TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2011

FINANCIAL HIGHLIGHTS

1. Group revenue increased by 9.8% to HK$1,732 million

2. Profit for the year attributable to owners of the Company increased by 37.2% to HK$30 million

3. Net cash balance was HK$182 million

4. The Board of Directors has proposed a final dividend of HK4.25 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, 2011 (the "year"), together with the comparative figures for the year ended March 31, 2010 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Revenue	2	**1,732,113**	1,576,936
Cost of sales		**(1,393,051)**	(1,238,780)
Gross profit		**339,062**	338,156
Other income		**2,760**	2,126
Increase in fair value of investment properties		**25,831**	10,160
Fair value changes on derivative financial instruments		**(756)**	–
Selling and distribution costs		**(94,564)**	(94,783)
Administrative expenses		**(238,880)**	(230,865)
Finance costs		**(1,480)**	(1,860)
Share of profits (losses) of associates		**940**	(73)
Profit before tax	3	**32,913**	22,861
Income tax expense	4	**(5,591)**	(7,812)
Profit for the year		**27,322**	15,049
Profit (loss) for the year attributable to:			
Owners of the Company		**30,119**	21,959
Non-controlling interests		**(2,797)**	(6,910)
		27,322	15,049
Earnings per share	6		
– Basic and diluted (HK cents)		**8.6**	6.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**27,322**	15,049
Other comprehensive expense		
Exchange differences arising on translation of foreign operations	**(127)**	(5,344)
Share of translation reserves of associates	**84**	3
Other comprehensive expenses for the year	**(43)**	(5,341)
Total comprehensive income for the year	**27,279**	9,708
Total comprehensive income attributable to:		
Owners of the Company	**30,086**	16,762
Non-controlling interests	**(2,807)**	(7,054)
	27,279	9,708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At March 31, 2011

	Notes	**March 31, 2011 HK$'000**	March 31, 2010 HK$'000 (restated)	April 1, 2009 HK$'000 (restated)
Non-current assets				
Investment properties		**76,739**	50,908	62,998
Property, plant and equipment		**103,598**	110,425	126,553
Prepaid lease payments		**11,680**	12,064	12,448
Intangible assets		**106**	179	252
Interests in associates		**2,419**	1,395	1,465
Deferred tax assets		**328**	1,184	430
		194,870	176,155	204,146
Current assets				
Inventories		**175,438**	154,036	145,248
Trade and other receivables	7	**240,758**	245,858	254,616
Prepaid lease payments		**384**	384	384
Amount due from an associate		**2,942**	1,298	8,708
Tax recoverable		**4,373**	2,226	7,726
Bank balances and cash		**224,767**	278,057	269,585
		648,662	681,859	686,267
Assets classified as held for sale		**–**	–	1,906
		648,662	681,859	688,173
Current liabilities				
Trade and other payables	8	**213,828**	230,213	234,093
Amount due to a non-controlling shareholder of a subsidiary		**1,300**	4,300	5,000
Tax liabilities		**32,214**	30,823	37,188
Obligations under finance leases – due within one year		**130**	236	275
Derivative financial instruments		**756**	–	338
Bank borrowings		**42,573**	29,572	17,188
		290,801	295,144	294,082
Net current assets		**357,861**	386,715	394,091
Total assets less current liabilities		**552,731**	562,870	598,237
Non-current liabilities				
Obligations under finance leases – due after one year		**31**	160	165
Deferred tax liabilities		**13,309**	9,270	11,564
		13,340	9,430	11,729
		539,391	553,440	586,508
Capital and reserves				
Share capital		**70,346**	70,346	70,346
Reserves		**424,297**	435,539	458,253
Equity attributable to owners of the Company		**494,643**	505,885	528,599
Non-controlling interests		**44,748**	47,555	57,909
		539,391	553,440	586,508

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 standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendment to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at April 1, 2010 based on information that existed at the inception of the leases. Certain leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with the carrying amount of HK$11,417,000 and HK$11,128,000 at April 1, 2009 and March 31, 2010 to property, plant and equipment that are measured using the cost model.

As at March 31, 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK$10,839,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss or earnings per share for the current and prior years.

Hong Kong Interpretation 5 ***Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

At the end of the reporting period, at March 31, 2010 and at April 1, 2009, the Group did not have any non-current bank borrowings and therefore reclassification is not required. The application of HK – Int 5 has had no impact on the reported financial position, profit or loss or earnings per share.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Increase in depreciation of property, plant and equipment	**289**	289
Decrease in amortisation of prepaid lease payment	**(289)**	(289)
Effect on profit for the year	**–**	–

Both depreciation of property, plant and equipment and amortisation of prepaid lease payment are included in the administrative expenses.

The effects of the above changes in accounting policies on the financial positions of the Group as at April 1, 2009 and March 31, 2010 is as follows:

	As at April 1, 2009 (originally stated) *HK$'000*	**Adjustments** *HK$'000*	**As at April 1, 2009 (restated)** *HK$'000*	**As at March 31, 2010 (originally stated)** *HK$'000*	**Adjustments** *HK$'000*	**As at March 31, 2010 (restated)** *HK$'000*
Property, plant and equipment	115,136	11,417	126,553	99,297	11,128	110,425
Prepaid lease payments	24,249	(11,417)	12,832	23,576	(11,128)	12,448
Total effects on net assets	139,385	–	139,385	122,873	–	122,873
Total effects on equity	359,002	–	359,002	341,391	–	341,391

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate
[2] Effective for annual periods beginning on or after July 1, 2011
[3] Effective for annual periods beginning on or after January 1, 2013
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after January 1, 2011
[6] Effective for annual periods beginning on or after July 1, 2010

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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 accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. 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 presentation 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. Previously, 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.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Directors anticipate that the application of HKFRS 9, that will be adopted in the Group's consolidated financial statements for financial year ending March 31, 2014, will not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities in current year.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The HKICPA issued the following new and revised standards on June 24, 2011.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures

These six new and revised standards are mandatorily effective for annual periods beginning on or after January 1, 2013. Early application is permitted. However, excluding HKFRS 13, if an entity chooses to apply any of the other five new or revised standards early, it must apply all five at the same time. The directors anticipate these standards will be adopted in the Group's consolidated financial statements for the period beginning April 1, 2013. The directors have not yet had an opportunity to consider the potential impact of the adoption of these six new and revised standards.

The directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective, listed above, will have no material impact on the consolidated financial statements.

2. SEGMENT INFORMATION

Information reported to the board of 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 operating segment.

For the year ended March 31, 2011

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	**1,361,243**	**31,082**	**171,363**	**168,425**	**1,732,113**
SEGMENT PROFITS	**54,064**	**580**	**7,900**	**10,438**	**72,982**
Unallocated income					**2,760**
Unallocated expenses					**(67,364)**
Increase in fair value of investment properties					**25,831**
Fair value changes on derivative financial instruments					**(756)**
Finance costs					**(1,480)**
Share of profits of associates					**940**
Profit before tax					**32,913**

For the year ended March 31, 2010

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

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 in fair value of investment properties, fair value changes on derivative financial instruments, share of profits (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:

	2011 ***HK$'000***	2010 *HK$'000*
Hong Kong	**10,557**	19,988
The USA	**1,361,243**	1,255,947
Canada	**31,082**	34,040
European countries	**149,597**	112,281
Other Asian countries	**160,806**	134,145
Others	**18,828**	20,535
	1,732,113	1,576,936

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:

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**89,487**	56,641
The PRC	**87,270**	100,459
The USA	**1,313**	2,285
Others	**14,053**	14,191
	192,123	173,576

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

Information about major customers

For the year ended March 31, 2011, there are two external customers (2010: two) in the USA operating segment who contributed over 10% of the total sales of the Group. Their contributions are approximately HK$328 million and HK$173 million (2010: HK$338 million and HK$183 million), respectively.

3. PROFIT BEFORE TAX

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**343,761**	304,874
Contributions to retirement benefit schemes	**9,841**	8,730
Share-based payment expense	**–**	94
Total employee benefits expenses	**353,602**	313,698
Amortisation of intangible assets (included in cost of sales)	**73**	73
Amortisation of prepaid lease payments	**384**	384
Auditor's remuneration	**2,157**	2,101
Cost of inventories recognised as an expense	**1,393,051**	1,238,780
Depreciation of property, plant and equipment	**20,710**	24,371
Loss on disposal of property, plant and equipment	**–**	2,226
Fair value changes of derivative financial instruments	**756**	–
and after crediting:		
Bank interest income	**274**	372
Rental income from properties under operating leases	**2,068**	1,754
Gain on disposal of property, plant and equipment	**418**	–

4. INCOME TAX EXPENSE

	2011 *HK$'000*	2010 *HK$'000*
Current tax:		
Hong Kong	**3,208**	8,714
The PRC	**23**	–
Other jurisdictions	**228**	1,223
	3,459	9,937
(Over)underprovision in prior years	**(2,763)**	923
	696	10,860
Deferred taxation	**4,895**	(3,048)
	5,591	7,812

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

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

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

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

Two subsidiaries of the Company, which 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$29.2 million, respectively, relating to the years of assessment 1998/99 to 2009/10, that is, for the financial years ended March 31, 1999 to 2010. The protective/additional profits tax 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$2.8 million represents the overpayment of provisional tax to the IRD. As at March 31, 2011, in respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2009/10, a provision of HK$35.6 million (2010: provision of HK$34.6 million for the years of assessment 1998/99 to 2008/09) had been provided.

In the opinion of the directors and the advice from the Group's tax advisors, substantial manufacturing operations of these subsidiaries were undertaken in the PRC, hence it is considered that these subsidiaries have a case to pursue. The directors also consider that sufficient tax provision has been made in the consolidated financial statements.

5. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2011 interim of HK4.25 cents (2010: 2010 interim of HK3.5 cents) per share	**14,948**	12,311
2010 final of HK2.5 cents and special of HK5.0 cents (2010: 2009 final of HK7.75 cents) per share	**26,380**	27,259
	41,328	39,570

A final dividend of HK4.25 cents (2010: final dividend of HK2.5 cents and special dividend of HK5.0 cents) per share for the year ended March 31, 2011, amounting to HK$14.9 million (2010: HK$26.4 million), 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:

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**30,119**	21,959

	2011	2010
Number of ordinary shares in issue during the year for the purposes of basic and diluted earnings per share	**351,731,298**	351,731,298

The computation of diluted earnings per share for the year ended March 31, 2011 and 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 a credit period ranging from 30 days to 90 days to its trade customers, with a significant portion being 30 days. Included in trade and other receivables are trade and bills receivables, mainly denominated in United States Dollar, with the following aged analysis presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Up to 30 days	**110,129**	108,132
31 – 60 days	**30,681**	50,112
61 – 90 days	**23,640**	17,686
More than 90 days	**1,659**	449
	166,109	176,379

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:

	2011	2010
	HK$'000	*HK$'000*
Up to 30 days	**81,822**	80,829
31 – 60 days	**36,448**	40,213
61 – 90 days	**13,446**	16,738
More than 90 days	**1,783**	4,938
	133,499	142,718

FINAL DIVIDEND

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting a final dividend of HK4.25 cents per share (2010: final dividend of HK2.5 cents per share and special dividend of HK5.0 cents per share), payable on September 9, 2011 to shareholders whose names appear on the Register of Members on September 1, 2011. Together with an interim dividend of HK4.25 cents per share (2010: interim dividend HK3.5 cents per share), the total dividends for the year will be HK8.5 cents per share (2010: HK11.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on Thursday, September 1, 2011, on which day no transfers of shares will be effected. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, August 31, 2011.

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 Friday, August 26, 2011 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

Following the gradual stabilization of global economy since the outbreak of global financial tsunami, the Group resumed a modest growth in turnover during the year under review. The Group achieved a turnover of HK$1,732 million for the fiscal year ended March 31, 2011, an increase of 9.8% compared to last year. Including the impact of increase in fair value of investment properties, profit attributable to owners of the Company and basic earnings per share increased by 37.2% to HK$30.1 million and HK8.6 cents respectively. Average return on equity increased from 4.2% to 6.0%.

Business Review

Despite the massive fiscal stimulus with two rounds of quantitative easing, the economic recovery in the United States and the globe was lackluster relative to market expectation during the year under review, with a markedly slowdown in the three months ended March 2011. As compared to last year, however, the Group's export sales resumed to grow, especially in the first half of the fiscal year. In terms of geographical distribution, sales to North America segment increased by 7.9% to HK$1,392 million, accounting for 80.4% of the Group's turnover. Attributable to our persistent diversification and direct marketing effort in Europe, total export sales to Europe and other markets segment achieved a growth of 26.8% to HK$168 million, representing about 9.7% of the Group's turnover. During the year, "Zelda" wholesale brand business of the Group in the United States continued to run at a controlled scale, and sustained to record turnover growth and profitability improvement.

In the United States, the declining home values and the substantially high unemployment continued to exert negative impact on consumer confidence and spending. Price pressure prevailed in the retail market suppressed the increase in procurement cost. On the other hand, raw materials, wages, energy and all other factory overheads continued to increase drastically and Renminbi continued to appreciate in the year under review. Under such circumstances, the restricted increase in export price of our garment products could not recover the total rise in costs and our gross profit margin decreased, despite our dedicated effort in enhancing product value, raising operational productivity, and executing stringent cost control.

During the year under review, the China government continued to boost domestic consumption strategically to fuel the economic growth. The fast pace of urbanization and the rise in disposal income offered a platform for the sustained growth of the Group's "Betu" retail business in Mainland China. We continued to optimize product design and quality, diversify distribution channels and revamp store design. Meanwhile, we performed stringent inventory and procurement cost control to maintain price competitiveness of our product. Total retail sales in Mainland China increased by 28.3% and accounted for 8.2% of the turnover of the Group. At the fiscal year end date, there were 109 directly managed stores and 88 franchised stores in operation.

Prospects

The coming fiscal year 2011/12 will continue to be a year of challenge to the global economy. The pace of economic recovery is subject to certain critical prevailing risk factors inter alia the end of quantitative easing program in the US, European sovereign debt crisis, Middle East turmoil, high energy price, and the recent fiscal austerity measures in China.

In the US, the slow economical growth with the unacceptably high unemployment rate will keep the consumer market under pressure and limit our room to sustain a growth in sales to this major export market in the short term. Under this volume leverage impact and coupled with the sharply inflated total costs and overheads that cannot be fully transferred to our customers, it is difficult to improve profitability in the short term and the Group could record an operating loss for the first half year ending September 2011. Nevertheless, the Group will strive for a recovery of sales growth to resume profit in the balance of the year.

With our strong operational and manufacturing foundation, customer base, management team, and financial strength, we are confident to embrace the future challenges as opportunities. To achieve fair pricing strategy in sales and to alleviate the negative impact from rising costs in labor and raw materials as well as the pressure of Renminbi appreciation, the Group will persist in re-engineering our core competence in productivity, quality, value addition and product innovation.

In the coming two years, we will enlarge our investment in manufacturing facilities and sourcing network in both China and Asia, machineries and technologies, marketing network in Europe, and our "Zelda" wholesale brand business.

To cope with China's national economic strategy of expanding domestic consumption, the Group's manufacture business will explore the long term potential of selling to domestic brands in China, and the Group will continue to expand our "Betu" retail brand business in the years ahead. As at report date, there are 212 "Betu" stores across Mainland China, of which 93 are operated by franchisees.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$11.7 million capital expenditure (2010: HK$9.2 million). It mainly represented additions of leasehold improvement, regular replacement and upgrade of production facilities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position was prudently managed and remained solid. As at the balance sheet date, the Group's cash level was recorded at HK$225 million as compared to HK$278 million of last year. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$43 million included HK$27 million short-term RMB loans, and the remaining balance comprised trust receipt loans and discounted export bills. The borrowings were denominated in USD and RMB and EUR and the bank borrowings represented 8.6% of the shareholders' funds at the fiscal year end date. With the net cash balance of HK$182 million and abundant banking facilities available, the Group has well sufficient liquidity and financial resources to meet the operational and investment needs.

Working capital cycle continued to be under stringent control. Inventory turnover of this year was 37 days, compared to 36 days of last year. Trade receivable turnover of this year was 35 days, 6 days shorter than last year, as a result of lower level of trade receivables toward the fiscal year end date. Current ratio and quick ratio were 2.2 and 1.6 respectively, as compared to 2.3 and 1.8 of last year.

As at March 31, 2011, certain land and buildings with an aggregate net book value of approximately HK$11 million (2010: HK$12 million) and certain investment properties with an aggregate carrying value of approximately HK$52 million (2010: HK$34 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 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

While streamlining the Group's organization to enhance competitiveness, we retain competent employees and attract new talented people by offering career development opportunities, competitive remuneration package with reference to the market practice and granting share options to eligible employees in order to ensure their interests aligned with that of the group. Our employees are the most important asset and the core element of our long-term success. Building a strong and coherent team has always been our management priority. We are also dedicated to establishing a strong corporate culture so as to guide our people to work together to achieve our core values and strategic goals.

As at March 31, 2011, the Group has approximately 6,200 employees globally, as compared to 5,700 as at March 31, 2010. The change mainly reflected the increase of production workers in factories located in China.

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

During the year ended March 31, 2011, 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, 2011.

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, 2011.

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 29, 2011

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