TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 11.4% to HK$783 million

2. Loss for the period attributable to owners of the Company was HK$17 million

3. Net cash balance was HK$152 million

4. The Board of Directors does not recommend the payment of an interim dividend but has declared a special dividend of HK2.0 cents per share

RESULTS

The Board of Directors is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2011 (the "period"), together with the comparative figures for the six months ended September 30, 2010 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended September 30, 2011

		Six months ended September 30,	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**783,390**	884,483
Cost of sales		**(627,855)**	(701,941)
Gross profit		**155,535**	182,542
Other income		**1,592**	978
Fair value loss on derivative financial instruments		**(72)**	–
Selling and distribution costs		**(49,042)**	(50,707)
Administrative expenses		**(122,976)**	(114,630)
Finance costs		**(1,194)**	(665)
Share of results of associates		**148**	250
(Loss) profit before tax	*4*	**(16,009)**	17,768
Income tax expense	*5*	**(981)**	(2,952)
(Loss) profit for the period		**(16,990)**	14,816
(Loss) profit for the period attributable to:			
Owners of the Company		**(16,712)**	15,249
Non-controlling interests		**(278)**	(433)
		(16,990)	14,816
(Loss) earnings per share	*7*		
– Basic and diluted (HK cents)		**(4.8)**	4.3

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2011

	Six months ended September 30, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
(Loss) profit for the period	**(16,990)**	14,816
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations	**3,259**	(2,286)
Total comprehensive (expense) income for the period	**(13,731)**	12,530
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(13,409)**	12,978
Non-controlling interests	**(322)**	(448)
	(13,731)	12,530

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2011

	Notes	**September 30, 2011** *HK$'000* **(unaudited)**	March 31, 2011 *HK$'000* (audited)
Non-current assets			
Investment properties	*8*	**76,739**	76,739
Property, plant and equipment	*8*	**102,459**	103,598
Prepaid lease payments		**11,488**	11,680
Intangible assets		**72**	106
Interests in associates		**2,567**	2,419
Deferred tax assets		**502**	328
		193,827	194,870
Current assets			
Inventories		**165,690**	175,438
Trade and other receivables	*9*	**240,255**	240,758
Prepaid lease payments		**384**	384
Amount due from an associate		**3,340**	2,942
Tax recoverable		**4,321**	4,373
Bank balances and cash		**207,502**	224,767
		621,492	648,662
Current liabilities			
Trade and other payables	*10*	**202,809**	213,828
Amount due to a non-controlling shareholder of a subsidiary		**4,500**	1,300
Tax liabilities		**30,962**	32,214
Obligations under finance leases – due within one year		**127**	130
Derivative financial instruments		**72**	756
Bank borrowings		**55,982**	42,573
		294,452	290,801
Net current assets		**327,040**	357,861
Total assets less current liabilities		**520,867**	552,731
Non-current liabilities			
Obligations under finance leases – due after one year		**81**	31
Deferred tax liabilities		**13,275**	13,309
		13,356	13,340
		507,511	539,391
Capital and reserves			
Share capital		**70,346**	70,346
Reserves		**395,939**	424,297
Equity attributable to owners of the Company		**466,285**	494,643
Non-controlling interests		**41,226**	44,748
		507,511	539,391

Notes:

1. **Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2011 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended March 31, 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective.

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 a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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, 2011

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

Six months ended September 30, 2010

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE					
Sales of goods – external	716,457	14,915	87,689	65,422	884,483
SEGMENT PROFIT	40,029	469	2,908	6,102	49,508
Unallocated income					978
Unallocated expenses					(32,303)
Finance costs					(665)
Share of results of associates					250
Profit before tax					17,768

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, 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) profit before tax

	Six months ended September 30, 2011 HK$'000	2010 HK$'000
(Loss) profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**34**	34
Amortisation of prepaid lease payments	**192**	192
Depreciation of property, plant and equipment	**10,630**	10,638
Loss on disposal of property, plant and equipment	**74**	457
and after crediting:		
Bank interest income	**89**	102
Rental income from properties under operating leases	**1,503**	876

5. Income tax expense

	Six months ended September 30, 2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	**686**	4,635
People's Republic of China (the "PRC")	**652**	–
Other jurisdictions	**54**	1,335
	1,392	5,970
Overprovision	**(203)**	(2,084)
	1,189	3,886
Deferred taxation	**(208)**	(934)
	981	2,952

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.

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

Two subsidiaries of the Company, which were incorporated in Hong Kong, received protective/additional profits tax assessment from the Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$29.2 million, respectively, relating to the years of assessment 1998/99 to 2009/10, that is, for the financial years ended March 31, 1999 to 2010. The protective/additional profits tax 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 relevant subsidiaries and included in other receivables as at September 30, 2011 and March 31, 2011, and the remaining amount of HK$2.8 million represents the overpayment of provisional tax to the IRD. As at September 30, 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 (as at March 31, 2011: HK$35.6 million) was 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. However, such view did not gain the IRD's acceptance. After considering the recent court cases on similar subject matter and the advice from the Group's legal advisor, the directors considered that any protracted argument in this area may not be of the best interest from the commercial perspective to the Group. In order to avoid any further protracted debate and to save the costs in pursuing further, the Group had proposed, on a without prejudice basis, settlement of the matters for these two subsidiaries. The settlement proposals were submitted to the IRD in October 2011 and November 2011, respectively.

For one subsidiary, an amount of HK$552,000, representing the tax reserve certificates previously purchased and after deducting the compromised settlement, was refunded in November 2011. As for the other subsidiary, the Group is awaiting formal response from the IRD on the compromised settlement, which proposed an additional amount of HK$219,000 being payable after deducting the tax reserve certificates and tax previously purchased/charged. The directors consider that sufficient tax provision has been made in the condensed consolidated financial statements.

6. Dividends

On September 9, 2011, a final dividend of HK4.25 cents per share for the year ended March 31, 2011, amounting to a total of HK$14,949,000 was paid to shareholders (six months ended September 30, 2010: HK2.5 cents per share and a special dividend of HK5.0 cents per share paid as final dividend, both for the year ended March 31, 2010, amounting to HK$26,380,000).

Subsequent to September 30, 2011, the directors do not recommend the payment of an interim dividend but have determined that a special dividend of HK2.0 cents per share (six months ended September 30, 2010: an interim dividend of HK4.25 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on December 22, 2011.

7. (Loss) earnings per share

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

	Six months ended September 30, 2011 HK$'000	2010 HK$'000
(Loss) profit for the period attributable to owners of the Company	**(16,712)**	15,249

	2011	2010
Number of ordinary shares in issue during the period	**351,731,298**	351,731,298

The computation of diluted (loss) earnings per share for the six months ended September 30, 2011 and 2010 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, 2011, 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, 2010: Nil).

In addition, the Group spent HK$8,375,000 (six months ended September 30, 2010: HK$6,880,000) on acquisition of property, plant and equipment for the purposes of regular replacement during the period.

9. Trade and other receivables

The Group allows a credit period ranging from 30 days to 90 days to its trade and bills 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, 2011 HK$'000	March 31, 2011 HK$'000
Up to 30 days	**127,192**	110,129
31 – 60 days	**15,097**	30,681
61 – 90 days	**15,791**	23,640
More than 90 days	**661**	1,659
	158,741	166,109

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, 2011	March 31, 2011
	HK$'000	*HK$'000*
Up to 30 days	**77,965**	81,822
31 – 60 days	**23,613**	36,448
61 – 90 days	**8,385**	13,446
More than 90 days	**2,812**	1,783
	112,775	133,499

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend but has declared a special dividend of HK2.0 cents per share (six months ended September 30, 2010: an interim dividend of HK4.25 cents per share) payable on January 5, 2012 to shareholders whose names appear in the Register of Members on December 22, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on Thursday, December 22, 2011, 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 21, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

Following a barrage of unfavorable shocks in the first half of 2011, global economic activities weakened drastically. The US economic growth decelerated sharply. In Europe, the recovery gradually lost steam while financial strains in euro zone area and sovereign debt crisis deepened. Against this background of severe challenge to the export business, the Group recorded an operating loss for the first half year ended September 2011, as indicated in the last annual report. Such drastic setback in results was in reality a continuum of the second half of last year.

In the six months ended September 2011, loss attributable to owners of the Company was HK$16.7 million and loss per share was HK4.8 cents per share. The board of directors does not recommend the payment of an interim dividend, but has resolved to declare a special dividend of HK2.0 cents per share to maintain a cash return to shareholders based on our healthy liquidity and balance sheet through this period of adversities.

Business Review

During the period under review, the slower than expected economic growth in the US with unacceptably high jobless rate kept the consumer market under pressure and retarded purchase confidence of our customers. The turmoil in Europe and worsening of the euro zone sovereign debt crisis continued to threaten market stability and credit conditions. Compared to the same period last year, the Group's turnover decreased 11.4% to HK$783 million. In terms of geographical segment, sales to North America, the Group's major export market, dropped 14.9% to HK$622 million, representing 79.4% of the Group's turnover. Total sales to European and other markets increased 2.6% to HK$67 million, accounted for 8.6% of the Group's turnover. Total sales to Asia increased 7.1% to HK$94 million.

In China, with the fiscal austerity measures to curb overheating and fight inflation, the economic growth was in line with plan and under control. The domestic consumption continued to expand, yet became more value driven. During the period, the Group's retail sales in mainland China recorded an increase of 13.4% and accounted for 8.7% of the Group's turnover. As at the period end date, there were 125 directly managed stores and 96 franchised stores in operation.

Despite the negative volume leverage impact caused by decline in sales, persistent pressure of increasing costs and Renminbi appreciation, we managed to contain the consolidated costs of sales at 80.1% of total sales, slightly higher than 79.4% of the same period last year, yet lower than that recorded in the second half of last year, attributable to productivity improvement and the relative increase in retail sales volume. Taking the cost inflation impact into account, selling and distribution costs as a percentage of sales increased from 5.7% to 6.3% and administrative expenses as a percentage of sales increased from 13.0% to 15.7%. Finance costs increased from HK$0.7 million to HK$1.2 million, due to the increased utilization of short-term working capital financing.

Prospects

Looking ahead, it is the consensus in the market that global slowdown of economy will deepen. In the US, the belt tightening impact of government debts reduction coupled with high jobless rate will result in weaker US economic growth in the near term. Consumer confidence index released last month seems back to levels last seen during the 2008-2009 recession. In Europe, the sovereign debt crisis is triggering tougher austerity measures across the region and undermining consumer demand. Under such volatile market conditions, while we cannot be optimistic in the short term to grow our apparel export volume, we will endeavor to invest in innovation and broaden value-added solution and product offerings to our partnering customers. Meanwhile, we are positive to develop sales to domestic brands in mainland China market.

In the costing side, despite the gradual stabilization of certain raw materials prices recently, the industry is still facing the headwind of continuous appreciation of Renminbi, rising wages and inflating overheads. The Group will persist in lifting productivity in terms of volume and quality, deepen our lean management and undergo restructuring to reduce costs and enhance operational effectiveness.

It is worth to note that our factory located at the southern province of Thailand outside Bangkok was not affected by the recent widespread flooding crisis in Thailand. The Group will strategically strengthen the production capacity in Thailand and explore to add production facilities in Asia in future.

It is expected that the economic growth in China will sustain fairly stable in the medium term, yet an appropriate easing will occur in the second half of the year. We will grow our China retail business at controlled pace and execute stringent management on promotion discounts, costs and inventory level. As at the report date, the Group is running 126 directly managed "Betu" stores and 104 franchised stores in mainland China.

Barring any unforeseen circumstances, based on the most prevailing market conditions and industry situation, the Group expects that the second half of the year will be a more adverse period compared to the first half period under review. Nevertheless, with our strong balance sheet and business fundamentals, the Group is confident in embracing the challenges and opportunities in the year ahead.

CAPITAL EXPENDITURE

During the period under review, the Group incurred HK$8.4 million capital expenditure as compared to HK$6.9 million of the last corresponding period. It mainly represented regular replacement, upgrading of production facilities and leasehold improvement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial position remained solid. Working capital cycle was closely monitored where inventory turnover and trade receivable turnover were staying at healthy level. Capital structure was sound and maintained with low financial leverage. As at September 30, 2011, the Group had a cash balance of HK$208 million compared to HK$225 million as at March 31, 2011. Most of the cash balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$56 million included HK$31 million short-term RMB loans, and the remaining balance comprised trust receipt loans and discounted export bills, as compared to HK$43 million as at March 31, 2011. Total bank borrowings as a percentage of equity attributable to owners of the Company was at 12.0% at the end of the reporting period. The Group will continue to maintain effective liquidity and working capital management. With the net cash balance of HK$152 million and abundant banking facilities available, the Group has well sufficient liquidity and financial resources to meet the operating and investment needs.

As at September 30, 2011, certain land and buildings with an aggregate net book value of approximately HK$11 million and certain investment properties with an aggregate carrying value of approximately HK$52 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 maintained a stable financial position and adhered 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 reduce costs and enhance competitiveness, we retain competent employees and attract new talented people by offering career development opportunities, competitive remuneration package with reference to market practice. 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 September 30, 2011, the Group, excluding the associates, had approximately 6,000 employees globally, as compared to 6,200 as at March 31, 2011.

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, 2011.

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Joseph Wong King Lam, Mr. Tony Chang Chung Kay and Mr. Robert Yau Ming Kim, with Mr. Joseph Wong King Lam as the Chairman.

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 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.

PUBLICATION OF INTERIM 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 interim 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, November 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.