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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2013

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 7.8% to HK$1,476 million
2. Loss for the year attributable to owners of the Company was HK$14 million
3. Proposed special dividend per share is HK1 cent

RESULTS

The Board of Directors is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2013 (the "year"), together with the comparative figures for the year ended March 31, 2012 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Revenue	*2*	**1,476,055**	1,600,592
Cost of sales		**(1,194,690)**	(1,296,101)
Gross profit		**281,365**	304,491
Other income		**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		**(3,955)**	(2,997)
Share of profits of associates		**473**	332
Loss before tax	*3*	**(13,012)**	(15,971)
Income tax expense	*4*	**(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	*6*		
– 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	March 31, 2013 HK$'000	March 31, 2012 HK$'000
Non-current assets			
Investment properties		**144,169**	97,416
Property, plant and equipment		**144,594**	100,077
Prepaid lease payments		**16,805**	11,296
Deposit paid for acquisition of property, plant and equipment		**12,373**	–
Intangible assets		**–**	33
Interests in associates		**3,324**	2,851
Deferred tax assets		**13**	74
		321,278	211,747
Current assets			
Inventories		**159,374**	180,709
Trade and other receivables	7	**220,338**	206,087
Prepaid lease payments		**456**	384
Amount due from an associate		**–**	3,030
Tax recoverable		**2,299**	4,330
Derivative financial instruments		**386**	56
Bank balances and cash		**224,490**	178,667
		607,343	573,263
Current liabilities			
Trade and other payables	8	**217,346**	228,739
Amount due to an associate		**738**	–
Amount due to a non-controlling shareholder of a subsidiary		**–**	900
Tax liabilities		**101**	816
Obligations under finance leases – due within one year		**124**	76
Bank borrowings		**161,238**	44,292
		379,547	274,823
Net current assets		**227,796**	298,440
Total assets less current liabilities		**549,074**	510,187
Non-current liabilities			
Bank borrowings		**66,150**	–
Deferred tax liabilities		**24,673**	17,076
Obligations under finance leases – due after one year		**207**	60
		91,030	17,136
		458,044	493,051
Capital and reserves			
Share capital		**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

Notes:

1. 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.

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 endorsing 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. The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7. 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 Disclosures[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	Investments 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 Associates 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

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 recognized 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.

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.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and 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.

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 1 January 2013.

The directors anticipate these five standards will be accepted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and it may need to have 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.

2. 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 – the United States of America (the "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)**

For the year ended March 31, 2012

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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)

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.

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the USA, the People's Republic of China (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 million (2012: HK$318 million).

3. 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

4. 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	**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 from January 1, 2008.

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.

5. DIVIDENDS

	2013	2012
	HK$'000	*HK$'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.

6. 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:

	2013	2012
	HK$'000	*HK$'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.

7. 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 Dollar, 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

8. TRADE AND OTHER PAYABLES

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:

	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

9. 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**	–

10. 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 dispatched. Details are set out in the announcement.

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).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Inter-Continental Room Cherry & Peach, Hotel Inter-Continental Hong Kong, 18 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, August 29, 2013 at 11:00 a.m. The Notice of Annual General Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, August 28, 2013 to Thursday, August 29, 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, August 27, 2013.

The Register of Members of the Company will also be closed on Thursday, September 5, 2013, on which day no transfer of shares will be registered. In order to qualify for the entitlement to the proposed special dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, September 4, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

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.

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.

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.

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

During the year ended March 31, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises four independent non-executive directors of the Company, has reviewed with management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended March 31, 2013.

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.

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.

PUBLICATION OF FINAL 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 final 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, June 28, 2013

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.