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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 4.3% to HK$666 million

2. Loss for the period attributable to owners of the Company was HK$1 million

3. The Board of Directors does not recommend the payment of an interim dividend

RESULTS

The Board of Directors is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2014 (the "period"), together with the comparative figures for the six months ended September 30, 2013 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2014

		Six months ended September 30,	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**666,286**	696,017
Cost of sales		**(529,181)**	(568,964)
Gross profit		**137,105**	127,053
Other income		**16,435**	3,236
(Decrease) increase in fair value of investment properties	*8*	**(1,762)**	34,765
Increase in fair value of assets classified as held for sale	*10*	**9,512**	–
Fair value gain on derivative financial instruments		**161**	140
Selling and distribution costs		**(62,549)**	(56,578)
Administrative expenses		**(96,121)**	(120,093)
Finance costs		**(5,650)**	(3,782)
Share of results of associates		**(456)**	155
Loss before tax	*4*	**(3,325)**	(15,104)
Income tax expense	*5*	**(751)**	(5,665)
Loss for the period		**(4,076)**	(20,769)
Loss for the period attributable to:			
Owners of the Company		**(1,010)**	(14,028)
Non-controlling interests		**(3,066)**	(6,741)
		(4,076)	(20,769)
Loss per share	*7*		
– Basic and diluted *(HK cents)*		**(0.2)**	(3.5)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2014

	Six months ended September 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(4,076)**	(20,769)
Other comprehensive income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**20**	5,284
Items that will not be reclassified to profit or loss:		
Revaluation surplus arising on transfer of property, plant and equipment to investment properties	**–**	65,313
Deferred tax charges arising on revaluation of investment properties transferred from property, plant and equipment	**–**	(10,777)
	–	54,536
Other comprehensive income for the period	**20**	59,820
Total comprehensive (expense) income for the period	**(4,056)**	39,051
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(989)**	45,778
Non-controlling interests	**(3,067)**	(6,727)
	(4,056)	39,051

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2014

	Notes	**September 30, 2014 HK$'000 (unaudited)**	March 31, 2014 HK$'000 (audited)
Non-current assets			
Investment properties	8	**7,818**	9,580
Property, plant and equipment	8	**175,958**	182,017
Prepaid lease payments	8	**27,545**	27,886
Intangible assets		**–**	–
Interests in associates		**202**	658
Deferred tax assets		**73**	28
		211,596	220,169
Current assets			
Inventories		**183,773**	201,318
Trade and other receivables	9	**259,404**	238,726
Prepaid lease payments	8	**534**	534
Amount due from an associate		**2,694**	634
Tax recoverable		**1,720**	1,721
Derivative financial instruments		**161**	–
Bank balances and cash		**153,569**	151,837
		601,855	594,770
Assets classified as held for sale	10	**265,433**	256,055
		867,288	850,825
Current liabilities			
Trade and other payables	11	**252,232**	237,755
Tax liabilities		**143**	259
Obligations under finance leases – due within one year		**92**	91
Derivative financial instruments		**–**	333
Bank borrowings		**258,815**	249,137
		511,282	487,575
Net current assets		**356,006**	363,250
Total assets less current liabilities		**567,602**	583,419

	Notes	September 30, 2014 HK$'000 (unaudited)	March 31, 2014 HK$'000 (audited)
Non-current liabilities			
Bank borrowings		**54,849**	58,549
Deferred tax liabilities		**3,423**	3,449
Obligations under finance leases – due after one year		**62**	97
		58,334	62,095
		509,268	521,324
Capital and reserves			
Share capital	*12*	**212,932**	212,932
Reserves		**292,101**	293,090
Equity attributable to owners of the Company		**505,033**	506,022
Non-controlling interests		**4,235**	15,302
		509,268	521,324

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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.

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, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2014.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investments Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new Interpretation and amendments to 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.

3. Segment information

The Group's operating segments, based on information reported to the chief operating decision makers, 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, 2014

	USA *HK$'000*	**Canada** *HK$'000*	**Asia** *HK$'000*	**Europe and others** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE					
Sales of goods – external	**446,668**	**36,086**	**126,108**	**57,424**	**666,286**
SEGMENT PROFIT(LOSS)	**7,370**	**1,756**	**(4,672)**	**2,890**	**7,344**
Decrease in fair value of investment properties					**(1,762)**
Increase in fair value of assets classified as held for sale					**9,512**
Unallocated income					**16,596**
Unallocated expenses					**(28,909)**
Finance costs					**(5,650)**
Share of results of associates					**(456)**
Loss before tax					**(3,325)**

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)

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, change in fair value of investment properties, increase in fair value of assets classified as held for sale, 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, 2014 HK$'000	2013 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**341**	339
Depreciation of property, plant and equipment	**11,000**	11,342
(Gain) loss on disposal of property, plant and equipment	**(12,470)**	137
Bank interest income	**(132)**	(190)
Rental income from investment properties under operating leases, net of outgoings of HK$235,000 (2013: HK$150,000)	**(3,833)**	(2,896)

5. Income tax expense

	Six months ended September 30, 2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong	**62**	–
People's Republic of China (the "PRC")	**760**	571
Other jurisdiction	**–**	10
	822	581
Underprovision in prior years	**–**	34
	822	615
Deferred taxation	**(71)**	5,050
	751	5,665

Taxation arising in other jurisdiction 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 profit tax was made for the period ended September 30, 2013 as the Group had no assessable profit arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for last 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 PRC group entities 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

The Board of Directors did not recommend the payment of a final dividend for the year ended March 31, 2014 (six months ended September 30, 2013: final special dividend of HK1.0 cent per share for the year ended March 31, 2013, amounting to HK$4,221,000).

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2014 (six months ended September 30, 2013: Nil).

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,	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(1,010)**	(14,028)

	2014	2013
Weighted average number of ordinary shares in issue during the period	**422,077,557**	397,091,181

During the period ended September 30, 2013, the Group had issued 70,346,259 rights shares at HK$0.80 per rights issue. There is no adjustment on the Group's basic and diluted loss per share for the 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, 2014 and 2013 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

During the six months ended September 30, 2014, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$1,058,000 for proceeds of HK$13,528,000, resulting in a gain on disposal of HK$12,470,000.

The Group spent HK$5,871,000 (six months ended September 30, 2013: HK$49,407,000) on acquisition of property, plant and equipment and nil (six months ended September 30, 2013: HK$11,992,000) on acquisition of prepaid lease payments during the six months ended September 30, 2014.

The Group's investment properties were fair valued by DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited, both independent qualified professional valuers not connected with the Group, as at September 30, 2014 and March 31, 2014, respectively. 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. There has been no change from the valuation technique used in prior year.

The resulting decrease in fair value of investment properties of HK$1,762,000 has been recognised directly in profit or loss for the six months ended September 30, 2014 (six months ended September 30, 2013: increase in fair value of HK$34,765,000 which was mainly brought by the Tungtex Buildings before its reclassification from investment properties to assets classified as held for sale).

Pursuant to the change of the use of certain floors of the property located in Hong Kong, during the six months ended September 30, 2013, the Group transferred property, plant and equipment with a carrying value of HK$2,487,000 to investment properties and HK$65,313,000 revaluation surplus attributable to these floors was recognised as assets revaluation reserve upon transfer to investment properties. No such transaction was noted in six months ended September 30, 2014.

During the six months ended September 30, 2013, 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 six months ended September 30, 2014.

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, 2014	March 31, 2014
	HK$'000	*HK$'000*
Up to 30 days	**134,627**	121,753
31 – 60 days	**42,061**	35,421
61 – 90 days	**24,805**	31,346
More than 90 days	**5,266**	5,901
	206,759	194,421

10. Assets classified as held for sale

The class of asset classified as held for sale is as follows:

	September 30, 2014	March 31, 2014
	HK$'000	*HK$'000*
Property, plant and equipment	**7,659**	7,793
Investment property *(Note)*	**257,774**	248,262
	265,433	256,055

Note:

On January 17, 2014, the Group announced that it appointed property agents in Hong Kong to market with a view to sell the Group's property, Tungtex Building, located at 203 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ("Tungtex Building"). Certain portion of the Tungtex Building is occupied for self-use by the Group (classified as buildings and leasehold land in property, plant and equipment) and the remaining portion is leased to third parties (classified as investment properties).

As at March 31, 2014, the Group considered that it was highly probable to sell the Tungtex Building within one year and reclassified the Tungtex Building to assets classified as held for sale for the presentation of the consolidated financial statements. The fair values as at September 30, 2014 and March 31, 2014 were determined based on the direct comparison method and the basis of a valuation carried out by DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited, independent qualified professional valuers not connected with the Group, respectively.

On September 26, 2014, Dorcash Industrial Limited ("Dorcash"), a wholly-owned subsidiary of the Group, as vendor entered into a conditional provisional sale and purchase agreement with Kingwise Enterprises Limited, an independent third party, as purchaser for the disposal of Tungtex Building held by Dorcash at a consideration of HK$485,000,000, which was superseded by the conditional sale and purchase agreement dated October 16, 2014 signed by the same parties on the same subject matters.

The completion of the disposal is conditional upon the satisfaction of the conditions precedent set out in the conditional sale and purchase agreement, the same of which had been disclosed in the Company's circular dated October 30, 2014. The transaction is approved at the extraordinary general meeting of the Company on November 17, 2014.

11. 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, 2014 *HK$'000*	March 31, 2014 *HK$'000*
Up to 30 days	**102,151**	74,472
31 – 60 days	**8,177**	40,321
61 – 90 days	**7,250**	9,568
More than 90 days	**25,600**	7,990
	143,178	132,351

12. Share capital

	Number of shares	**Amount** *HK$'000*
Authorised:		
At April 1, 2013 and September 30, 2013		
Ordinary shares of HK$0.20 each	500,000,000	100,000
At March 31, 2014 and September 30, 2014	N/A *(Note 1)*	N/A *(Note 1)*
Issued and fully paid:		
At April 1, 2013		
Ordinary shares of HK$0.20 each	351,731,298	70,346
Issue of new ordinary shares under rights issue *(Note 2)*	70,346,259	14,069
At September 30, 2013		
Ordinary shares of HK$0.20 each	422,077,557	84,415
Transfer from share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance effective on March 3, 2014 *(Note 1)*	–	128,517
At March 31, 2014 and September 30, 2014		
Ordinary shares with no par value	**422,077,557**	**212,932**

Note 1: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from March 3, 2014, the concept of authorized share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

Note 2: 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. Events after the end of the reporting period

a. The disposal of Tungtex Building

As described in note 10, on October 16, 2014, Dorcash as vendor entered into a conditional sale and purchase agreement (which superseded the conditional provisional sale and purchase agreement dated September 26, 2014 signed by the same parties on the same subject matters) with Kingwise Enterprises Limited as purchaser for the disposal of Tungtex Building at a consideration of HK$485,000,000. The completion of the disposal is conditional upon the satisfaction of the conditions precedent set out in the sale and purchase agreement, the same of which had been disclosed in the Company's circular dated October 30, 2014. At the extraordinary general meeting of the Company held on November 17, 2014, the proposed resolution for the purpose of approving the disposal was duly passed by way of poll. Accordingly, all conditions precedent have been fulfilled and completion shall take place on or before January 12, 2015.

b. The disposal of 60% interest in Golden Will Fashions Limited ("Golden Will")

On August 6, 2014, Sing Yang Trading Limited, a wholly-owned subsidiary of the Group, as vendor and Mr. Ng Po Chuen ("Mr. Ng") as purchaser, a director and a substantial shareholder of Golden Will and other subsidiaries of the Company who owned 40% of the entire issued share capital of Golden Will, entered into a sale and purchase agreement under which Sing Yang Trading Limited agreed to sell 5,400,000 shares, representing 60% of the entire issued share capital of Golden Will to Mr. Ng at an aggregate consideration of HK$26,900,000.

Details of the transaction are included in the announcements of the Company dated August 6, 2014 and November 20, 2014. The transaction was completed on November 20, 2014.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2014 (six months ended September 30, 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

The Group managed to reduce its loss, primarily attributable to its reformative measures enforced during the reporting period, which benefitted the Group by an improved cost structure despite a short-term decline in the Group's turnover. In the six months ended September 30, 2014, loss attributable to owners of the Company and loss per share were reduced to HK$1 million and HK0.2 cents, as compared to HK$14 million and HK$3.5 cents respectively for the corresponding period last year. The Board of Directors does not recommend the payment of an interim dividend.

Business Review

The United States' economy had begun to gradually regain its foothold, while the recovery pace of our export demand in this major market remained slow during the reporting period. In euro zone, economic growth was mild while consumer confidence remained negative. In the six months ended September 30, 2014, the Group's turnover slipped by 4.3% to HK$666 million from that of the corresponding period last year. In terms of geographical segment, sales to North America declined by 7.2% to HK$483 million, representing 72.5% of the Group's turnover. Total sales to Europe and other markets increased by 10.1% to HK$57 million, accounted for 8.6% of the Group's turnover, largely attributable to the growth in our United Kingdom market. As for Asia, total sales increased by 1.8% to HK$126 million, representing 18.9% of the Group's turnover.

Chinese economy was losing momentum in the third quarter of 2014, growing at its slowest pace since the first quarter of 2009. With the solid foundation and brand reputation built up by our years of efforts, a growth of 7.2% in the Group's retail sales, which accounted for 16.5% of the Group's total sales, was recorded in the period. Focusing on improving profitability, we closely supervised the individual performance of each store and strategically closed those with low competitive advantages. As a result, the numbers of self-managed and franchised stores were reduced to 133 and 184 respectively at the end of the period.

During the period, export gross margin slightly improved as a result of our structural reshuffle where non-performing business units and factories with continuous loss were downsized or ceased in operation. Retail gross margin was also improved, demonstrating a healthy control over markup and discounts. As a whole, the consolidated gross profit margin increased to 20.6% as compared to 18.3% of the corresponding period last year.

During the reporting period, selling and distribution costs increased by 10.6% as compared to corresponding period last year, mainly to support the growth of our China retail business with increased salesmen wages and strengthened promotions. After realignment of some of our business units, the group's resources were utilized more efficiently with reduced payroll and other ancillary expenses, resulting in a 20.0% reduction of administrative expenses. In line with the increased short-term bank borrowings for operational needs, finance costs rose to HK$5.7 million.

In the reporting period, the Group sold a self-used industrial property, a property in Mow Hing Factory Building located in Kwun Tong, recording a disposal gain of HK$12.3 million. A net increase in fair value of properties (including assets classified as held for sale) of HK$7.8 million is included in the statement of profit or loss of the period, as compared to the increase in fair value of investment properties of HK$34.8 million in the corresponding period last year.

Prospects

Looking ahead, while our streamlining is still ongoing, the Group's export business environment will continue to be challenging as confronted by the uncertain economic conditions and increased costs that may weigh on our performance. Nevertheless, we will focus on and strive for improving gross margin and cost efficiency in the rest of the fiscal year, as motivated by the improved results in the first half of the fiscal year.

In the near future, structural reforms and internal merger of some of our business units will continue. In spite of the possible drawback of temporary slide in export sales during the process, we believe the Group will gradually regain its growth in outputs, further reduce overall structural costs and carve out more competitive advantages after the completion of redeploying its inherent resources and full operation of the new factories in Vietnam and Dongguan of mainland China in the fiscal year of 2015/2016.

The Group's retail business is well on its way to sustainable growth in the mainland China market. We expect this advancement will continue as a result of strengthened promotions, prudent controls over costs and discounts and increasing scale of online purchases through our e-commerce platform. As at the reporting date, the Group is running 134 directly managed "Betu" stores and 186 franchised stores in mainland China.

Disposal of Tungtex Building

On November 17, 2014, an extraordinary general meeting was held and the ordinary resolution in respect of the disposal of Tungtex Building located in Kwun Tong was then passed. It is expected that the Group will realise a gain on the disposal before taxation of approximately HK$220.8 million, which is calculated with reference to the consideration less the aggregate net book value of the assets classified as held for sale as at March 31, 2014 and the estimated transaction costs and expenses attributable to the disposal. The actual gain on the disposal will be calculated on the completion date on or before January 12, 2015 and reflected in the consolidated accounts of the Group in the second half of the year ending March 31, 2015. The Group considers that the disposal is a good opportunity to yield a reasonable gain and generate flexibility in cash flow with additional working capital.

Disposal of 60% Interest in Golden Will

On August 6, 2014, a subsidiary of the Group entered into an agreement in respect of the disposal of its 60% equity interest in Golden Will Fashions Limited ("Golden Will") and the companies in which Golden Will has interest (the "Disposal Group"). It is anticipated that the Group would realise a gain from the disposal before taxation of approximately HK$19 million, being the consideration minus the carrying amount of the Group's interest in the net assets of the Disposal Group as at May 31, 2014 (after adjusting for the dividend declared and paid to shareholders of Golden Will prior to the signing of the agreement) and the estimated transaction costs and expenses attributable to the disposal. Subsequently, the disposal was completed on November 20, 2014. The actual gain on the disposal will be calculated and reflected in the consolidated accounts of the Group in the second half of the year ending March 31, 2015. We consider that the disposal is a good opportunity for the Group to stem the continuing operating loss incurred by the Disposal Group, to streamline the corporate structure of the Group and to yield a reasonable gain. After the disposal of the Disposal Group, flexibility in cash flow will be generated with additional working capital provided to the Group.

CAPITAL EXPENDITURE

During the period under review, the Group incurred HK$5.9 million capital expenditure as compared to HK$61.4 million of the corresponding period last year. Such capital expenditure mainly represented leasehold improvement for retail business, investment of production facilities in Vietnam's factory and regular replacement and upgrading of production facilities of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position continued to be closely monitored and precisely managed throughout the period under review. As at September 30, 2014, the Group's cash level was recorded at HK$154 million as compared to HK$152 million as at March 31, 2014. Most of the bank balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$314 million, which were denominated in USD, HKD, RMB and Euro, consisted of short-term bank borrowings of HK$259 million and long-term bank borrowings of HK$55 million. The gearing ratio (total bank borrowings to total equity) was 61.6% and net debt to equity ratio (total bank borrowings net of bank balances and cash to total equity) was 31.4%. 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.

As at September 30, 2014, certain land and buildings with an aggregate net book value of approximately HK$24 million (March 31, 2014: HK$25 million) and assets classified as held for sale with an aggregate carrying value of approximately HK$211 million (March 31, 2014: HK$203 million) were pledged to banks to secure general banking facilities granted to the Group.

USE OF NET PROCEEDS FROM RIGHTS ISSUE IN 2013

In early June of 2013, the Company raised net proceeds of HK$53.8 million by issuing 70,346,259 new ordinary shares of HK$0.20 each on the basis of one rights share for every five shares held on May 9, 2013 at a subscription price of HK$0.80 per rights share. Up to September 30, 2014, the actual use of net proceeds from the rights issue was summarized as follows: (i) approximately HK$20.0 million was applied to increase the Group's factory capacities in Vietnam and Dongguan of mainland China; and (ii) approximately HK$26.8 million was utilized for general working capital of the Group. The remaining net proceeds of approximately HK$7.0 million would be used for the investment in the facilities of the Group's factories in Vietnam and Dongguan of mainland China in the second half of the year ending March 31, 2015.

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

To sustain competitive edge, the Group has carried out several restructuring plans including streamlining the human resources structure for some of its business units. Meanwhile, headcount of employees in Vietnam increased according to the development of the Group's new factory in Vietnam. As at September 30, 2014, the Group has approximately 5,200 employees globally, as compared to 5,600 as at March 31, 2014. In spite of the harsh operating environment, we keep on retaining and inspiring competent staff who dedicate to develop their careers in line with our core corporate values and strategic goals by offering career development opportunities, job satisfaction via empowerment, harmonious teamwork and competitive remuneration package with reference to the market practice and performance.

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, 2014.

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.

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.

PUBLICATION OF INTERIM RESULTS AND REPORT

This results announcement is published on the Company's websites (http://www.tungtex.com) and the Stock Exchange's website (http://www.hkexnews.hk). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

Benson Tung Wah Wing
Chairman

Hong Kong, November 28, 2014

As at the date of this announcement, the Executive Directors of the Company are Mr. Benson Tung Wah Wing (Chairman), Mr. Alan Lam Yiu On (Managing Director), Mr. Raymond Tung Wai Man, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man; the Non-Executive Directors are Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun; and the Independent Non-Executive Directors are Mr. Johnny Chang Tak Cheung, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim, Mr. Edwin Siu Pui Lap and Mr. Leslie Chang Shuk Chien.