primarily due to increase in staff costs of salesmen as well as advertising and promotional expenses for the growth of our China retail business. Administrative expenses slightly reduced 1.1% notwithstanding the additional expenses incurred by our new factory in Vietnam. Finance costs rose to HK$3.8 million due to the increased utilization of bank loans for supporting our operation and development projects that mentioned in our last annual report.

Prospects

The six months period ended September 30, 2013 is the most difficult half-year period that the Group has ever experienced. In the short term, the Group still has to contend with external challenges such as shaky global economy and fluctuation in financial market. Considering the current operating conditions of the Group, however, we believe the most difficult phase in our business has passed. Furthermore, we will take necessary steps to right-size our infrastructure to preserve our resources and maintain competitive for the long-term growth of the Group. In conjunction with a clear direction to meliorate productivity and curtail costs structurally, we will scale down business units without competitive edges and induce effective initiatives to reinvigorate those under-performing, while on the other hand centralize our focus on areas that could offer higher profitability.

In the coming fiscal year of 2014/2015, the Group will reorganize and relocate certain operating facilities so as to enhance the effective utilization and value of its assets. As part of our strategic plan to improve production efficiency and profitability, the new factory that we purchased in Dongguan will play an essential role to consolidate and redeploy our existing workforce and production facilities in mainland China when we occupy the premises after existing tenancy agreement with third party expires in the mid of year 2014.

The construction of our new plant in Vietnam was completed in the period. We have just finished trial production run and entered into the preliminary stage of real production. We are moving in the right direction to enlarge the portion of our production capacities out of mainland China to other Asian countries. After our factory in Vietnam reach full capacities in the financial year of 2014/2015, we expect to see the gradual contributions of this investment in terms of additional sales orders to be completed with lower production costs.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects *(continued)*

As for our retail business in mainland China, we have successfully built up and positioned our retail brand comparable to other renowned competitors in ways of refined quality products, refreshing design, enriched varieties with accordant tone and competitive pricing. After years of growth in numbers of selling points, our efforts will be more focused on improving profitability. Accompanied with the launch of e-commerce platform and increasing number of franchisees, we believe the broadened sales network can keep our growth pace with lower operating costs. We determine to keep on uplifting efficiency and cutting down operating costs by closely monitoring the individual performance of our self-owned stores, where under-performed stores will be replaced. As at the report date, the Group is running 153 directly managed "Betu" stores and 182 franchised stores in mainland China.

It would be a challenging financial year for the Group, but we continue to believe in the potential of our markets and our competitive advantages. The Group is undergoing a transition period of cogent structural reform. Teamed up with our coherent team, adequate financial supports, meticulous planning and alliance relationship with our customers, we are confident to gradually work our way through to recovery in the Group's performance in the foreseeable future.

Capital Expenditure

During the period under review, the Group has incurred HK$61.4 million capital expenditure as compared to HK$10.5 million of the last corresponding period. It mainly represented the completion of acquisition of factory premises in Dongguan, leasehold improvement for retail business, regular replacement and upgrade of production facilities and investment in Vietnam's factory.

Liquidity and Financial Resources

The Group's financial position continued to be closely monitored and precisely managed throughout the period under review. At the end of the financial period, the Group's cash level was recorded at HK$175 million compared to HK$224 million as at March 31, 2013. Most of the bank balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$253 million, which were denominated in USD, HKD, RMB and Euro, consisted of HK$191 million short-term bank borrowings and HK$62 million long-term bank borrowings. The gearing ratio (total bank borrowings to total equity) was 46.4% and net debt to equity ratio (total bank borrowings net of bank balances and cash to total equity) was 14.4%. The Group is of the opinion that, after taking into account the financial resources available including the existing banking facilities and internally generated funds, the Group has sufficient working capital to satisfy its operating requirements. Working capital cycles were strictly controlled where inventory turnover and trade receivable turnover remained healthy.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources *(continued)*

At the end of the financial period, certain land and buildings with an aggregate net book value of approximately HK$3 million (March 31, 2013: HK$5 million) and certain investment properties with an aggregate carrying value of approximately HK$193 million (March 31, 2013: HK$136 million) were pledged to banks to secure general banking facilities granted to the Group.

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

Building a strong and coherent team has always been our management priority. The Group keeps 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. During the reporting period, the Group has increased the number of employees for our new operation in Vietnam, while at the same time streamlined the human resources structure of the other business units so as to sustain competitive edge. As at September 30, 2013, the Group has approximately 5,400 employees globally, similar to that as at March 31, 2013.

OTHER INFORMATION

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2013 (six months ended September 30, 2012: a special dividend of HK1.0 cents per share).

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

At September 30, 2013, the interests and short positions of each director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in 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	150,059,268	1,490,250	151,549,518	35.91%
Alan Lam Yiu On	Beneficial owner	620,000	1,490,250	2,110,250	0.50%
Raymond Tung Wai Man	Beneficial owner	360,000	993,500	1,353,500	0.32%
Martin Tung Hau Man	Beneficial owner	1,004,000	993,500	1,997,500	0.47%
Billy Tung Chung Man	Beneficial owner	802,400	993,500	1,795,900	0.43%
Kevin Lee Kwok Bun	Beneficial owner	10,800,000	–	10,800,000	2.56%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust *(note b)*	2,329,752	–	2,329,752	0.55%
Tony Chang Chung Kay	Beneficial owner	3,844,760	–	3,844,760	0.91%

OTHER INFORMATION *(continued)*

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

Long Positions in Shares and Underlying Shares of the Company (continued)

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 150,059,268 shares in the Company as at September 30, 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 beneficial owner who owned 277,752 shares in the Company as at September 30, 2013. He is also a beneficiary of a trust, Chaco International Limited, which owned 2,052,000 shares in the Company as at September 30, 2013.

Save as disclosed above, as at September 30, 2013, none of the directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION *(continued)*

Share Options

Particulars of the share option scheme and the movements in share options of the Company are set out in note 13 to the condensed consolidated financial statements.

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

	Date of grant	Vesting period	Exercise period	Original exercisable price per share HK$	Adjusted exercise price per Share HK$ (Note)	Number of share options: Outstanding at April 1, 2013	Adjustment during the period (Note)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at September 30, 2013
Category 1: Directors											
Benson Tung Wah Wing	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	1,500,000	(9,750)	–	–	–	1,490,250
Alan Lam Yiu On	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	1,500,000	(9,750)	–	–	–	1,490,250
Raymond Tung Wai Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	1,000,000	(6,500)	–	–	–	993,500
Martin Tung Hau Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	1,000,000	(6,500)	–	–	–	993,500
Billy Tung Chung Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	1,000,000	(6,500)	–	–	–	993,500
Total for directors						6,000,000	(39,000)	–	–	–	5,961,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	4,900,000	(31,850)	–	–	(198,700)	4,669,450
Total for employees						4,900,000	(31,850)	–	–	(198,700)	4,669,450
Total for all categories						10,900,000	(70,850)	–	–	(198,700)	10,630,450

Note:

As announced on June 3, 2013, the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options have been adjusted with effect from May 31, 2013 as a result of the rights issue became unconditional.

OTHER INFORMATION *(continued)*

Arrangements to Purchase Shares or Debentures

Save as disclosed under the heading "Share Options" above and in note 13 "Share-based payments" to the condensed consolidated financial statements, at no time during the period 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 period or at any time during the period.

Substantial Shareholders

At September 30, 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:

Long Positions in the Company's Ordinary Shares

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited	Beneficial owner	150,059,268 *(note a)*	35.55%
FMR LLC	Investment manager	30,000,000 *(note b)*	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) 7.11% of 422,077,557 shares, the total issued share capital of the Company as at September 30, 2013.

Other than as disclosed above, as at September 30, 2013, the Company has not been notified of any 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.

OTHER INFORMATION *(continued)*

Board of Directors

Executive Directors

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

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

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

Audit Committee

The Audit Committee has reviewed with management and the Group's external auditors, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended September 30, 2013.

The Audit Committee of the Company comprises four independent non-executive directors, namely Mr. Leslie Chang Shuk Chien, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Edwin Siu Pui Lap, with Mr. Leslie Chang Shuk Chien as the Chairman.

Corporate Governance

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 throughout the review period.

In addition, in compliance with a new code provision of the Code on the board diversity (which has been effective from September 1, 2013), the Board has adopted a board diversity policy in August 2013.

OTHER INFORMATION *(continued)*

Model Code

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

Benson Tung Wah Wing
Chairman

Hong Kong, November 28, 2013

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