TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2010

FINANCIAL HIGHLIGHTS

1. Group turnover decreased by 21.6% to HK$1,577 million

2. Profit for the year attributable to owners of the Company dropped by 48.0% to HK$22 million

3. Net cash remained at a strong level of HK$248 million

4. The Board of Directors has proposed a final dividend of HK2.5 cents per share and a special dividend of HK5.0 cents per share

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, 2010 (the "year"), together with the comparative figures for the year ended March 31, 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Revenue	*2*	**1,576,936**	2,012,529
Cost of sales		**(1,238,780)**	(1,561,690)
Gross profit		**338,156**	450,839
Other income		**2,126**	3,943
Increase (decrease) in fair value of investment properties		**10,160**	(5,493)
Selling and distribution costs		**(94,783)**	(105,602)
Administrative expenses		**(230,865)**	(273,483)
Finance costs		**(1,860)**	(2,669)
Share of losses of associates		**(73)**	(1,792)
Profit before tax	*3*	**22,861**	65,743
Income tax expense	*4*	**(7,812)**	(16,785)
Profit for the year		**15,049**	48,958
Profit (loss) for the year attributable to:			
Owners of the Company		**21,959**	42,232
Minority interests		**(6,910)**	6,726
		15,049	48,958
Earnings per share	*6*		
– Basic and diluted (HK cents)		**6.2**	12.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31, 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**15,049**	48,958
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**(5,344)**	5,605
Share of translation reserves of associates	**3**	33
Effect of change in tax rate on asset revaluation reserve	**–**	73
Other comprehensive (expense) income for the year (net of tax)	**(5,341)**	5,711
Total comprehensive income for the year	**9,708**	54,669
Total comprehensive income attributable to:		
Owners of the Company	**16,762**	47,995
Minority interests	**(7,054)**	6,674
	9,708	54,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties		**50,908**	62,998
Property, plant and equipment		**99,297**	115,136
Prepaid lease payments		**22,903**	23,576
Intangible assets		**179**	252
Interests in associates		**1,395**	1,465
Deferred tax assets		**1,184**	430
		175,866	203,857
Current assets			
Inventories		**154,036**	145,248
Trade and other receivables	7	**245,858**	254,616
Prepaid lease payments		**673**	673
Amount due from an associate		**1,298**	8,708
Tax recoverable		**2,226**	7,726
Bank balances and cash		**278,057**	269,585
		682,148	686,556
Assets classified as held for sale		**–**	1,906
		682,148	688,462
Current liabilities			
Trade and other payables	8	**230,213**	234,093
Amount due to a minority shareholder of a subsidiary		**4,300**	5,000
Tax liabilities		**30,823**	37,188
Obligations under finance leases – due within one year		**236**	275
Derivative financial instruments		**–**	338
Bank borrowings		**29,572**	17,188
		295,144	294,082
Net current assets		**387,004**	394,380
Total assets less current liabilities		**562,870**	598,237
Non-current liabilities			
Obligations under finance leases – due after one year		**160**	165
Deferred tax liabilities		**9,270**	11,564
		9,430	11,729
		553,440	586,508
Capital and reserves			
Share capital		**70,346**	70,346
Reserves		**435,539**	458,253
Equity attributable to owners of the Company		**505,885**	528,599
Minority interests		**47,555**	57,909
		553,440	586,508

Notes:

1. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

The amendments to HKFRS 7 expand and amend the disclosures required in relation to liquidity risk.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 2), nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The adoption of the other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after July 1, 2009
[2] Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate
[3] Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
[4] Effective for annual periods beginning on or after January 1, 2010
[5] Effective for annual periods beginning on or after February 1, 2010
[6] Effective for annual periods beginning on or after July 1, 2010
[7] Effective for annual periods beginning on or after January 1, 2011
[8] Effective for annual periods beginning on or after January 1, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after April 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments required the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. Segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from April 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers, the Company's executive directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. No business segment was presented as the Group is principally engaged in the manufacture and sale of women garments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

No segment assets and liabilities are disclosed as they are not reported to the chief operating decision makers.

The Group's operating segments under HKFRS 8 are the United States of America (the "USA"), Canada, Asia and Europe and others.

Information regarding the above segments is reported below.

Segment revenue and results

For the year ended March 31, 2010

	USA	**Canada**	**Asia**	**Europe and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
Sales of goods – external	**1,255,947**	**34,040**	**154,133**	**132,816**	**1,576,936**
SEGMENT PROFITS	**58,350**	**1,587**	**5,955**	**15,706**	**81,598**
Unallocated income					**2,126**
Unallocated expenses					**(69,090)**
Increase in fair value of investment properties					**10,160**
Finance costs					**(1,860)**
Share of losses of associates					**(73)**
Profit before tax					**22,861**

For the year ended March 31, 2009

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,686,468	35,420	159,765	130,876	2,012,529
SEGMENT PROFITS	124,426	2,824	6,104	15,178	148,532
Unallocated income					3,943
Unallocated expenses					(76,778)
Decrease in fair value of investment properties					(5,493)
Finance costs					(2,669)
Share of losses of associates					(1,792)
Profit before tax					65,743

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, increase (decrease) in fair value of investment properties, share of losses 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, Canada, European countries and other Asian countries. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**19,988**	25,389
The USA	**1,255,947**	1,686,468
Canada	**34,040**	35,420
European countries	**112,281**	111,723
Other Asian countries	**134,145**	134,376
Others	**20,535**	19,153
	1,576,936	2,012,529

The Group's business activities are conducted predominantly in Hong Kong, the People's Republic of China (the "PRC") and the USA. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**56,352**	72,407
The PRC	**100,459**	110,038
The USA	**2,285**	3,809
Others	**14,191**	15,708
	173,287	201,962

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

Information about major customers

For the year ended March 31, 2010, there are two external customers (2009: one) who contributed over 10% of the total sales of the Group. Their contributions are approximately HK$338 million and HK$183 million (2009: HK$390 million and HK$189 million), respectively. The latter contributed less than 10% of the total sales of the Group for the year ended March 31, 2009.

3. Profit before tax

	2010 *HK$'000*	2009 *HK$'000*
Profit before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**304,874**	352,399
Contributions to retirement benefit schemes	**8,730**	9,889
Share-based payment expense	**94**	211
Total employee benefits expenses	**313,698**	362,499
Amortisation of intangible assets (included in cost of sales)	**73**	73
Amortisation of prepaid lease payments	**673**	673
Auditor's remuneration	**2,101**	2,082
Cost of inventories recognised as an expense	**1,238,780**	1,561,690
Depreciation of property, plant and equipment	**24,082**	27,418
Impairment loss on assets classified as held for sale	**–**	892
Loss on disposal of property, plant and equipment	**2,226**	394
Loss on fair value change of derivative financial instruments	**–**	338
and after crediting:		
Bank interest income	**372**	1,520
Rental income from properties under operating leases	**1,754**	2,423

4. Income tax expense

	2010 *HK$'000*	2009 *HK$'000*
Current tax:		
Hong Kong	**8,714**	17,669
The PRC	**–**	154
Other jurisdictions	**1,223**	3,133
	9,937	20,956
Under(over)provision in prior years	**923**	(1,609)
	10,860	19,347
Deferred taxation:		
Current year	**(3,048)**	(1,848)
Attributable to a change in tax rate	**–**	(714)
	7,812	16,785

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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 have been incorporated in Hong Kong, received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$28.2 million, respectively, relating to the years of assessment 1998/99 to 2008/09, that is, for the financial years ended March 31, 1999 to 2009. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$5.8 million and HK$27.0 million being purchased by the subsidiaries, respectively. Those tax reserve certificates were purchased by the relevant subsidiaries and included in other receivables, and the remaining amount of HK$1.8 million represents the overpayment of provisional tax to the IRD. As at March 31, 2010, in respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2008/09, a provision of HK$34.6 million (2009: provision of HK$31.7 million for the years of assessment 1998/99 to 2007/08) has been provided.

In the opinion of the directors and the advice from the Group's tax advisors, these subsidiaries' income derived from their manufacturing activities in the PRC is not arising in or derived from Hong Kong, and that sufficient tax provision has been made in the consolidated financial statements in this regard.

5. Dividends

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2010 interim of HK3.5 cents		
(2009: 2009 interim of HK4.25 cents) per share	**12,311**	14,948
2009 final of HK7.75 cents		
(2009: 2008 final of HK10 cents) per share	**27,259**	35,214
	39,570	50,162

A final dividend of HK2.5 cents (2009: final dividend of HK7.75 cents) per share and a special dividend of HK5.0 cents (2009: Nil) per share in respect of the year ended March 31, 2010, amounting to HK$26.4 million (2009: HK$27.3 million) in aggregate, has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

6. Earnings per share

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**21,959**	42,232

	2010	2009
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**351,731,298**	351,964,295

The computation of diluted earnings per share for the year ended March 31, 2010 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

7. Trade and other receivables

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade 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:

	2010	2009
	HK$'000	*HK$'000*
Up to 30 days	**108,132**	116,583
31 - 60 days	**50,112**	36,657
61 - 90 days	**17,686**	15,818
More than 90 days	**449**	228
	176,379	169,286

8. 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:

	2010	2009
	HK$'000	*HK$'000*
Up to 30 days	**80,829**	85,936
31 - 60 days	**40,213**	40,590
61 - 90 days	**16,738**	6,506
More than 90 days	**4,938**	3,860
	142,718	136,892

9. Capital commitments

At the end of the reporting period, the Group had capital expenditure committed as follows:

	2010	2009
	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	**–**	227

FINAL AND SPECIAL DIVIDEND

As a token of gratitude for shareholders' long-term support and in view of the confidence of results improvement in future, the Board of Directors has resolved to recommend at the forthcoming Annual General Meeting a final dividend of HK2.5 cents per share (2009: HK7.75 cents per share) and a special dividend of HK5.0 cents per share (2009: Nil), payable on August 31, 2010 to shareholders whose names appear on the Register of Members on August 24, 2010. Together with an interim dividend of HK3.5 cents per share (2009: interim dividend HK4.25 cents per share), the total dividends for the year will be HK11.0 cents per share (2009: HK12.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from August 23, 2010 to August 24, 2010, both days inclusive, during which no share transfer will be effected. To qualify for the final dividend and special dividend, transfers must be lodged with the Company's Registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on August 20, 2010.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Inter-Continental Room Cypress & Maple, Hotel Inter-Continental Hong Kong, 18 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, August 24, 2010 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

Under the continuous adversities in the aftermath of the unprecedented global financial tsunami, the Group recorded a drastic setback in operating results for the financial year 2009/2010 as expected.

The Group's profit before tax decreased by 65.2% to HK$23 million for the financial year ended March 31, 2010 while annual turnover decreased by 21.6% to HK$1,577 million. Profit attributable to owners of the Company and earnings per share dropped by 48.0% to HK$22 million and HK6.2 cents, respectively. Average return on equity reduced from 8.0% to 4.2%.

Business Review

The Group's export sales to North America continued to be seriously affected in the aftermath of global financial tsunami. In the U.S., the major export market of the Group, there was no ordinary economic recession in the first few months immediately after the outbreak of the financial tsunami. The significant negative income effect resulted from sharp fall in asset prices, and the high and rising unemployment caused severe contraction in consumer confidence and spending. The lack of credit in the market also led to our most stringent than ever trade receivable risk control which furthered our prudence in accepting orders. As a result, export sales for the first half of the year under review was especially hard hit.

The U.S. economy started growing only in the third quarter of 2009 after plunging into a brutal recession for consecutive four quarters triggered by the financial crisis. Despite the second-half economic growth in 2009, the U.S. economy contracted for the whole year of 2009 by 2.4%, the largest one-year contraction of economy in the past 70 years. During the year under review, despite the continuous easing monetary policy and fiscal stimulus, the credit condition remained tight and rising unemployment persisted and remained at high rate of just below 10%. Consumption of apparel other than moderate-price merchandises in the U.S. market was still relatively sluggish and retailers continued their tight control on inventories and purchased merchandises at prudent order volume and price. All these factors accounted for the underperformance in the Group's annual export sales to the U.S. compared to last year. Compared to the first half period, however, the Group managed to increase the export sales for the second half of the year under review.

During the year under review, total export sales to North America dropped by 25.1% to HK$1.3 billion, accounting for 81.8% of the Group's turnover. On the other hand, our "Zelda" brand business kept on operating in a lean and efficient scale. Thanks to our dedicated marketing strategy and greater penetrating efforts, export sales to Europe and other markets saw a slight increase by 1.5% to HK$133 million, representing 8.4% of the Group's turnover.

The Group continued its tight control over costs and enhancement of operating efficiency. While we strengthened and re-expanded the labour forces and production capacities in China, we also took a strategic initiative to cease the production operation in the Philippines and consolidated the production lines in Thailand.

During the year, the PRC government rolled out a series of effective measures, including fiscal, monetary and structural policies, to cushion the negative impact of the financial tsunami, and accelerated the efforts to boost domestic consumption to offset the drop in export and spur its economic growth. Consequently, China's macro-economy remained relatively stable. Benefiting from such environment and condition, as well as our strenuous efforts in restructuring our retail distribution network, total retail sales in Mainland China for the year increased by 1.2%, accounting for 7.1% of the Group's turnover. By the end of the year, the Group has 86 directly managed "Betu" stores and 52 franchised stores in Mainland China.

Prospects

Although the U.S. economy might have broken away the worst period of the financial crisis, there are still many hidden uncertainties in the recovery process. While the market also worries whether the U.S. home sales and the property market recovery will continue upon the expiration of the tax stimulus plan, the job market remains sluggish and the performance of retail sales still fluctuates despite the seasonal upswing. It is still in doubt whether the consumer market can maintain its pace of growth in the balance of 2010. Meanwhile, huge fiscal deficits and debt problems prevailed in Europe, the risk of continuous depreciation in the Euro exchange rate, and the current fragile base of global financial stability could slow the economic recovery pace of the U.S. and Europe inevitably.

Under the recent international pressure and the China government's recent move to proceed with reform of Renminbi, it is expected in the market that there will not be any one-off revaluation of Renminbi in the short term, but Renminbi may appreciate gradually in the long run instead. At the mean time, the rising costs of labor and raw materials will continue to pose a pressure on operating margin and an industry-wide increase in product price.

The Group will persist in optimizing its products, production process and talent management to ensure the continuous improvement of core competences and build our long-term growth. We continue to implement lean management across all areas, particularly merchandising and production functions to improve our operational efficiency and control our costs stringently. We are committed to create higher value for our customers in their whole process of procurement and further strengthen our mutual partnering relationships. We are expanding product design and fabric development platform to meet the fashion trends and make more value-added product offerings to our customers. The Group will closely monitor the recovery and market changes in the U.S. to pave the growing track for our "Zelda" brand business in future. Barring any unforeseeable circumstances, based on the current order book, we expect to achieve a growth in the Group's turnover for the first half of the financial year 2010/2011 as compared to the same period in 2009/2010.

Despite the severe market competition, the retail market in Mainland China is believed to benefit from several long-term positive factors including strong economic fundamentals, fast economic development, urbanization and increase in per capita income in China. In the short term, the government's measures to hold back the overheating property market that may in some degree have an impact on consumers' buying sentiment. Nevertheless, the Group is prepared to meet new opportunities arising in the course of long-term economic growth in China. We will continue to build our retail business through introducing new brand image, revamping product and store design, proactive marketing, stringent inventory control and healthy expansion of franchise business. As at the report date, there are 165 "Betu" stores across Mainland China, of which 70 are operated by franchisees.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$9.2 million capital expenditure (2009: HK$15.2 million). The capital expenditure mainly represented regular replacement and upgrading of production facilities.

LIQUIDITY AND FINANCIAL RESOURCES

Throughout the whole year under review, the Group's financial position remained strong. At the end of the reporting period, the Group's cash level was at HK$278 million as compared to HK$270 million of last year. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks earning preferential deposit interests. Total bank borrowings (being short-term RMB loans) increased from last year's HK$17 million to HK$30 million, and the bank borrowings represented 5.8% of the shareholders' funds at the end of the reporting period. With the net cash balance of HK$248 million and abundant banking facilities available, the Group had well-sufficient liquidity and financial resources to meet the operational and investment needs.

Working capital cycle was closely monitored. Inventory turnover increased to 36 days from 26 days of last year, due to relatively higher delivery volume for the first quarter of the financial year 2010/2011. Trade receivables turnover of this year was 41 days, compared to 31 days of last year. Slower turnover was the result of the drastic drop in total annual sales for the year under review as compared to last year. Current ratio and quick ratio remained the same as compared to last year, being 2.3 and 1.8 respectively.

As at March 31, 2010, certain land and buildings with an aggregate net book value of approximately HK$12 million (2009: HK$13 million) and certain investment properties with an aggregate carrying value of approximately HK$34 million (2009: HK$27 million) were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the year.

TREASURY POLICY

The Group continued to adopt prudent policies 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, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

The Group regards employees as our most important asset and the important element of our long-term success. Building a strong and coherent team has always been our management priority. We appreciate competent staff who develop their careers with our corporate value and long-term organizational development, and provides them with opportunities. The Group is determined to raise the value of each employee, and to build a strong and competitive team to meet any future challenge. We offer competitive remuneration packages with reference to the market practice, incentivize our outstanding employees on performance-linked basis and grant options to eligible employees in order to ensure their interests aligned with that of the Group. Through offering job satisfaction and empowerment, we aim to insist in all our employees a sense of ownership of the corporate goals.

As at March 31, 2010, the Group has 5,700 employees globally, as compared to 7,300 as at March 31, 2009. Such change was mainly caused by the decrease of production workers for factories in Asian countries.

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

During the year ended March 31, 2010, 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 three independent non-executive directors of the Company, 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 audited financial statements of the Group for the year ended March 31, 2010.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended March 31, 2010.

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 30, 2010

The directors of the Company as at the date of this announcement 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 as Executive Directors; Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun as Non-Executive Directors; and Mr. Johnny Chang Tak Cheung, Mr. Tony Chang Chung Kay, Mr. Joseph Wong King Lam and Mr. Robert Yau Ming Kim as Independent Non-Executive Directors.