TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2012

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 7.6% to HK$1,601 million

2. Loss for the year attributable to owners of the Company was HK$19 million

3. Net cash balance was HK$134 million

4. The Board of Directors has proposed a special dividend of HK2 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, 2012 (the "year"), together with the comparative figures for the year ended March 31, 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*2*	**1,600,592**	1,732,113
Cost of sales		**(1,296,101)**	(1,393,051)
Gross profit		**304,491**	339,062
Other income		**3,317**	2,760
Increase in fair value of investment properties		**20,677**	25,831
Fair value changes on derivative financial instruments		**56**	(756)
Selling and distribution costs		**(99,680)**	(94,564)
Administrative expenses		**(242,167)**	(238,880)
Finance costs		**(2,997)**	(1,480)
Share of profits of associates		**332**	940
(Loss) profit before tax	*3*	**(15,971)**	32,913
Income tax expense	*4*	**(5,946)**	(5,591)
(Loss) profit for the year		**(21,917)**	27,322
(Loss) profit for the year attributable to:			
Owners of the Company		**(18,630)**	30,119
Non-controlling interests		**(3,287)**	(2,797)
		(21,917)	27,322
(Loss) earnings per share	*6*		
– Basic *(HK cents)*		**(5.3)**	8.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31, 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year	**(21,917)**	27,322
Other comprehensive income (expenses)		
Exchange differences arising on translation of foreign operations	**660**	(127)
Exchange differences arising on translation of associates	**100**	84
Other comprehensive income (expenses) for the year	**760**	(43)
Total comprehensive (expenses) income for the year	**(21,157)**	27,279
Total comprehensive (expenses) income for the year attributable to:		
Owners of the Company	**(17,850)**	30,086
Non-controlling interests	**(3,307)**	(2,807)
	(21,157)	27,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	Notes	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Non-current assets			
Investment properties		**97,416**	76,739
Property, plant and equipment		**100,077**	103,598
Prepaid lease payments		**11,296**	11,680
Intangible assets		**33**	106
Interests in associates		**2,851**	2,419
Deferred tax assets		**74**	328
		211,747	194,870
Current assets			
Inventories		**180,709**	175,438
Trade and other receivables	*7*	**206,087**	240,758
Prepaid lease payments		**384**	384
Amount due from an associate		**3,030**	2,942
Tax recoverable		**4,330**	4,373
Derivative financial instruments		**56**	–
Bank balances and cash		**178,667**	224,767
		573,263	648,662
Current liabilities			
Trade and other payables	*8*	**228,739**	213,828
Amount due to a non-controlling shareholder of a subsidiary		**900**	1,300
Tax liabilities		**816**	32,214
Obligations under finance leases – due within one year		**76**	130
Derivative financial instruments		**–**	756
Bank borrowings		**44,292**	42,573
		274,823	290,801
Net current assets		**298,440**	357,861
Total assets less current liabilities		**510,187**	552,731
Non-current liabilities			
Deferred tax liabilities		**17,076**	13,309
Obligations under finance leases – due after one year		**60**	31
		17,136	13,340
		493,051	539,391
Capital and reserves			
Share capital		**70,346**	70,346
Reserves		**384,464**	424,297
Equity attributable to owners of the Company		**454,810**	494,643
Non-controlling interests		**38,241**	44,748
		493,051	539,391

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[4]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2012
[3] Effective for annual periods beginning on or after July 1, 2012
[4] Effective for annual periods beginning on or after January 1, 2013
[5] Effective for annual periods beginning on or after January 1, 2014
[6] Effective for annual periods beginning on or after January 1, 2015

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 in the future may have significant impact on the Group's disclosures regarding discounting of bill receivables.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2015 and may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and that the application of HKFRS 13 may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for annual periods beginning on April 1, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after January 1, 2012. The directors anticipate the presumption will be rebutted since the Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, it is expected the application of the amendments to HKAS 12 in future accounting periods may not result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties.

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

2. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses on the geographical areas of sales made by the Group's operating divisions based on the location of customers. The Group is principally engaged in the manufacture and sale of women garments. The Group is currently organised into operating divisions which constitute four operating segments – the United States of America (the "USA"), Canada, Asia and Europe and others.

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended March 31, 2012

	USA	**Canada**	**Asia**	**Europe and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
Sales of goods – external	**1,222,118**	**22,780**	**195,370**	**160,324**	**1,600,592**
SEGMENT PROFITS	**17,576**	**123**	**366**	**11,911**	**29,976**
Unallocated income					**3,317**
Unallocated expenses					**(67,332)**
Increase in fair value of investment properties					**20,677**
Fair value changes on derivative financial instruments					**56**
Finance costs					**(2,997)**
Share of profits of associates					**332**
Loss before tax					**(15,971)**

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

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 of associates, other income and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the USA, the People's Republic of China (the "PRC"), United Kingdom, other European countries and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2012 *HK$'000*	2011 *HK$'000*
The USA	**1,222,118**	1,361,243
The PRC	**168,163**	148,088
United Kingdom	**94,827**	64,825
Other European countries	**46,789**	84,772
Canada	**22,780**	31,082
Hong Kong	**5,062**	10,557
Others	**40,853**	31,546
	1,600,592	1,732,113

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

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	**113,217**	89,487
The PRC	**81,893**	87,270
The USA	**712**	1,313
Others	**13,000**	14,053
	208,822	192,123

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

Information about major customers

For the year ended March 31, 2012, there is one (2011: two) external customer in the USA operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$318 million (2011: HK$328 million and HK$173 million, respectively).

3. (LOSS) PROFIT BEFORE TAX

	2012 *HK$'000*	2011 *HK$'000*
(Loss) profit before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**364,271**	343,761
Contributions to retirement benefit schemes	**11,220**	9,841
Total employee benefits expenses	**375,491**	353,602
Amortisation of intangible assets	**73**	73
Amortisation of prepaid lease payments	**384**	384
Auditor's remuneration	**2,120**	2,157
Cost of inventories recognised as an expense	**1,296,101**	1,393,051
Depreciation of property, plant and equipment	**20,575**	20,710
Loss on disposal of property, plant and equipment	**418**	–

4. INCOME TAX EXPENSE

	2012 *HK$'000*	2011 *HK$'000*
Current tax:		
Hong Kong	**411**	3,208
The PRC	**1,383**	23
Other jurisdictions	**55**	228
	1,849	3,459
Under(over)provision in prior years	**76**	(2,763)
	1,925	696
Deferred taxation	**4,021**	4,895
	5,946	5,591

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 were incorporated in Hong Kong, received protective/additional profits tax assessments 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 assessments related 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, and the remaining of HK$2.8 million represents the overpayment of provisional tax to the IRD from prior years.

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 and were then accepted and agreed by the IRD.

Upon settlement of the aforesaid objections, 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, an amount of HK$219,000, representing the additional tax charged after deducting the tax reserve certificates and tax previously purchased/charged, was paid in February 2012.

5. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2012 special of HK2 cents (2011: 2011 interim of HK4.25 cents) per share	**7,035**	14,948
2011 final of HK4.25 cents (2011: 2010 final of HK2.5 cents and special of HK5 cents) per share	**14,948**	26,380
	21,983	41,328

A special dividend of HK2 cents per share (2011: final dividend of HK4.25 cents per share) for the year ended March 31, 2012, amounting to HK$7.0 million (2011: HK$14.9 million), has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

6. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(18,630)**	30,119

	2012	2011
Number of ordinary shares in issue during the year for the purposes of basic (loss) earnings per share	**351,731,298**	351,731,298

The computation of the diluted loss per share for the year ended March 31, 2012 has not assumed the exercise of share options which would reduce the loss per share.

The computation of diluted earnings per share for the year ended March 31, 2011 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:

	2012	2011
	HK$'000	*HK$'000*
Up to 30 days	**116,558**	110,129
31 – 60 days	**26,621**	30,681
61 – 90 days	**22,927**	23,640
More than 90 days	**2,763**	1,659
	168,869	166,109

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:

	2012	2011
	HK$'000	*HK$'000*
Up to 30 days	**88,928**	81,822
31 – 60 days	**33,406**	36,448
61 – 90 days	**16,803**	13,446
More than 90 days	**5,329**	1,783
	144,466	133,499

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend but has resolved to recommend at the forthcoming Annual General Meeting a special dividend of HK2 cents per share (2011: final dividend of HK4.25 cents per share), payable on September 13, 2012 to shareholders whose names appear on the Register of Members on September 5, 2012. Together with an interim special dividend of HK2 cents per share (2011: interim dividend HK4.25 cents per share), the total dividends for the year will be HK4 cents per share (2011: HK8.5 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Wednesday, August 29, 2012 at 11:00 a.m. The Notice of Annual General Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, August 28, 2012 to Wednesday, August 29, 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, August 27, 2012.

The Register of Members of the Company will also be closed on Wednesday, September 5, 2012, on which day no transfer of shares will be registered. In order to be eligible for the proposed special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, September 4, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

As indicated in the interim report, under the shadow of world-wide economic slowdown and financial market instability, the Group continued to confront with stern market conditions throughout the entire fiscal year and recorded a turnover of HK$1,601 million for the financial year ended March 31, 2012, showing a dip of 7.6% as compared to last year's. Inclusive of the increase in fair value of investment properties, loss attributable to owners of the Company and loss per share are HK$18.6 million and HK5.3 cents respectively, as compared to profit attributable to owners of the Company and earnings per share of HK$30.1 million and HK8.6 cents respectively for the prior year. Average return on equity is negative 3.9% as compared to positive 6.0% for the prior year.

Business Review

During the fiscal year, world-wide economy was strongly harassed by a succession of woes, continued credit crunch and sovereign-debt problems in eurozone. Fiscal austerity and serious downturn in eurozone dragged down the economic recovery, making the rebound from recession in United States run out of steam. In fact, adverse impacts of global financial crisis had eased somewhat in the United States during the year, however, consumer confidence and spending remained depressed due to worries about unemployment, salary prospects and instability of global financial markets. Accordingly, total export sales to North America segment dropped by 10.6% to HK$1,245 million, representing 77.8% of the Group's turnover. During this rigorous year, "Zelda" wholesale brand business of the Group in the United States was tautly operated in a controlled scale which effectively minimized operational expenses. As for Europe, uncertainties and pessimistic sentiment originated from the deepened eurozone crisis inevitably hit our sales to Europe and other markets segment, which recorded a slide of 4.8% to HK$160 million, accounting for 10.0% of the Group's turnover.

In view of overstrained credit availability in the financial market, trade receivable insurance facilities were not sufficiently available for all overseas buyers. Deliberate control in accepting orders was exercised during the year, crimping the growth in our turnover. With our endeavors, however, export sales started to be back on track in the second half of the year. Decline in turnover as compared to the same period last year has been reduced from 11.4% for the first half of the year to 3.6% for the second half of the year.

Other than the turmoil in Europe, volatile global stock market, economic slowdown and apparent slowing jobs growth in United States were all adverse factors constraining our upward price adjustment. Meanwhile, manufacturing costs especially the labor wages in China stood high persistently. Appreciation in Renminbi gradually retarded in the second half of the financial year, yet still having influential impacts. Combined with high inflation's effects, raw material costs and other factory overheads kept surging. As such costs could not be fully shifted to our clients, our gross profit margin was between the upper and nether millstone. To mitigate the booming cost pressure, the Group has embarked on sourcing diversified materials, streamlining production process, restructuring human resources and stringently executing lean management as well as costs control.

China's economic growth has slowed for five consecutive quarters, with only 8.1% in the quarter of January to March this year, the least in almost three years. Competition of fashion retail in Mainland China, on the other hand, was getting more rigorous among international brands, as well as domestic brands. We strived to contend for favorable store locations, better lease terms and qualified franchisees, while at the same time innovating product design, monitoring stock movements conscientiously, refurbishing stores and closing loss-making outlets. Total retail sales in Mainland China increased by 7.4% and accounted for 9.6% of the turnover of the Group. Nevertheless, our profitability was impeded by the persistent rising contingent rents of retail stores, as well as the high wages and inflation. At the fiscal year end date, there were 122 directly managed stores and 101 franchised stores in operation.

Prospects

World-wide economic conditions will remain challenging in the coming fiscal year. Stagnancy in Europe, sluggish growth in the United States, obvious slowdown in China and high oil prices are sure to hamper the economic recovery pace and make global financial market bumpy.

In the United States, increase in real gross domestic product was disappointing for the first quarter of 2012, while the unemployment rate remained high in recent month. Meanwhile, latest consumer price index further decreased and recorded the greatest drop since Dec of 2008. Diminished job creation, weak incomes, nonstop downward pressure on real estate and financial wealth, together with deteriorating strains in European markets, have raised the downside risks to the United States' 2012 economic outlook. In the absence of a foreseeable robust growth in the short term, cautions will prevail and probably further discourage spending, hiring and investment at all levels. At this moment, there is no clue to predict on the depth and length of eurozone debt crisis, however, the possibility of a weaker economy in Europe stays high. In such circumstance, we will persistently enhance product value and expand our customer base with tight control over credit risks. In the near term, we do not see the chance of a swift upturn and our performance will be undermined by the feeble world-wide economy and the resulting consumer confidence.

The surging costs in China will continue to be the main focus of the industry in the coming years. Stringent costs control propelled by continuous improving management is what we always emphasize. With keen determination to brace against this challenge, the Group will conscientiously reinforce lean management over all aspects with a view to boost efficiency with our resources over merchandising, production, distribution, inventory control and costs control. On the other hand, the Group will also strategically increase production capacities in Asian country other than China. We believe our competence, agility, solid fiscal foundation and long-term trust with our customers and business partners will keep us weathering the upcoming adversities and better off when economy picks up.

Meanwhile, China's growth is gradually weakening. Domestic consumption is expanded at a slower pace. Considering the solid economic foundation and long-term prospect, however, the Group remains confident with the Mainland market. We will develop our retail business with steady steps by refining product design, striving for advantageous store locations and distribution channels, while keeping a watchful eye on contingent rents of retail stores, operating costs and non-profitable stores. As at report date, there are 248 "Betu" stores across Mainland China, of which 123 are operated by franchisees.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$16.0 million capital expenditure (2011: HK$11.7 million). It mainly represented additions of leasehold improvement, regular replacement and upgrade of production facilities.

LIQUIDITY AND FINANCIAL RESOURCES

During the whole fiscal year, the Group's financial position was closely watched and remained healthy. At the end of the financial year, the Group's cash level was recorded at HK$179 million as compared to HK$225 million of last year. Most of the bank balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$44 million included HK$31 million short-term RMB loans, and the remaining balance represents trust receipt loans. The borrowings were denominated in RMB and USD and the bank borrowings represented 9.7% of the shareholders' funds at the fiscal year end date. With the net cash balance of HK$134 million and abundant banking facilities available, the Group has plentiful liquidity and financial resources to meet the operational and investment needs.

Working capital cycle remained under exacting control. Inventory turnover of this year was 41 days, compared to 37 days for prior year. Trade receivable turnover of this year was 39 days, compared to 35 days for prior year. Slower turnover ratios as stated above are mainly because of the drop in annual sales volume for the year under review as compared to last year. Current ratio and quick ratio were 2.1 and 1.4 respectively, as compared to 2.2 and 1.6 of last year.

At the end of the financial year, certain land and buildings with an aggregate net book value of approximately HK$11 million (2011: HK$11 million) and certain investment properties with an aggregate carrying value of approximately HK$66 million (2011: HK$52 million) were pledged to banks to secure general banking facilities granted to the Group. There was no additional tangible security 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

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. To maintain competitive edge, the Group has streamlined the human resources structure during the year. On the other hand, we keep on retaining dedicated staff and attracting competent new joiners by offering career development opportunities, competitive remuneration package with reference to the market practice and granting share options to eligible employees with a view to ensure their interests aligned with that of the group. The corporate culture of team spirit has also been established to inspire our staff's efforts towards our core values and strategic goals.

As at March 31, 2012, the Group has approximately 5,800 employees globally, as compared to 6,200 as at March 31, 2011. The change was mainly caused by the decrease of production workers in factories located in Mainland China.

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

During the year ended March 31, 2012, 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, 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, 2012.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2012, 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 which was in effect before April 1, 2012.

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 28, 2012

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.