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, 2014

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 7.0% to HK$1,373 million

2. Loss for the year attributable to owners of the Company was HK$44 million

3. The Board of Directors does not recommend the payment of a final dividend

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, 2014 (the "year"), together with the comparative figures for the year ended March 31, 2013 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	2	**1,372,616**	1,476,055
Cost of sales		**(1,145,888)**	(1,194,690)
Gross profit		**226,728**	281,365
Other income		**7,789**	3,503
Increase in fair value of investment properties		**45,873**	47,949
Fair value changes on derivative financial instruments		**(333)**	386
Selling and distribution costs		**(119,400)**	(100,804)
Administrative expenses		**(226,469)**	(241,929)
Finance costs		**(7,591)**	(3,955)
Share of (loss) profits of associates		**(2,666)**	473
Loss before tax	3	**(76,069)**	(13,012)
Income tax credit (expense)	4	**18,813**	(8,473)
Loss for the year		**(57,256)**	(21,485)
Loss for the year attributable to:			
Owners of the Company		**(43,889)**	(13,900)
Non-controlling interests		**(13,367)**	(7,585)
		(57,256)	(21,485)
Loss per share			
– Basic and diluted *(HK cents)*	6	**(10.7)**	(4.0)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(57,256)**	(21,485)
Other comprehensive income (expenses)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**6,457**	(2,970)
Items that will not be reclassified to profit or loss:		
Transfer of property, plant and equipment to investment properties:		
– revaluation surplus	**65,313**	–
– deferred tax charges	**(10,777)**	–
Reclassification of investment properties to assets classified as held for sale:		
– deferred tax credit	**11,988**	–
	66,524	–
Other comprehensive income (expenses) for the year	**72,981**	(2,970)
Total comprehensive income (expenses) for the year	**15,725**	(24,455)
Total comprehensive income (expenses) for the year attributable to:		
Owners of the Company	**29,079**	(16,870)
Non-controlling interests	**(13,354)**	(7,585)
	15,725	(24,455)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2014

	Notes	March 31, 2014 HK$'000	March 31, 2013 HK$'000
Non-current assets			
Investment properties		**9,580**	144,169
Property, plant and equipment		**182,017**	144,594
Prepaid lease payments		**27,886**	16,805
Deposit paid for acquisition of property, plant and equipment		**–**	12,373
Intangible assets		**–**	–
Interests in associates		**658**	3,324
Deferred tax assets		**28**	13
		220,169	321,278
Current assets			
Inventories		**201,318**	159,374
Trade and other receivables	7	**238,726**	220,338
Prepaid lease payments		**534**	456
Amount due from an associate		**634**	–
Tax recoverable		**1,721**	2,299
Derivative financial instruments		**–**	386
Bank balances and cash		**151,837**	224,490
		594,770	607,343
Assets classified as held for sale		**256,055**	–
		850,825	607,343
Current liabilities			
Trade and other payables	8	**237,755**	217,346
Amount due to an associate		**–**	738
Tax liabilities		**259**	101
Obligations under finance leases – due within one year		**91**	124
Derivative financial instruments		**333**	–
Bank borrowings		**249,137**	161,238
		487,575	379,547
Net current assets		**363,250**	227,796
Total assets less current liabilities		**583,419**	549,074
Non-current liabilities			
Bank borrowings		**58,549**	66,150
Deferred tax liabilities		**3,449**	24,673
Obligations under finance leases – due after one year		**97**	207
		62,095	91,030
		521,324	458,044
Capital and reserves			
Share capital	9	**212,932**	70,346
Reserves		**293,090**	357,042
Equity attributable to owners of the Company		**506,022**	427,388
Non-controlling interests		**15,302**	30,656
		521,324	458,044

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 new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
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 HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs 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 HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's structured foreign currency forward contract.

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

In the current year, 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 the Group as it deals only with separate financial statements. The impact of the application of the relevant standard is set out below.

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 consolidated 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 year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instruments items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income (expenses) and total comprehensive income (expenses).

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 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investments Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014, with early application permitted.
2 Effective for annual periods beginning on or after July 1, 2014. Early application is permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKRS 9 are finalised.
4 Effective for annual periods beginning on or after January 1, 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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, 2014

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	**941,874**	**56,010**	**264,746**	**109,986**	**1,372,616**
SEGMENT LOSS	**(30,864)**	**(212)**	**(21,571)**	**(911)**	**(53,558)**
Unallocated income					**7,456**
Unallocated expenses					**(65,250)**
Increase in fair value of investment properties					**45,873**
Fair value changes on derivative financial instruments					**(333)**
Finance costs					**(7,591)**
Share of loss of associates					**(2,666)**
Loss before tax					**(76,069)**

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)

Segment (loss) profits represents the (loss) profits (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 (loss) 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:

	2014	2013
	HK$'000	*HK$'000*
The USA	**941,874**	1,052,760
The PRC	**238,148**	227,333
United Kingdom	**51,248**	65,388
Other European countries	**23,318**	34,161
Canada	**56,010**	46,638
Hong Kong	**13,706**	12,061
Others	**48,312**	37,714
	1,372,616	1,476,055

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:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**10,814**	159,661
The PRC	**173,177**	128,972
The USA	**289**	300
Others	**35,203**	29,008
	219,483	317,941

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

Information about major customers

For the year ended March 31, 2014, there is one (2013: one) external customer in the USA operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$223 million (2013: HK$274 million).

3. LOSS BEFORE TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**358,683**	362,933
Contributions to retirement benefit schemes	**16,762**	14,755
Total employee benefits expenses	**375,445**	377,688
Auditor's remuneration	**2,144**	2,143
Cost of inventories recognised as an expense	**1,145,888**	1,194,690
Write down of inventories (included in cost of sales)	**705**	5,533
Amortisation of intangible assets	**–**	33
Amortisation of prepaid lease payments	**752**	456
Depreciation of property, plant and equipment	**23,465**	20,133
Loss on disposal of property, plant and equipment	**1,234**	248
Net exchange loss (gain)	**8,436**	(2,782)

4. INCOME TAX (CREDIT) EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**6**	90
The PRC	**1,252**	526
Other jurisdictions	**34**	39
	1,292	655
(Over)underprovision in prior years	**(77)**	160
	1,215	815
Deferred taxation	**(20,028)**	7,658
	(18,813)	8,473

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.

5. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 interim of HK nil cent (2013: 2013 interim special of HK1 cent) per share	**–**	3,517
2013 final special of HK1 cent (2013: 2012 final special of HK2 cents) per share	**4,221**	7,035
	4,221	10,552

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2014 (2013: final special dividend of HK1 cent per share, amounting to HK$4.2 million).

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:

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(43,889)**	(13,900)

	2014	2013
Number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**409,550,141**	351,731,298

The calculation of basic and diluted loss per share for the year ended March 31, 2014 and 2013 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 years.

During the year, the Group had issued 70,346,259 rights shares at HK$0.80 per rights issue with details noted in the note 9. There is no adjustment on the Group's basic and diluted loss per share for the current and prior year as there is no bonus element in the rights issue.

7. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 days to 90 days to majority of 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:

	2014	2013
	HK$'000	*HK$'000*
Up to 30 days	**121,753**	131,575
31 – 60 days	**35,421**	27,362
61 – 90 days	**31,346**	8,325
More than 90 days	**5,901**	4,688
	194,421	171,950

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:

	2014	2013
	HK$'000	*HK$'000*
Up to 30 days	**74,472**	83,487
31 – 60 days	**40,321**	29,612
61 – 90 days	**9,568**	6,267
More than 90 days	**7,990**	7,100
	132,351	126,466

9. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
At April 1, 2012 and March 31, 2013		
Ordinary shares of HK$0.20 each	500,000,000	100,000
At March 31, 2014	**N/A** *(Note 1)*	**N/A** *(Note 1)*
Issued and fully paid:		
At April 1, 2012 and March 31, 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
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		
Ordinary shares with no par value	**422,077,557**	**212,932**

Note 1: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

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.

10. CAPITAL COMMITMENTS

	2014 ***HK$'000***	2013 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**308**	46,401
– addition of construction in progress	**–**	2,421

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2014 (2013: final special dividend of HK1 cent per share).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Thursday, August 28, 2014 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 Tuesday, August 26, 2014 to Thursday, August 28, 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, August 25, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

The Group has undergone a rigorous fiscal year with our export markets remained challenging amid frail financial environment. During the year under review, export demand was further contracted, undermining the Group's turnover and gross margin, while the Group's retail business was also impeded by economic slowdown and intense competition in mainland China. In addition, the Group scaled down some of the business units and factories strategically to improve its structural cost effectiveness. The short-term drawback was a further slide in the Group's turnover. In the year ended March 31, 2014, the Group's turnover declined by 7.0% to HK$1,373 million from that of last fiscal year. Loss attributable to owners of the Company and loss per share enlarged to HK$43.9 million and HK10.7 cents respectively, as compared to HK$13.9 million and HK4.0 cents for the last fiscal year.

Business Review

During the fiscal year, the Group's apparel export business still could not emerge from the negative impacts of the meager global economy. In the United States, the largest market of our export business, the economic confidence was rebounding and ended up on a better footing in 2013. Nevertheless, the weak economic growth is further stumbled by the contraction recorded in the first quarter of 2014. The drop marked the economy's first contraction in the past three years, deferring the hope for a sustained pickup in growth. In Europe, the economy has successfully struggled to break free of the long recession but grew at a rate frustratingly slow. The flagging recovery, intertwined with deep fiscal austerity, could barely alleviate the economic hardship of the continent. Basing on segment analysis of our major export markets, total export sales to North America segment dropped by 9.2% to HK$998 million, representing 72.7% of the Group's turnover in the fiscal year. The Group continued to strictly manage its United States wholesale brand "Zelda" which was operated in a restricted business scale. As for Europe and other markets segment, the Group recorded a decline of 9.0% to HK$110 million, accounting for 8.0% of the Group's turnover.

Stringent manufacturing environment in China continued to be one of the Group's major challenges in the fiscal year. With Renminbi and wage level staying high, the Group suffered persistently from the elevated operating costs which could not be substantially migrated to our customers. Meanwhile, the restructuring that we weathered through during the year had impacts on sales and capacity which in turn affected the economy of scale of our production. As such, the Group's gross margin was unfavorably impacted.

This was an important year of transition in the Group's history. Consistent with the Group's long-term objective of maximizing shareholder's value and sustaining steady business development in the long run, the Group implemented several strategies in the fiscal year, including scaling down some of the business units with less competitive edges, developing the plant in Vietnam, planning to reallocate our resources and production capability to Dongguan and proposing sale of Tungtex Building in Hong Kong.

Our plant in Vietnam grew steadily and started actual production in the fiscal year in line with the Group's plan. Remained in the development stage of raising production capacity, the plant's output only accounted for a small contribution to our overall capacity during the year. We have dedicated efforts to form a competent and cohesive team to operate the factory sophisticatedly and to enhance the skill levels and efficiency of the new workers. In spite of the recent anti-Chinese riots in Vietnam, the region where our factory located was not affected.

In the mainland China, economic growth slipped to an eighteen-month low in the first quarter of 2014. The slowdown was putting an intense strain on our retail business with soaring rents and surging wages. Notwithstanding the worsened operating environment in the second half of the fiscal year, we concentrated our attention and resources to build up the brand value, lift the lure of our products and reformed the self-managed and franchised stores with less competitive advantages. In the fiscal year, the total retail sales of the Group was sustained at a steady growth of 12.8% and accounted for 16.6% of the Group's overall turnover. At the fiscal year end date, there were 150 directly managed stores and 193 franchised stores in operation.

Prospects

As we look to the near future, there is no clue to predict a robust recovery in any of our major markets. Nevertheless, we are confident on the strategic plans and structural reforms that we are performing. In the short term, we will keep our focus squarely on the rationalization of our inefficient business units as we see the benefits of simplifying corporate structure and consolidating our internal resources to reposition the Group. With the development plan of Vietnam factory and Dongguan factory, we will step up efforts to expand our production capability in the relatively lower costs region and pursue addition of new customers and business growth for our existing customers. After the expiry of the existing tenancy agreement with a third party in July 2014 in respect of the Group's factory premises in Dongguan, China, the Group will occupy the premises by itself and start to roll out the strategic plan to relocate part of its production facilities to the Dongguan factory.

In mainland China, we expect that an acute competitive environment will continue in the consumption market. Weakness in spending atmosphere will prevail in the short term as a result of economic slowdown. Achieved through the hard work of our dedicated team, our retail sales in mainland China continued to have considerable growth in line with progressive strengthening of brand loyalty. We will further our progress by improving profitability as our renewed focus. It includes controlling the retail discounts precisely to improve gross margin, replacing under-performed self-managed stores and franchised stores and speeding up the development of e-commence platform as one of our major distribution channels in the coming future. As at the report date, there are 140 "Betu" stores directly managed by the Group; while 190 are operated by our franchisees.

On January 17, 2014, the Company announced the appointment of property agents in Hong Kong by a subsidiary of the Group to market with a view to sell Tungtex Building in Hong Kong. As at the date of this announcement, the sale has not yet been materialized and no binding agreement has been reached. The Company will keep our shareholders informed if and when any binding agreement for the sale of Tungtex Building has been reached or otherwise in compliance with the requirements of the Listing Rules. The sale of Tungtex Building, if materialized, would enable the Group to realise its asset value of Tungtex Building and enhance the Group's liquidity from the net sale proceeds of the sale.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$84.7 million capital expenditure (2013: HK$69.3 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 factory premises in Dongguan, China, which was completed in April 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to keep sight of its financial position prudently throughout the year under review. At the end of the fiscal year, the Group's cash level was recorded at HK$152 million as compared to HK$224 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$308 million, which were denominated in USD, HKD, RMB and Euro, consisted of HK$249 million short-term bank borrowings and HK$59 million long-term bank borrowings. The gearing ratio (total bank borrowings to total equity) was 59% and net debt to equity ratio (total bank borrowings net of bank balances and cash to total equity) was 30%. The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business. During the fiscal year, working capital cycle remained under stringent control. With the contraction in annual sales volume in the year under review, trade receivable turnover increased from last year's 43 days to 52 days. Inventory turnover increased from last year's 39 days to 54 days, partly due to higher inventory level required for the growth of the Group's retail business in mainland China. As Tungtex Building in Hong Kong was transferred to assets classified as held for sale, current ratio increased from last year's 1.6 to 1.7. Quick ratio reduced from last year's 1.2 to 0.8 as bank borrowings increased in the fiscal year.

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 issue for every five shares held on May 9, 2013 at a subscription price of HK$0.80 per rights share.

At the end of the fiscal year, certain land and buildings with an aggregate net book value of approximately HK$25 million (2013: HK$5 million) and assets classified as held for sale with an aggregate carrying value of approximately HK$203 million (2013: certain investment properties of 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

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 increased following the setup and operation commencement of the Group's Vietnam factory. As at March 31, 2014, the Group has approximately 5,600 employees globally, as compared to 5,400 as at March 31, 2013. The Group regards employees as the most valuable asset and the core element of our long-term success. 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.

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

During the year ended March 31, 2014, 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, 2014.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2014, 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.

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 27, 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.