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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and it subsidiaries (collectively referred to as the "Group") set out on pages 3 to 13, which comprises the condensed consolidated statement of financial position as of September 30, 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, November 30, 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended September 30, 2012

	Notes	Six months ended September 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue	3	**732,380**	783,390
Cost of sales		**(589,471)**	(627,855)
Gross profit		**142,909**	155,535
Other income		**1,735**	1,592
Fair value loss on derivative financial instruments		**(523)**	(72)
Selling and distribution costs		**(50,684)**	(49,042)
Administrative expenses		**(121,370)**	(122,976)
Finance costs		**(1,416)**	(1,194)
Share of results of associates		**370**	148
Loss before tax	4	**(28,979)**	(16,009)
Income tax expense	5	**(897)**	(981)
Loss for the period		**(29,876)**	(16,990)
Loss for the period attributable to:			
Owners of the Company		**(26,023)**	(16,712)
Non-controlling interests		**(3,853)**	(278)
		(29,876)	(16,990)
Loss per share	7		
– Basic and diluted (HK cents)		**(7.4)**	(4.8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2012

	Six months ended September 30,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(29,876)**	(16,990)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**170**	3,259
Total comprehensive expense for the period	**(29,706)**	(13,731)
Total comprehensive expense attributable to:		
Owners of the Company	**(25,846)**	(13,409)
Non-controlling interests	**(3,860)**	(322)
	(29,706)	(13,731)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2012

	Notes	September 30, 2012 HK$'000 (unaudited)	March 31, 2012 HK$'000 (audited)
Non-current assets			
Investment properties	8	**97,416**	97,416
Property, plant and equipment	8	**99,973**	100,077
Prepaid lease payments		**11,104**	11,296
Intangible assets		**–**	33
Interests in associates		**3,221**	2,851
Deferred tax assets		**104**	74
		211,818	211,747
Current assets			
Inventories		**158,423**	180,709
Trade and other receivables	9	**199,270**	206,087
Prepaid lease payments		**384**	384
Amount due from an associate		**926**	3,030
Tax recoverable		**3,827**	4,330
Derivative financial instruments		**–**	56
Bank balances and cash		**188,348**	178,667
		551,178	573,263
Current liabilities			
Trade and other payables	10	**207,231**	228,739
Amount due to a non-controlling shareholder of a subsidiary		**–**	900
Tax liabilities		**372**	816
Obligations under finance leases – due within one year		**142**	76
Derivative financial instruments		**523**	–
Bank borrowings	11	**81,138**	44,292
		289,406	274,823
Net current assets		**261,772**	298,440
Total assets less current liabilities		**473,590**	510,187
Non-current liabilities			
Deferred tax liabilities		**16,984**	17,076
Obligations under finance leases – due after one year		**296**	60
		17,280	17,136
		456,310	493,051
Capital and reserves			
Share capital		**70,346**	70,346
Reserves		**351,583**	384,464
Equity attributable to owners of the Company		**421,929**	454,810
Non-controlling interests		**34,381**	38,241
		456,310	493,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At April 1, 2011 (audited)	70,346	84,880	3,930	(1,505)	682	6,128	330,182	494,643	44,748	539,391
Loss for the period	–	–	–	–	–	–	(16,712)	(16,712)	(278)	(16,990)
Exchange differences arising on translation of foreign operations	–	–	–	3,303	–	–	–	3,303	(44)	3,259
Total comprehensive income (expense) for the period	–	–	–	3,303	–	–	(16,712)	(13,409)	(322)	(13,731)
Dividends recognised as distribution	–	–	–	–	–	–	(14,949)	(14,949)	–	(14,949)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,200)	(3,200)
At September 30, 2011 (unaudited)	70,346	84,880	3,930	1,798	682	6,128	298,521	466,285	41,226	507,511
Loss for the period	–	–	–	–	–	–	(1,918)	(1,918)	(3,009)	(4,927)
Exchange differences arising on translation of foreign operations	–	–	–	(2,586)	–	–	–	(2,586)	(13)	(2,599)
Exchange differences arising on translation of associates	–	–	–	63	–	–	–	63	37	100
Total comprehensive expense for the period	–	–	–	(2,523)	–	–	(1,918)	(4,441)	(2,985)	(7,426)
Dividends recognised as distribution	–	–	–	–	–	–	(7,034)	(7,034)	–	(7,034)
At March 31, 2012 (audited)	70,346	84,880	3,930	(725)	682	6,128	289,569	454,810	38,241	493,051
Loss for the period	–	–	–	–	–	–	(26,023)	(26,023)	(3,853)	(29,876)
Exchange differences arising on translation of foreign operations	–	–	–	177	–	–	–	177	(7)	170
Total comprehensive income (expense) for the period	–	–	–	177	–	–	(26,023)	(25,846)	(3,860)	(29,706)
Dividends recognised as distribution	–	–	–	–	–	–	(7,035)	(7,035)	–	(7,035)
At September 30, 2012 (unaudited)	70,346	84,880	3,930	(548)	682	6,128	256,511	421,929	34,381	456,310

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2012

	Six months ended September 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash used in operating activities	**(7,898)**	(5,798)
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(10,141)**	(8,240)
Other investing cash flows	**301**	(525)
	(9,840)	(8,765)
Net cash from (used in) financing activities:		
New bank loans raised	**74,967**	27,775
Repayments of bank borrowings	**(38,140)**	(15,266)
Dividend paid	**(7,035)**	(14,949)
Dividend paid to non-controlling shareholders of a subsidiary	**–**	(3,200)
Other financing cash flows	**(2,402)**	1,918
	27,390	(3,722)
Net increase (decrease) in cash and cash equivalents	**9,652**	(18,285)
Cash and cash equivalents at the beginning of the period	**178,667**	224,767
Effect of foreign exchange rate changes	**29**	1,020
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**188,348**	207,502

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2012

1. Basis of preparation

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

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.

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, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, 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 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, rather than through sale, the directors have rebutted the presumption in HKAS 12. Consequently, the application of the amendments to HKAS 12 in the current interim period has had no effect on the deferred tax liabilities in relation to the Group's investment properties.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the condensed consolidated financial statements 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, 2012

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

Six months ended September 30, 2011

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
Sales of goods – external	612,701	9,626	93,946	67,117	783,390
SEGMENT PROFIT	8,895	591	1,586	5,245	16,317
Unallocated income					1,592
Unallocated expenses					(32,872)
Finance costs					(1,194)
Share of results of associates					148
Loss before tax					(16,009)

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, 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, 2012 HK$'000	2011 HK$'000
Loss before tax has been arrived at after charging:		
Amortisation of intangible assets	**33**	34
Amortisation of prepaid lease payments	**192**	192
Depreciation of property, plant and equipment	**10,383**	10,630
Loss on disposal of property, plant and equipment	**85**	74
and after crediting:		
Bank interest income	**76**	89
Rental income from properties under operating leases	**1,659**	1,503

5. Income tax expense

	Six months ended September 30, 2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong	**601**	686
People's Republic of China (the "PRC")	**434**	652
Other jurisdictions	**21**	54
	1,056	1,392
Overprovision	**(37)**	(203)
	1,019	1,189
Deferred taxation	**(122)**	(208)
	897	981

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

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

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

5. Income tax expense *(continued)*

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

6. Dividends

On September 13, 2012, a special dividend of HK2.0 cents per share for the year ended March 31, 2012, amounting to a total of HK$7,035,000 was paid to shareholders (six months ended September 30, 2011: final dividend of HK4.25 cents per share for the year ended March 31, 2011, amounting to HK$14,949,000).

Subsequent to September 30, 2012, the directors do not recommend the payment of an interim dividend but have determined that a special dividend of HK1.0 cent per share (six months ended September 30, 2011: a special dividend of HK2.0 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on December 20, 2012.

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,	
	2012	2011
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company	**(26,023)**	(16,712)
	2012	2011
Number of ordinary shares in issue during the period	**351,731,298**	351,731,298

The computation of diluted loss per share for the six months ended September 30, 2012 and 2011 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 and property, plant and equipment

At September 30, 2012, the directors considered the carrying amount of the Group's investment properties carried at their fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no fair value adjustment has been recognised in the current period (six months ended September 30, 2011: Nil).

In addition, the Group spent HK$10,529,000 (six months ended September 30, 2011: HK$8,375,000) on acquisition of property, plant and equipment during the period.

9. Trade and other receivables

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

	September 30, 2012 HK$'000	March 31, 2012 HK$'000
Up to 30 days	**107,916**	116,558
31 – 60 days	**22,342**	26,621
61 – 90 days	**17,757**	22,927
More than 90 days	**1,506**	2,763
	149,521	168,869

10. Trade and other payables

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

	September 30, 2012 HK$'000	March 31, 2012 HK$'000
Up to 30 days	**87,879**	88,928
31 – 60 days	**7,925**	33,406
61 – 90 days	**11,619**	16,803
More than 90 days	**7,394**	5,329
	114,817	144,466

11. Bank borrowings

The Group repaid bank borrowings in the amount of HK$38,140,000 during the period (six months ended September 30, 2011: HK$15,266,000).

During the six months ended September 30, 2012, the Group raised new bank borrowings in the amount of HK$74,967,000 (six months ended September 30, 2011: HK$27,775,000), which were used as general working capital. The borrowings bear variable interest at market rates and are repayable within one year.

12. Share-based payments

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

	Number of share options
Outstanding at April 1, 2012	12,600,000
Lapsed during the period	(800,000)
Outstanding at September 30, 2012	11,800,000

13. Capital commitment

	Six months ended September 30,	
	2012	2011
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of a property contracted for but not provided in the condensed consolidated financial statements	**327**	–

14. Related parties transactions

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

	Six months ended September 30,	
	2012	2011
	HK$'000	HK$'000
Purchase of raw materials and finished goods from the Group's associate	**21,853**	16,528
Compensation of key management personnel	**7,191**	7,450

15. Event after the end of the reporting period

Subsequent to the end of the current interim period, the Group entered into an agreement with 東莞市亮耀光電科技有限公司 for the acquisition of a property on a consideration of RMB46 million (equivalent to approximately HK$57 million). Details of the acquisition are set out in the Group's announcement dated November 6, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

During the period under review, the already sluggish global economic recovery was dragged down by continuing financial difficulties in Europe and fiscal uncertainty in the United States. Overshadowed by the astringent world-wide economic conditions, the Group encountered shrinking export demands which hindering its economies of scale and, thus, continued to record a loss for the period.

In the six months ended September 2012, loss attributable to owners of the Company and loss per share were HK$26.0 million and HK7.4 cents per share respectively, as compared to HK$16.7 million and HK4.8 cents respectively for the same period last year. The board of directors does not recommend the payment of an interim dividend, but has resolved to declare a special dividend of HK1.0 cent per share.

Business Review

Affected by the unfavorable macroeconomic factors as pinpointed in our last annual report, the Group's business faced severe challenges during the financial period. The United States' recovery pace for the period remained very slow and was hardly enough to lead to robust hiring. The chronic high unemployment, coupled with the anxiety about excessive fiscal tightening that might be imposed, undermined customers' sentiment. Meanwhile, shock waves from eurozone's indebtedness also hampered consumer confidence and worsened unemployment, eventually causing eurozone stumbled into recession. The Group's turnover of HK$732 million in the first half of the financial year was 6.5% below that of the last corresponding period. In terms of geographical segment, sales to North America, the Group's principal export market, declined 9.3% to HK$564 million, accounted for 77.1% of the Group's turnover. Sales to Europe and other markets recorded a fall of 12.0% to HK$59 million, representing 8.1% of the Group's turnover. As for Asia, total sales were HK$109 million, increased by 16.0% from the same period last year.

During the financial period, the Group's retail sales in mainland China recorded a rise of 23.4% as compared with the same period last year and accounted for 11.5% of the Group's turnover. This growth primarily reflected our keen determination in expanding our retail brand business in mainland China to fit in with China's persistent economic strategy of enhancing domestic consumption and rapid urbanization. At the end of the financial period, the Group had 130 directly managed stores and 110 franchised stores in operation.

During the period under review, the surge in manufacturing costs, which was hardly to be substantially diverted to our customers, was managed to be partially offset by our stiff costs control and continuous betterment in the production process. Consequently, the cost of sales was sustained at 80.5% of total sales, slightly higher than 80.1% of the same period last year; while lower than 81.0% of last financial year on whole year basis. Compared to prior year period, selling and distribution costs increased from 6.3% to 6.9%, while administrative expenses increased from 15.7% to 16.6% as a percentage of sales. Finance costs rose 18.6% to HK$1.4 million owing to the increase in short-term bank financing.

Business Review *(continued)*

As indicated in our last annual report, the Group had a firm intention to strategically increase production capacities in Asian country other than China. In August of this year, the Group entered into an agreement for acquiring the land use rights of a piece of land in Long An province of Vietnam with the purpose of constructing factory premises. The transaction was completed with a consideration equivalent to approximately HK$6.5 million in October of this year. It is expected that the production lines in the new factory premises will commence operation and attract additional export orders in the next fiscal year.

Prospects

Looking ahead, our export business will be subject to world-wide economic conditions and the resulting impact on consumer confidence, which may remain within a depressed range in the short-term. The grim business environment and precarious outlook of the global economy will continue to entwine the Group in terms of its export business recovery and overall performance in the second half of the financial year. In this case, we will keep on devoting full efforts to provide high-quality services satisfying customers' core needs. On the other hand, we strive to explore new opportunities and expand our client base steadily with continuous strict credit control over trade receivables.

Supposing the threat of worrisome fiscal cliff in the United States is resolved in a rational way to avoid resulting in a drastic recession, we expect that the general export business environment, as well as our export performance, will improve gradually in the next fiscal year. In the long run, we are confident that we can get over the hump with our solid fiscal resources, cohesive work teams, superb product quality, adequate manufacturing facilities, versatility to fulfill customers' needs and well-established trust with our business partners.

To reduce operating expenditures structurally in an effective manner while keeping the existing efficiency, the Group is committed to reorganizing and integrating parts of its internal operation. Disciplined execution of lean management will continue to be applied over all manageable areas especially for procurement, production and distribution. Meanwhile, strategically enhancing production efficiency, simplifying procedural operations and broadening sourcing scope are all under way to fight with the surged costs.

Notwithstanding China's economic growth was moderately decelerating recently, we will keep growing our China retail business with a firm and steady pace. To hurdle the highly competitive market conditions in China, we will continue to strengthen our favorable brand name and recognition by our quality product innovation, competitive store locations, harmonized store design and multimedia commercials. As at the report date, the Group is running 133 directly managed "Betu" stores and 122 franchised stores in mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects *(continued)*

With a view to exploit China's national economic strategy of expanding domestic consumption, the Group has been exploring the potential of manufacturing and selling garments to domestic brands in China. To satisfy the overall expansion need for our long-term export business development as well as the additional factory capacities required for the above expansion plan in China, the Group entered into an agreement in November of this year for the acquisition of an industrial property in Dongguan of China. The acquisition of the industrial property can also facilitate rationalization of our existing manufacturing facilities in China. The Group has planned to occupy the industrial property in Dongguan after the expiry of existing lease agreement with third party in 2014.

Capital Expenditure

During the period under review, the Group has incurred HK$10.5 million capital expenditure as compared to HK$8.4 million of the last corresponding period. It mainly represented leasehold improvement of retail stores and regular replacement and advancement of production facilities.

Liquidity and Financial Resources

The Group continued to maintain solid liquidity and financial position. Working capital cycle was closely watched where inventory turnover and trade receivable turnover remained healthy. As at September 30, 2012, the Group had a cash balance of HK$188 million compared to HK$179 million as at March 31, 2012. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$81 million, as compared to HK$44 million as at March 31, 2012. Total bank borrowings as a percentage of equity attributable to owners of the Company was at 19.2% at the end of the reporting period. With net cash of HK$107 million and sufficient banking facilities available, the Group has adequate liquidity and financial resources to meet the working capital requirement and future expansion needs and, if necessary, the Group will be able to obtain additional financing with favorable terms.

As at September 30, 2012, certain land and buildings with an aggregate net book value of approximately HK$5 million and certain investment properties with an aggregate carrying value of approximately HK$66 million were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the period.

Treasury Policy

The Group devoted to maintain a stable financial position and adhered to cautious 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 a tiny portion destined for the European 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 maintain competitive edge, the Group has streamlined the human resources structure, while retaining competent staff and attracting new joiners during the period under review. We offer employees with career development opportunities, competitive remuneration package with reference to the market practice and the Group's share option scheme. In-house and external training programs were provided during the period for management and staff development. As at September 30, 2012, the Group had approximately 5,500 employees globally, as compared to 5,800 as at March 31, 2012.

OTHER INFORMATION

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend but has declared a special dividend of HK1.0 cent per share (six months ended September 30, 2011: a special dividend of HK2.0 cents per share) payable on January 4, 2013 to shareholders whose names appear in the Register of Members on December 20, 2012.

Closure of Register of Members

The Register of Members will be closed on Thursday, December 20, 2012, on which day no transfers of shares will be effected. In order to qualify for the entitlement to the 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, not later than 4:30 p.m. on Wednesday, December 19, 2012.

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

At September 30, 2012, the interests and short positions of the directors, the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of share options held	Total interests	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*/ Beneficial owner	125,049,390	1,500,000	126,549,390	35.97%
Alan Lam Yiu On	Beneficial owner	350,000	1,500,000	1,850,000	0.52%
Raymond Tung Wai Man	Beneficial owner	400,000	1,000,000	1,400,000	0.39%
Martin Tung Hau Man	Beneficial owner	370,000	1,000,000	1,370,000	0.39%
Billy Tung Chung Man	Beneficial owner	412,000	1,000,000	1,412,000	0.40%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.55%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust *(note b)*	1,941,680	–	1,941,680	0.55%
Tony Chang Chung Kay	Beneficial owner	3,494,760	–	3,494,760	0.99%

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

Notes:

(a) Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own 100% equity interests in equal share in Corona Investments Limited. Corona Investments Limited owned 125,049,390 ordinary shares in the Company as at September 30, 2012, representing 35.55% of the issued share capital of the Company.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 231,680 ordinary shares in the Company as at September 30, 2012. He is also a beneficiary of a trust, Chaco International Limited, which owned 1,710,000 ordinary shares in the Company as at September 30, 2012.

Save as disclosed above, as at September 30, 2012, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

Particulars of the share option scheme and the movements in share options of the Company are set out in note 12 to the condensed consolidated financial statements.

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

					Number of share options				
	Date of grant	Vesting period	Exercisable period	Exercisable price per share HK$	Outstanding at April 1, 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at September 30, 2012
Category 1: Directors									
Benson Tung Wah Wing	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Alan Lam Yiu On	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Raymond Tung Wai Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Martin Tung Hau Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Billy Tung Chung Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Total for directors					6,000,000	–	–	–	6,000,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,600,000	–	–	(800,000)	5,800,000
Total for employees					6,600,000	–	–	(800,000)	5,800,000
Total for all categories					12,600,000	–	–	(800,000)	11,800,000

Arrangements to Purchase Shares or Debentures

Save as disclosed under the heading "Share Options" above and in note 12 "Share-based payments" to the condensed consolidated financial statements, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Substantial Shareholders

At September 30, 2012, shareholders who had interests or short positions in the shares and underlying shares of the Company, other than directors or chief executives of the Company, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in the Company's Ordinary Shares

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited *(note a)*	Beneficial owner	125,049,390	35.55%
FMR LLC *(note b)*	Investment manager	25,000,000	7.11%

Notes:

(a) These shares have been disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

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

Other than as disclosed above, as at September 30, 2012, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company, other than directors or chief executives of the Company, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO .

OTHER INFORMATION *(continued)*

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Tung Siu Wing
Mr. Kevin Lee Kwok Bun

Independent Non-executive Directors

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

Changes in Directors' Biographical Details

Changes in directors' biographical details since the date of 2011/2012 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Edwin Siu Pui Lap, independent non-executive director of the Company, was appointed as the Chairman of the Audit Committee of the Company on September 27, 2012 and then he has resigned this position and has remained as a member of the Audit Committee of the Company both with effect from November 7, 2012.

Mr. Leslie Chang Shuk Chien, independent non-executive director of the Company, has been appointed as the Chairman of the Audit Committee of the Company, a member of the Remuneration Committee and a member of the Nomination Committee of the Company with effect from November 7, 2012.

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, 2012.

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

Benson Tung Wah Wing
Chairman

Hong Kong, November 30, 2012

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