TUNGTEX

Tungtex (Holdings) Company Limited

同得仕（集團）有限公司

Stock Code 股份代號：00518

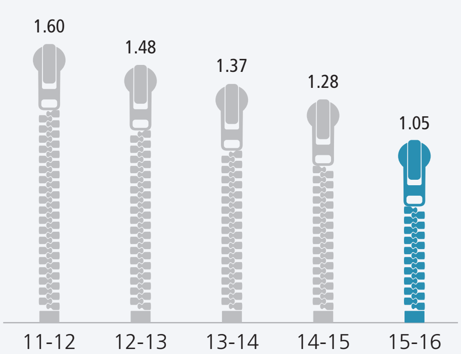
ANNUAL REPORT 2016 年報

TUNGTEX

FINANCIAL HIGHLIGHTS
財務資料概要

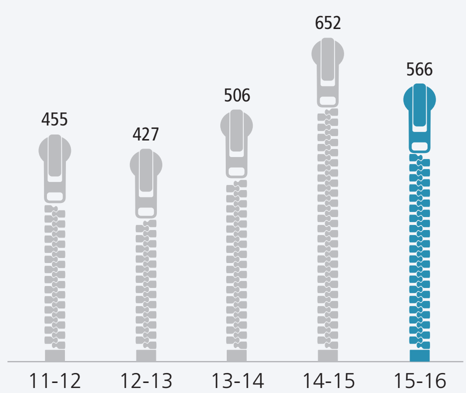
Turnover
營業額

in HK$ billion
港幣拾億元



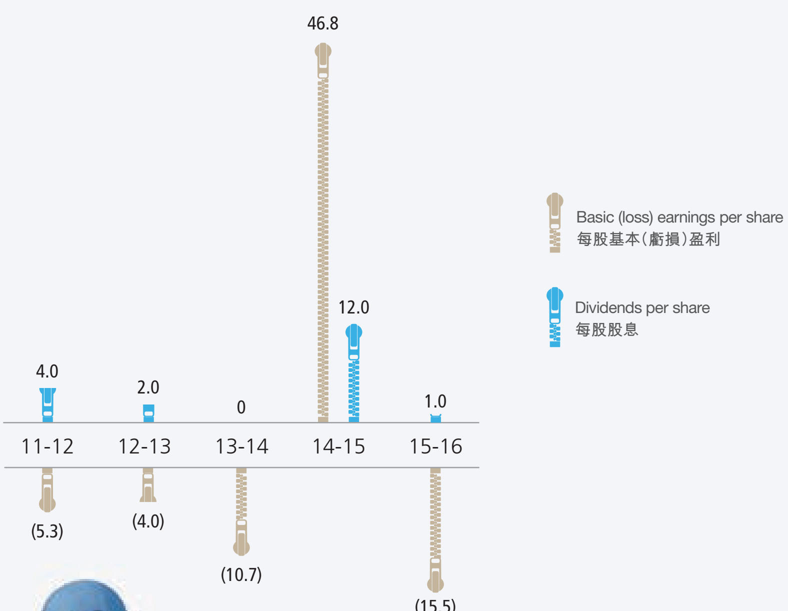
Equity attributable to owners of the Company
本公司擁有人應佔權益

in HK$ million
港幣佰萬元



Basic (loss) earnings per share and Dividends per share
每股基本（虧損）盈利及股息

in HK cents
港仙



CONTENTS

FACTORIES / OFFICES

(1) **Shenzhen** *China*
(2) **Zhongshan** *China*
(3) **Dongguan** *China*
(4) **Hangzhou** *China*
(5) *Vietnam*
(6) *Thailand*

Factories / Offices

betu Retail Stores in China

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-Executive Directors

Tung Siu Wing
Kevin Lee Kwok Bun

Independent Non-Executive Directors

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Robert Yau Ming Kim
Edwin Siu Pui Lap
Leslie Chang Shuk Chien

AUDIT COMMITTEE

Leslie Chang Shuk Chien *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Edwin Siu Pui Lap

REMUNERATION COMMITTEE

Robert Yau Ming Kim *(Chairman)*
Benson Tung Wah Wing
Tony Chang Chung Kay
Leslie Chang Shuk Chien

NOMINATION COMMITTEE

Benson Tung Wah Wing *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien

COMPANY SECRETARY

Lee Siu Mei

REGISTERED OFFICE

12th Floor, Tungtex Building
203 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
Fax: 2343 9668

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong & Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.tungtex.com

CHAIRMAN'S STATEMENT

OPERATING RESULTS

I am pleased to report the results of the Group for the fiscal year ended March 31, 2016 which remained a year of continuous challenge and difficulty to the fashion apparel industry and the Group.

The fiscal year ended March 31, 2016 was yet another difficult year for the global economy, as the world continued to adapt to a low economic growth with high unemployment. Coupled with the Chinese economic slowdown, the global economy was recovering at a disappointing and uncertain pace, and was divergent in directions among different regions and markets. Against such backdrop, global consumers continued to spend cautiously while changing their lifestyles at the meantime. Overseas demand for fashion apparel was continuously under pressure, undermining the export sales and the operating performance of the Group.

In China, the governmental moves were in line with objectives to gradually implement economic reforms and tolerate a new normal slower pace of growth, with an inevitable weakening impact on consumer spending and retail sales. Nevertheless, the Group persisted in strategic growth of sales in China market, through the increase in our Betu brand retail sales and the increase in the manufacture and sales to other local brands in China. Facing the high level of wage and operating costs in China, the Group continued its cost reduction and operational streamlining.

For the year ended March 31, 2016, total turnover of the Group declined by 18.4% to HK$1,047.5 million. The Group incurred an operating loss before tax of HK$66.6 million, as compared to an operating loss before tax of HK$59.6 million for the last fiscal year. The Group recorded a loss attributable to owners of the Company and loss per share of HK$65.5 million and HK15.5 cents respectively, as compared to a profit attributable to owners of the Company and earnings per share of HK$197.6 million and HK46.8 cents respectively for the last fiscal year.

BUSINESS REVIEW

During the year under review, the US economy recovered slowly and unevenly, and there was still debate regarding the health of the US economy. Consumer sentiment fluctuated and was affected by a number of factors such as the deceasing economic growth for the last three quarters ended March 2016, uncertain governmental spending and fiscal policies, stagnant improvement in unemployment since October 2015 and tightened consumer credit. Shift of consumer lifestyles in the US market hampered gradually the demand for the Group's fashion apparel products, especially those manufactured in China. In the Eurozone, the economy picked up during the year, yet at a low range and a slow pace. Sentiment among the Eurozone consumers continued to decline notably and hit a 15-month low in March 2016. The weakened Euro currency since 2015 relative to the last decade reduced apparently the purchasing power of and demotivated the Euro customers for sourcing from China relative to other Asian countries with deeper currency depreciation. In the fiscal year ended March 31, 2016, the turnover of the Group declined by 18.4% to HK$1,047.5 million from that of last fiscal year. In terms of geographical segment, sales to the North America market declined by 29.4% to HK$613.0 million, representing 58.5% of the turnover of the Group. Total sales to Europe and other markets decreased by 52.6% to HK$58.3 million, representing 5.6% of the turnover of the Group. Total sales to Asia increased by 28.9% to HK$376.1 million, representing 35.9% of the turnover of the Group.

In China, modernization and urbanization continued across the country while the economy was adapting to a slower pace of growth. During the year under review, despite the weakened consumer spending sentiment, the Group recorded a 18.0% growth in the retail sales in mainland China, accounting for 28.2% of the turnover of the Group, mainly attributable to our strenuous effort on brand promotion and strategic increase in online sales through the e-commerce network. The Group rationalized and replaced under-performed self-managed stores and franchised stores for better allocating resources among different platforms of distribution channels. At the end of the fiscal year, there were 130 self-managed and 119 franchised and associated stores in operation.

PROSPECTS

Since the beginning of 2016, uncertainty has been increasing and risks of weaker global economic growth have become more tangible, including the slowdown and rebalancing in China, downswing in commodity prices, and decline in investment and capital flows. Along with the Federal Reserve's move to start raising interest rates, the global economic outlook has been downgraded consecutively in the recent months. In the US, spurred by the strong dollar and the looming uncertainty of upcoming political events and interest rate hike schedule, the US economic growth prospects will also be affected in the short term. Britain's recent vote to leave the European Union shocked global markets and unleashed uncertainty, and has set in motion an unprecedented and unpredictable process that threatens turbulence and potential crisis for Britain, for Europe and for the global economy. Looking ahead, the fashion apparel manufacture and export trading environment in China will continue to face the challenge of keen competition from manufacturers in other Asian countries. The Group will apply all efforts to reinforce the firm base of customer-oriented quality sales services, strengthen the product design and development capability, and broaden our product group for customers to meet the market demand. On the cost and efficiency side, the Group will persist in structural reform and re-organization of production capacities, enhancement of productivity, operational streamlining, stringent cost control and lean management over all manageable areas.

In China, the economic growth, which slowed to its lowest level recently after the global financial crisis, is expected to follow a path of prolonged slower recovery going forward. Under such circumstance, the expansion in retail sales will continue to moderate and consumer sentiment will remain weak in general in the short term. It is expected that the apparel retail market in mainland China will remain competitive and difficult. In the coming year, the Group will contain the total number of stores within the existing range and continue to replace under-performed stores and grow further our e-commerce sales network. The Group will also stay aware of any business opportunities in this new normal era.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to our valued shareholders, banks, customers and business partners for their continuous trust and support over the years, especially in the year of adversities. I also sincerely thank our Group's management team and employees for their commitment and dedication. Last but not least, I would like to extend my sincere appreciation to all fellow directors for their valuable guidance and support.

Benson Tung Wah Wing
Chairman
Hong Kong, June 27, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Due to shrinking demand on the Group's export sales in the fiscal year, the total turnover of the Group for the fiscal year decreased by 18.4% to HK$1,047.5 million. Geographically, the decline in the turnover of the Group is comprised of the combined effect of decrease of 29.4% and 52.6% in the export sales to North America segment and Europe and others segment respectively and the increase of 28.9% in the total sales in Asia segment. The pre-tax loss contribution from North America segment was HK$0.2 million, as compared to a segment profit of HK$13.5 million of last fiscal year. The pre-tax loss contribution from Europe and other markets segment was HK$0.2 million, as compared to a segment profit of HK$6.5 million of last fiscal year. The pre-tax segment loss from Asia segment decreased to HK$8.2 million, as compared to a segment loss of HK$13.1 million of the last fiscal year.

Thanks to the structural streamlining, reorganization of internal business units, stringent cost control, efficiency enhancement and the increase of total sales to China market of higher gross margin, the Group managed to improve the gross profit margin to 21.6% from 20.1% of the last fiscal year. Selling and distribution costs of the Group increased by 7.6% to HK$136.2 million, in order to support the business growth of our China retail business with increased operating costs and strengthened promotion especially for e-commerce sales channel. Administrative expenses decreased by 16.0% to HK$159.0 million, demonstrating sound progress in disciplined management of all ancillary operating expenses and sustained streamlining and reshuffle of business units. Finance costs decreased by 69.5% to HK$2.6 million as compared to last year due to significant decrease of bank borrowings.

The Group recorded an operating loss before tax of HK$66.6 million for the fiscal year as compared to an operating loss before tax of HK$59.6 million of the last fiscal year. The Group recorded a loss attributable to owners of the Company and loss per share of HK$65.5 million and HK15.5 cents respectively, as compared to a profit attributable to owners of the Company and earnings per share of HK$197.6 million and HK46.8 cents respectively for the last fiscal year.

CAPITAL EXPENDITURE

During the fiscal year, the Group incurred approximately HK$18.4 million capital expenditure as compared to approximately HK$16.2 million of the last fiscal year. Apart from the regular replacement and upgrading of production facilities of the Group, such capital expenditure mainly represented leasehold improvement for retail business and investment of production facilities in the factory in Dongguan of China.

LIQUIDITY AND FINANCIAL RESOURCES

Throughout the fiscal year, the Group's financial position continued to be prudently and precisely managed and remained healthy. At the end of the fiscal year, the Group's cash level was recorded at HK$282.3 million (of which HK$96.0 million was pledged bank deposits) as compared to HK$348.1 million (of which HK$116.0 million was pledged bank deposits) 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$93.6 million, which were mainly denominated in USD, HKD and RMB, consisted of HK$78.4 million short-term bank borrowings and HK$15.2 million long-term bank borrowings. The Group had no borrowings at fixed interest rates during the year. The gearing ratio (total bank borrowings to total equity) was 16.7%. The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due. During the fiscal year, working capital cycle remained under stringent control. Trade receivable turnover increased from last year's 42 days to 45 days. Inventory turnover increased from last year's 54 days to 67 days, mainly due to higher inventory level required for the growth of the Group's sales to Asia segment. Financial resources remained under stringent control where financial condition remained healthy.

At the end of the fiscal year, certain land and buildings with an aggregate net book value of approximately HK$20.4 million (2015: HK$23.4 million) were pledged to banks to secure general banking facilities granted to the Group.

KEY PERFORMANCE INDICATORS ("KPI")

The KPI judged by the directors to be effective in measuring the development, performance or position of the business of the Group include:

Percentage of consolidated cost of sales

Percentage of consolidated cost of sales decreased to 78.4% (2015: 79.9%). The comparison of percentage of consolidated cost of sales is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Revenue	**1,047,486**	1,283,034
Cost of sales	**(821,524)**	(1,024,700)
Percentage of consolidated cost of sales	**78.4%**	79.9%

Selling and distribution costs and administrative expenses

The comparison of selling and distribution costs and administrative expenses to last year is as follows:

	2016	2015	%
	HK$'000	*HK$'000*	*Changes*
Selling and distribution costs	**136,220**	126,607	7.6%
Administrative expenses	**159,026**	189,422	(16.0%)

EBITDA

The negative EBITDA for the fiscal year is HK$43.4 million (2015: EBITDA of HK$221.5 million). The comparison of EBITDA is as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year	**(66,473)**	190,530
Add:		
Finance costs	**2,601**	8,517
Income tax expense	**945**	650
Depreciation	**18,728**	20,953
Amortisation	**815**	828
EBITDA	**(43,384)**	221,478

Operating loss

The Group incurred an operating loss before tax of HK$66.6 million for the fiscal year (2015: HK$59.6 million). The comparison of operating loss is as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit before tax	**(65,528)**	191,180
Less:		
Decrease in fair value of investment property	**(568)**	(1,752)
Increase in fair value of assets classified as held for sale	**–**	9,512
Fair value changes on derivative financial instruments	**(157)**	106
Gain on disposal of assets classified as held for sale	**–**	211,216
Gain on disposal of a property	**–**	12,320
Share of loss of associates	**–**	(456)
Gain on disposal of subsidiaries and associates	**1,756**	19,809
Operating loss before tax	**(66,559)**	(59,575)

(Loss) profit before tax

Loss before tax for the fiscal year is HK$65.5 million (2015: profit before tax of HK$191.2 million).

(Loss) earnings per share

The Group's loss per share for the fiscal year is HK15.5 cents (2015: earnings per share of HK46.8 cents).

Inventory turnover days

Inventory turnover days increased by 13 days to 67 days for the year ended March 31, 2016 (2015: 54 days). The comparison of inventory turnover days is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue	**1,047,486**	1,283,034
Inventory as at March 31	**192,480**	188,340
Inventory turnover days	**67 days**	54 days

Trade receivable turnover days

Trade receivable turnover days increased by 3 days to 45 days for the year (2015: 42 days). The comparison of trade receivable turnover days is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue	**1,047,486**	1,283,034
Trade and bills receivables as at March 31	**130,561**	146,548
Trade receivable turnover days	**45 days**	42 days

Please refer to Management Discussion and Analysis from pages 7 to 11 for the detailed analysis of the KPI.

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 incomes from our retail business in China are denominated in RMB and a tiny portion destined for the European export 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

As at March 31, 2016, the Group has approximately 4,900 employees globally, as compared to 4,700 as at March 31, 2015. The Group regards employees as the most valuable asset and the core element of our long-term success. In spite of the harsh operating environment, we keep on retaining and inspiring competent staff who dedicate to develop their careers in line with our core corporate values and strategic goals by offering career development opportunities, job satisfaction via empowerment, harmonious teamwork and competitive remuneration package with reference to the market practice and performance.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CORPORATE GOVERNANCE REPORT

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the review year.

A. DIRECTORS

A.1 The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders.

The Board meets regularly, and at least four times a year scheduled at approximately quarterly intervals according to the Code. Between scheduled meetings, monthly updates for the performance of the Group are provided to directors on a regular basis. Whenever warranted, additional Board meetings are held. During the year ended March 31, 2016, an Annual General Meeting ("AGM") and five Board meetings were held. The attendance of each director is set out as follows:

Name of director	Attendance at 2015 AGM	Attendance at Board meetings
Mr. Benson Tung Wah Wing	1/1	5/5
Mr. Alan Lam Yiu On	1/1	5/5
Mr. Raymond Tung Wai Man	0/1	5/5
Mr. Martin Tung Hau Man	1/1	5/5
Mr. Billy Tung Chung Man	1/1	5/5
Mr. Tung Siu Wing	1/1	5/5
Mr. Kevin Lee Kwok Bun	1/1	5/5
Mr. Johnny Chang Tak Cheung	1/1	5/5
Mr. Tony Chang Chung Kay	1/1	5/5
Mr. Robert Yau Ming Kim	1/1	4/5
Mr. Edwin Siu Pui Lap	1/1	5/5
Mr. Leslie Chang Shuk Chien	1/1	5/5

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is normally given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Directors have been advised that the company secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

The Company has arranged appropriate Directors and Officers liability insurance coverage for its directors and officers.

A.2 Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr. Benson Tung Wah Wing being the Chairman and Mr. Alan Lam Yiu On being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Managing Director and the company secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. Apart from the regular Board meetings, the Chairman holds at least one meeting with the non-executive directors (including independent non-executive directors) annually without the presence of executive directors.

A.3 Board composition

The Board consists of five executive directors, two non-executive directors and five independent non-executive directors:

Executive directors:
Mr. Benson Tung Wah Wing *(Chairman)*
Mr. Alan Lam Yiu On *(Managing Director)*
Mr. Raymond Tung Wai Man
Mr. Martin Tung Hau Man
Mr. Billy Tung Chung Man

Non-executive directors:
Mr. Tung Siu Wing
Mr. Kevin Lee Kwok Bun

Independent non-executive directors:
Mr. Johnny Chang Tak Cheung
Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Edwin Siu Pui Lap
Mr. Leslie Chang Shuk Chien

More than one-third of the Board are independent non-executive directors. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Johnny Chang Tak Cheung is the uncle of Mr. Tony Chang Chung Kay. They declare the relationship does not affect their independence as they make decision independently and vote in their own accord. Mr. Leslie Chang Shuk Chien, an independent non-executive director of the Company, is the managing director of Chang Leung Hui & Li C.P.A. Limited ("Mr. Chang's Firm") which provides auditing, accounting and taxation services to the public. Mr. Chang's Firm, through another engagement partner, has been providing auditing, accounting and taxation services to a private company controlled by Mr. Robert Yau Ming Kim, an existing independent non-executive director of the Company, and personal taxation service to Mr. Yau himself for over 20 years. Mr. Chang personally was not, and would not be involved in the provision of any services to Mr. Yau and his controlled company. Apart from the above, Mr. Chang or Mr. Chang's Firm has not provided and does not provide services to any of the Company's existing directors (including executive directors) and/or substantial shareholders. Nor has he been involved and is involved in business dealings with the Company, its respective subsidiaries, its executive directors or with any connected persons of the Company. In view of the above and that the level of fees received by Mr. Chang's Firm from Mr. Yau and his controlled company is insignificant, the Company considers they are independent. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

The relationship among members of the Board is disclosed in "Directors' Report" of this annual report.

A.4 Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 28 to 29.

The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group. Any nomination of directors will be reviewed and discussed by the Nomination Committee. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration.

A.5 Nomination Committee

A Nomination Committee was established by the Company on March 20, 2012. The Committee is chaired by Mr. Benson Tung Wah Wing, the Chairman of the Board. The other members are independent non-executive directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify and nominate potential individuals for directorship, and assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. Nomination Committee meets at least once a year. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company has adopted the Board Diversity Policy, setting out the approach to diversity on the Board and complying with a code provision on board diversity. The Nomination Committee has, from time to time, reviewed the Board Diversity Policy to ensure its effectiveness.

In the Board Diversity Policy:–

– The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. A truly diverse Board will include and make good use of differences in the gender, age, cultural and educational background, professional and industry experience, skills and knowledge, ethnicity, length of service and other qualities of Directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit, having due regard for the benefits of diversity on the Board.

During the year ended March 31, 2016, the Nomination Committee held one meeting, with attendance record as follows:

Name of member	**Number of attendance**
Mr. Benson Tung Wah Wing *(Chairman)*	1/1
Mr. Tony Chang Chung Kay	1/1
Mr. Robert Yau Ming Kim	0/1
Mr. Leslie Chang Shuk Chien	1/1

The following is a summary of the work of the Nomination Committee during the year ended March 31, 2016:

– Reviewed the structure and composition of the Board;
– Reviewed the retirement of directors by rotation and the re-appointment of retiring directors at 2015 AGM; and
– Assessed the independence of independent non-executive directors.

A.6 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended March 31, 2016. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

The directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

The Company has from time to time provided relevant reading materials and briefings to directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements relating to the roles, functions and duties of a listed company director. Attendance at external seminars or briefing sessions on the relevant topics also counts toward Continuous Professional Development ("CPD") training.

The directors have provided to the Company their records of CPD training during the year ended March 31, 2016 and the CPD training undertaken by the directors is summarised into the following areas:

Name of director	Legal, regulatory and Corporate Governance	Directors' roles, functions and duties
Executive directors:		
Mr. Benson Tung Wah Wing	✓	✓
Mr. Alan Lam Yiu On	✓	✓
Mr. Raymond Tung Wai Man	✓	✓
Mr. Martin Tung Hau Man	✓	✓
Mr. Billy Tung Chung Man	✓	✓
Non-executive directors:		
Mr. Tung Siu Wing	✓	✓
Mr. Kevin Lee Kwok Bun	✓	✓
Independent non-executive directors:		
Mr. Johnny Chang Tak Cheung	✓	✓
Mr. Tony Chang Chung Kay	✓	✓
Mr. Robert Yau Ming Kim	✓	✓
Mr. Edwin Siu Pui Lap	✓	✓
Mr. Leslie Chang Shuk Chien	✓	✓

A.7 Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION COMMITTEE

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Robert Yau Ming Kim, who is an independent non-executive director and a majority of the members are independent non-executive directors.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. The Remuneration Committee ensures that no director or any of his associates is involved in deciding his own remuneration. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2016, the Remuneration Committee held two meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	2/2
Mr. Benson Tung Wah Wing	2/2
Mr. Tony Chang Chung Kay	2/2
Mr. Leslie Chang Shuk Chien	2/2

The following is a summary of the work of the Remuneration Committee during the year ended March 31, 2016:

– Determined, with delegated responsibility, the remuneration packages of individual executive directors;
– Made recommendations to the Board on the remuneration of non-executive directors;
– Approved annual bonus for the year ended March 31, 2016; and
– Ensured that no director or any of his associates is involved in deciding his own remuneration.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the consolidated financial statements of the Group. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

In order to attract and retain suitable and high-calibre personnel, to incentivise them to contribute to the future development and growth of the Group, a share option scheme was adopted by the Company on September 5, 2006. Details of the share option scheme are set out in note 32 to the consolidated financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended March 31, 2016 is in accordance with statutory requirements and applicable accounting standards.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis.

The primary objective of the Company is to maximize shareholders' value and sustain steady business development in the long run. The "Chairman's Statement" contain a discussion and analysis of the Group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives.

The reporting responsibilities of external auditor of the Company are disclosed in "Independent Auditor's Report".

C.2 Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Resources, qualifications and experience of the Group's accounting staff, their training programmes and budget, and financial reporting function are considered by the Board from time to time.

C.3 Audit Committee

An Audit Committee was established in 1999 and all the members are independent non-executive directors. The Committee is chaired by Mr. Leslie Chang Shuk Chien, who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. None of the Audit Committee members is a former partner of the existing auditing firm of the Company during the one year after he ceases to be a partner of the auditing firm. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2016 the Audit Committee held four meetings with attendance record as follows:

Name of member	Number of attendance
Mr. Leslie Chang Shuk Chien *(Chairman)*	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Robert Yau Ming Kim	3/4
Mr. Edwin Siu Pui Lap	4/4

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2015 and the interim accounts for six months ended September 30, 2015 respectively with management and the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

C.4 Remuneration to the external auditor of the Company

The remuneration to the external auditor of the Company for the year ended March 31, 2016 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	1,576
Non-audit services	
– taxation services	202
– other services	394

D. DELEGATION BY THE BOARD

D.1 Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

D.2 Board committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

D.3 Corporate governance functions

The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Terms of Reference of the Board of the Company and the relevant duties include the followings:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of directors;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the AGM. The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company gives at least 20 clear business days' prior notice to shareholders before the AGM. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

At the 2015 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board (also being the Chairman of the Nomination Committee), Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2015 AGM and were available to answer questions of the shareholders.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis. The Board has adopted a shareholders' communication policy which will be subject to periodic review to ensure its effectiveness.

E.2 Shareholders' rights

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in Companies Ordinance (Chapter 622), request the Board to convene a general meeting. The general nature of the business to be dealt with at the meeting must be stated in the request which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person(s) making it.

E.3 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2015 AGM.

At the 2016 AGM, the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and the Stock Exchange on the business day following the general meeting.

DIRECTORS’ REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended March 31, 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments. The activities of its principal subsidiaries and associate are set out in notes 20 and 21 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group’s largest and five largest customers were 10% and 33%, respectively. The aggregate purchases attributable to the Group’s largest and five largest suppliers were 12% and 19%, respectively.

At no time during the year did a director, close associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) have an interest in any of the Group’s five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2016 are set out in the consolidated statement of profit or loss on page 36.

A special dividend of HK1 cent per share amounting to approximately HK$4.2 million were paid to the shareholders of the Company during the year.

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2016.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company’s reserves available for distribution to shareholders as at March 31, 2016 represented the retained profits of HK$321,481,000 (2015: HK$432,120,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 92.

FIXED ASSETS

Movements in investment property and property, plant and equipment during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

Review of our business and performance

A review of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Chairman’s Statement and Management Discussion and Analysis respectively from pages 5 to 6 and pages 7 to 11 of this Annual Report. The outlook of the Company’s business is discussed throughout this Annual Report.

BUSINESS REVIEW AND PERFORMANCE *(Continued)*

Principal risks and uncertainties

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to in the Chairman's Statement and Management Discussion and Analysis.

1. Economic climate and individual market performance

The impact of economic conditions on consumer confidence and buying habits would affect sales and results of the Group. The economic growth or decline in our geographical markets that affected consumer spending on garments would also affect our business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

2. Loss of key individuals or the inability to attract and retain talent

Lack of appropriately skilled and experienced resource could result in a delay in achieving the Group's strategic goals. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

3. Customers' credit risk

The maximum exposure to credit risk by the Group which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Details of the customers' credit risk are set out in note 6(b) to the consolidated financial statements.

4. Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

Details of the liquidity risk are set out in note 6(b) to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE *(Continued)*

Principal risks and uncertainties *(Continued)*

5. ***Currency risk***

The Group has foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

Details of the currency risk are set out in note 6(b) to the consolidated financial statements.

6. ***Interest rate risk***

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Details of the interest rate risk are set out in note 6(b) to the consolidated financial statements.

Group's environmental policies and performance

1. ***Sustainable Apparel Coalition (SAC) and Higg Index***

We are accountable for the environmental impacts of our operations. We are a supplier of some active members of the SAC, and have been using its Higg Index, a groundbreaking industry tool designed to measure environmental and social performance and the sustainability impacts of our operations and to enhance the efficiencies and improve the operation of our business. Ultimately, the goal of the Higg Index is to understand and quantify sustainability impacts, and to create a common way of communicating sustainability to consumers.

In 2013, we introduced the Higg Index's social and environmental assessments to our operations. We have worked with our customers to set energy saving target, helping us to improve our performance while reducing cost.

2. ***Business for Social Responsibility (BSR) and HERproject***

Women continue to represent a significant proportion of the workforce in our operation. Since 2014, we are undertaking a major initiative to support the BSR's HERproject, which provides basic health education to female workers, helping to improve their health and build their confidence and participation in the workplace. The HERproject also demonstrates the business benefits of these program activities to promote long-term factory investments in women's health.

Our collaboration has helped to reach a number of women workers in Mainland China. Internal follow-up surveys show the program has raised awareness of important health issues, but more important, the program has promoted adoption of healthier behaviors. We will continue to support other BSR's project.

BUSINESS REVIEW AND PERFORMANCE *(Continued)*

Stakeholders' engagement

We obtain and understand the views of our stakeholders regularly. This communication provides valuable feedback for our business and assists us to understand stakeholders' needs and assess the best way to leverage our resources and expertise to contribute to future business and community development.

Across the supply chain, we have taken steps through the year to ensure that we operate responsibly and in the interests of our customers, workforce, suppliers and other stakeholders.

An account of the Company's relationships with employees is included in the Management Discussion and Analysis from pages 7 to 11.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended March 31, 2016 are set out in note 31 to the consolidated financial statements.

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

During the year, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and other officers arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)* *(note)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-executive directors:

Tung Siu Wing *(note)*
Kevin Lee Kwok Bun *(note)*

Independent non-executive directors:

Johnny Chang Tak Cheung *(note)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Edwin Siu Pui Lap
Leslie Chang Shuk Chien

Note:

Mr. Tung Siu Wing, Mr. Kevin Lee Kwok Bun and Mr. Johnny Chang Tak Cheung have tendered their resignation with effect from July 1, 2016. Mr. Alan Lam Yiu On has resigned with effect from August 1, 2016.

Pursuant to Article 80(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as The Stock Exchange of Hong Kong Limited (the "Stock Exchange") may from time to time prescribe. Accordingly, Messrs. Billy Tung Chung Man, Edwin Siu Pui Lap and Leslie Chang Shuk Chien retire by rotation and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended March 31, 2016 or during the period from April 1, 2016 to the date of this report are available on the website of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

Benson Tung Wah Wing
Chairman
Chairman of Nomination Committee
Member of Remuneration Committee
Aged 65, is the principal founder of the Group. He has been involved in the garment industry since 1967. Under his leadership, the Group was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1988. He also holds directorships in some subsidiaries of the Company. He is the brother of Mr. Tung Siu Wing, the uncle of Mr. Raymond Tung, the father of Mr. Martin Tung and Mr. Billy Tung. He and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona Investments Limited ("Corona"). Corona is the substantial and controlling shareholder of the Company (as disclosed in the section headed "Substantial Shareholders" in this Report). Mr. Benson Tung is also a director of Corona.

Alan Lam Yiu On
Managing Director
Aged 54, was appointed as an executive director in 1995, the deputy managing director in 2001 and then the managing director in 2003. He also holds directorships in some subsidiaries of the Company. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Raymond Tung Wai Man
Aged 50, joined the Group in 1988 and was appointed as an executive director in 2000. He also holds directorships in some subsidiaries of the Company. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung and Mr. Tung Siu Wing and the cousin of Mr. Martin Tung and Mr. Billy Tung.

Martin Tung Hau Man
Aged 41, joined the Group in 2000 and was promoted to assistant director in 2002 and was appointed as an executive director in 2010. He also holds directorships in some subsidiaries of the Company. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick. He is the son of Mr. Benson Tung, the brother of Mr. Billy Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung. Mr. Martin Tung is a director of Corona.

Billy Tung Chung Man
Aged 39, joined the Group in 2001 and was promoted to assistant director in 2003, and was appointed as an executive director in 2010. He is also the managing director of the Group's retail operation and director of some subsidiaries of the Company. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung, the brother of Mr. Martin Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung. Mr. Billy Tung is a director of Corona.

Non-executive Directors:

Tung Siu Wing
Aged 66, is a co-founder of the Group. He was re-designated as a non-executive director in 2002. He has been involved in the garment industry for over 50 years. He is the brother of Mr. Benson Tung and the uncle of Mr. Raymond Tung, Mr. Martin Tung and Mr. Billy Tung.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Non-executive Directors: *(Continued)*

Kevin Lee Kwok Bun
Aged 66, was appointed as an executive director in 1987. He was re-designated as a non-executive director of the Company in 1995. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of Chartered Professional Accountants of Canada and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science Degree from The University of Hong Kong.

Independent Non-executive Directors:

Johnny Chang Tak Cheung
Aged 73, has been a non-executive director since the listing of the Company's shares in 1988. He was re-designated as an independent non-executive director of the Company in 1995. He has 48 years' experience in the garment business and is currently a director of a famous shirt making private company. He is the uncle of Mr. Tony Chang.

Tony Chang Chung Kay
Member of Audit Committee, Remuneration Committee and Nomination Committee
Aged 60, was appointed as a non-executive director in 1994. He was re-designated as an independent non-executive director of the Company in 1995. He is a director of a famous shirt making private company and has 39 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University. He is the nephew of Mr. Johnny Chang.

Robert Yau Ming Kim
Chairman of Remuneration Committee
Member of Audit Committee and Nomination Committee
Aged 77, was appointed as an independent non-executive director in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of The Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he served as trade officer in the Hong Kong Government in 1960s. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, which shares are listed on the Main Board of the Stock Exchange.

Edwin Siu Pui Lap
Member of Audit Committee
Aged 64, was appointed as the independent non-executive director in 2012. He is a retired banker with extensive experience in banking operations and business finance activities. He began his banking career in 1972 and held senior positions in various large international banks for the following 40 years, with extensive experience in the fields of internal audit, financial analysis, credit administration and corporate finance. He retired from the banking industry in mid-2012 and now engages in providing business and financial advisory services to private companies.

Leslie Chang Shuk Chien
Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee
Aged 69, was appointed as the independent non-executive director in 2012. He is an associate member of Hong Kong Institute of Certified Public Accountants. He is the managing director of Chang Leung Hui & Li C.P.A. Limited since 1997. He is a certified public accountant practicing in Hong Kong since 1982 and has over 38 years of experience in the field of auditing and accounting.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at March 31, 2016, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by directors of listed issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*	150,059,268	35.55%
Alan Lam Yiu On	Beneficial owner	620,000	0.15%
Raymond Tung Wai Man	Beneficial owner	360,000	0.09%
Martin Tung Hau Man	Beneficial owner	1,604,000	0.38%
Billy Tung Chung Man	Beneficial owner	1,472,400	0.35%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	2.13%
Johnny Chang Tak Cheung	Beneficial owner/Beneficiary of a trust *(note b)*	2,829,752	0.67%
Tony Chang Chung Kay	Beneficial owner	3,844,760	0.91%

Notes:

(a) Mr. Benson Tung Wah Wing and his spouse, Madam. Wong Fung Lin, together own entire equity interests in equal share in Corona. Corona owned 150,059,268 shares in the Company as at March 31, 2016, representing 35.55% of the issued share capital of the Company. By virtue of the SFO, Mr. Benson Tung Wah Wing is deemed to be interested in the shares held by Corona.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 777,752 shares in the Company as at March 31, 2016. He is also a beneficiary of a trust, Chaco International Limited, which owned 2,052,000 shares in the Company as at March 31, 2016.

Save as disclosed above, as at March 31, 2016, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE OPTIONS

Particulars of the share option scheme and the movements in share options of the Company are set out in note 32 to the consolidated financial statements.

At the annual general meeting of the Company held on September 5, 2006, a share option scheme ("Share Option Scheme") of the Company was adopted by the shareholders of the Company.

Under the Share Option Scheme, there was no outstanding options at the beginning and at the year ended March 31, 2016. During the year, no share option were granted, exercised, cancelled or lapsed.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above and in note 32 "Share-based payment transactions" to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and related party transactions entered into by the Group during the year ended March 31, 2016 are disclosed in note 38 to the consolidated financial statements.

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

SUBSTANTIAL SHAREHOLDERS

As at March 31, 2016, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited	Beneficial owner *(note a)*	150,059,268	35.55%
Madam Wong Fung Lin	Interest of controlled corporation *(note b)*	150,059,268	35.55%

Notes:

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

(b) The 150,059,268 shares are shares in issue held by Corona, the entire issued share capital of which is beneficially owned by Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, in equal shares. By virtue of the SFO, Madam Wong Fung Lin is deemed to be interested in the shares held by Corona.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at March 31, 2016, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year.

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2016, the Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 14 to 22 of the Annual Report.

EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Company's performance.

The Company has adopted a share option scheme to directors and eligible employees, details of the scheme are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2016.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$43,000.

AUDITOR

The consolidated financial statements for the year ended March 31, 2016 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Benson Tung Wah Wing
Chairman

Hong Kong, June 27, 2016

Deloitte.
德勤

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕（集團）有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 91, which comprise the consolidated statements of financial position as at March 31, 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at March 31, 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
June 27, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	7	**1,047,486**	1,283,034
Cost of sales		**(821,524)**	(1,024,700)
Gross profit		**225,962**	258,334
Other income and other gain	8	**5,326**	18,957
Decrease in fair value of investment property	16	**(568)**	(1,752)
Increase in fair value of assets classified as held for sale	26	**–**	9,512
Fair value changes on derivative financial instruments		**(157)**	106
Gain on disposal of assets classified as held for sale	26	**–**	211,216
Selling and distribution costs		**(136,220)**	(126,607)
Administrative expenses		**(159,026)**	(189,422)
Finance costs	9	**(2,601)**	(8,517)
Share of loss of associates		**–**	(456)
Gain on disposal of subsidiaries and associates	34	**1,756**	19,809
(Loss) profit before tax	10	**(65,528)**	191,180
Income tax expense	13	**(945)**	(650)
(Loss) profit for the year		**(66,473)**	190,530
(Loss) profit for the year attributable to:			
Owners of the Company		**(65,451)**	197,578
Non-controlling interests		**(1,022)**	(7,048)
		(66,473)	190,530
(Loss) earnings per share	15		
Basic and diluted (HK cents)		**(15.5)**	46.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2016

	2016 *HK$'000*	2015 *HK$'000*
(Loss) profit for the year	**(66,473)**	190,530
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		
– exchange differences arising during the year	**(16,283)**	(1,158)
– reclassification adjustments relating to foreign operations disposed of during the year	**(345)**	554
Other comprehensive expense for the year	**(16,628)**	(604)
Total comprehensive (expense) income for the year	**(83,101)**	189,926
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(82,079)**	196,724
Non-controlling interests	**(1,022)**	(6,798)
	(83,101)	189,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment property	16	7,260	7,828
Property, plant and equipment	17	161,651	170,905
Prepaid lease payments	18	25,157	26,687
Intangible asset	19	–	–
Interest in an associate	21	–	202
Deferred tax assets	22	200	435
		194,268	206,057
Current assets			
Inventories	23	192,480	188,340
Trade and other receivables	24	166,171	181,569
Prepaid lease payments	18	815	828
Tax recoverable		1,183	866
Derivative financial instruments	29	–	106
Pledged bank deposits	25	96,000	116,000
Bank balances and cash	25	186,325	232,138
		642,974	719,847
Current liabilities			
Trade and other payables	27	180,571	200,146
Tax liabilities		959	1,701
Obligations under finance leases – due within one year	28	7	41
Derivative financial instruments	29	51	–
Bank borrowings	30	78,439	56,973
		260,027	258,861
Net current assets		382,947	460,986
Total assets less current liabilities		577,215	667,043

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bank borrowings	30	15,200	17,600
Deferred tax liabilities	22	1,502	1,593
Obligations under finance leases – due after one year	28	–	7
		16,702	19,200
		560,513	647,843
Capital and reserves			
Share capital	31	212,932	212,932
Reserves		352,865	439,165
Equity attributable to owners of the Company		565,797	652,097
Non-controlling interests		(5,284)	(4,254)
		560,513	647,843

The consolidated financial statements on pages 36 to 91 were approved and authorised for issue by the Board of Directors on June 27, 2016 and are signed on its behalf by:

Benson Tung Wah Wing
DIRECTOR

Alan Lam Yiu On
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2016

	Attributable to owners of the Company							
	Share capital HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At April 1, 2014	212,932	2,749	595	72,652	217,094	506,022	15,302	521,324
Profit (loss) for the year	–	–	–	–	197,578	197,578	(7,048)	190,530
Reclassification adjustments relating to foreign operations disposed of during the year *(note 34(b))*	–	304	–	–	–	304	250	554
Disposal of assets classified as held for sale – revaluation surplus	–	–	–	(72,652)	72,652	–	–	–
Exchange differences arising on translation of foreign operations	–	(1,158)	–	–	–	(1,158)	–	(1,158)
Total comprehensive (expense) income for the year	–	(854)	–	(72,652)	270,230	196,724	(6,798)	189,926
Disposal of non-controlling interest relating to subsidiaries disposal of during the year	–	–	–	–	–	–	(4,758)	(4,758)
Cash dividend paid *(note 14)*	–	–	–	–	(50,649)	(50,649)	–	(50,649)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(8,000)	(8,000)
Lapse of share options	–	–	(595)	–	595	–	–	–
At March 31, 2015	212,932	1,895	–	–	437,270	652,097	(4,254)	647,843
Loss for the year	–	–	–	–	(65,451)	(65,451)	(1,022)	(66,473)
Reclassification adjustments relating to foreign operations disposed of during the year *(note 34(a))*	–	(345)	–	–	–	(345)	–	(345)
Exchange differences arising on translation of foreign operations	–	(16,283)	–	–	–	(16,283)	–	(16,283)
Total comprehensive expense for the year	–	(16,628)	–	–	(65,451)	(82,079)	(1,022)	(83,101)
Disposal of non-controlling interest relating to subsidiaries dissolved during the year	–	–	–	–	–	–	(8)	(8)
Cash dividend paid *(note 14)*	–	–	–	–	(4,221)	(4,221)	–	(4,221)
At March 31, 2016	212,932	(14,733)	–	–	367,598	565,797	(5,284)	560,513

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

	NOTES	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(65,528)	191,180
Adjustments for:			
Depreciation of property, plant and equipment		18,728	20,744
Depreciation of assets classified as held for sale		–	209
Decrease in fair value of investment property		568	1,752
Increase in fair value of assets classified as held for sale	26	–	(9,512)
Finance costs		2,601	8,517
Amortisation of prepaid lease payments		815	828
Loss on disposal of property, plant and equipment		628	2,545
Gain on disposal of a property		–	(12,320)
Gain on disposal of subsidiaries and associates	34	(1,756)	(19,809)
Gain on disposal of assets classified as held for sale	26	–	(211,216)
Share of loss of associates		–	456
Interest income		(2,423)	(388)
Fair value changes on derivative financial instruments		157	(106)
Operating cash flows before movements in working capital		(46,210)	(27,120)
(Increase) decrease in inventories		(10,940)	12,775
Decrease in trade and other receivables		11,598	49,058
Increase in amount due from an associate		–	(2,061)
Decrease in trade and other payables		(14,481)	(36,185)
Increase in derivative financial instruments		–	(333)
Cash used in operations		(60,033)	(3,866)
Hong Kong Profits Tax paid		(1,060)	(291)
Taxation in other jurisdictions paid		(766)	(1,243)
Hong Kong Profits Tax refunded		20	146
NET CASH USED IN OPERATING ACTIVITIES		(61,839)	(5,254)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,380)	(16,213)
Withdrawal (placement) of pledged bank deposits		20,000	(116,000)
Proceeds on disposal of property, plant and equipment		483	2,562
Net cash inflow on disposal of a property		–	13,126
Net cash inflow on disposal of subsidiaries and associates	34	1,613	25,904
Net cash inflow on disposal of assets classified as held for sale	26	–	476,574
Interest received		2,423	388
NET CASH FROM INVESTING ACTIVITIES		6,139	386,341
FINANCING ACTIVITIES			
Bank borrowings raised		149,777	559,973
Repayment of bank borrowings		(129,332)	(793,183)
Dividends paid		(4,221)	(50,649)
Interest paid		(2,601)	(8,517)
Dividends paid to non-controlling shareholders of a subsidiary		–	(8,000)
Repayment of obligations under finance leases		(41)	(140)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		13,582	(300,516)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(42,118)	80,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		232,138	151,837
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(3,695)	(270)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		186,325	232,138

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 20 and 21, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the above HKFRSs in the current year has had no material impact on the Group's financial performance and positions 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:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements also comply with the requirements of the Hong Kong Companies Ordinance (Cap. 622) which concern the preparation of financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for an investment property and financial instruments that are measured at fair values, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the statement of financial position of the Company, investments in associates are stated at cost, less any identified impairment loss.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale, except for investment properties which are measured at fair value, are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Schemes (the "MPF Scheme") and state-managed retirement benefit scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method.

Investment in subsidiaries

Investment in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and is included in the "Fair value changes on derivative financial instruments" in the consolidated statement of profit or loss. Fair value is determined in the manner described in notes 6(c) and 29.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Other financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

Estimated allowance for trade and other receivables

Management regularly reviews the recoverability of trade and other receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows are less than expected, additional allowance may be required. No allowance for trade and other receivables were provided for both years. As at March 31, 2016, the carrying amount of trade and other receivables is HK$143,432,000 (2015: HK$162,729,000).

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of their recoverable amount, which is the higher of the property, plant and equipment's fair value less costs to sell and value in use. The property, plant and equipment's fair value less costs to sell was estimated based on the best information available to reflect the amount that the Group can obtain, at the end of the reporting period, from the disposal of the property, plant and equipment in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Where the actual selling prices are less than expected, a material impairment loss may arise. No impairment of property, plant and equipment were provided for both years. As at March 31, 2016, the carrying amount of property, plant and equipment is HK$161,651,000 (2015: HK$170,905,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and to understand the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6(c) and 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of assets and liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, translation reserve and retained profits.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 *HK$'000*	2015 *HK$'000*
Financial assets		
At FVTPL – Derivative financial instruments	–	106
Loans and receivables (including cash and cash equivalents)	425,757	510,867
	425,757	510,973
Financial liabilities		
At FVTPL – Derivative financial instruments	51	–
Amortised cost	234,541	222,177
	234,592	222,177

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the group entities with USD as functional currency at the end of the reporting period that are considered significant by management are as follows:

	Liabilities		Assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**38,578**	49,827	**43,554**	196,954
Renminbi ("RMB")	**418**	878	**2,263**	1,150
EURO ("EUR")	**2,560**	170	**308**	1,482

As at March 31, 2016, the derivative financial instruments of the Group represent foreign currency forward contracts with aggregate notional amount of EUR96,000 (2015: HK$2,500,000 and EUR255,000). Details of which are set out in note 29. Upon the maturity of the foreign currency forward contracts, the Group buy USD amounting to USD103,000, in total (2015: the Group buy RMB and USD amounting to RMB2,005,000 and USD287,000, in total).

Sensitivity analysis

As HK$ is pegged with USD, currency risk in relation to HK$ denominated monetary assets/ liabilities is expected to be minimal.

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be a decrease in post-tax loss (2015: decrease in post-tax profit) for the year where USD strengthens against EUR by 5%, and vice versa; an increase in post-tax loss (2015: decrease in post-tax profit) for the year where USD strengthens against RMB by 5%, and vice versa.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	RMB impact		EUR impact	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Increase) decrease in post-tax loss in 2016; Decrease in post-tax profit in 2015	**(77)**	(11)	**94**	(55)

As at March 31, 2016, for the Group's outstanding foreign currency forward contracts, if the market bid forward foreign exchange rate of USD against EUR had been 5% higher/lower, post-tax loss for the year would increase/decrease by approximately HK$35,000.

As at March 31, 2015, for the Group's outstanding foreign currency forward contracts, if the market bid forward foreign exchange rate of RMB against HK$ and USD against EUR had been 5% higher/lower, post-tax profit for the year would decrease/increase by approximately HK$106,000 and HK$283,000, respectively.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate bank deposits. However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings as at March 31, 2016 and March 31, 2015. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the years ended March 31, 2016 and 2015, the Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's floating rate bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances at the end of the reporting date.

The analysis is prepared assuming the outstanding amount at the end of the reporting period was outstanding for the whole year. For the year ended March 31, 2016 and 2015, 50 basis points increase or decrease for bank borrowings and bank balances is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances.

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's loss for the year would decrease/increase by approximately HK$775,000 (2015: profit for the year would increase/decrease by approximately HK$1,032,000).

Credit risk

As at March 31, 2016, the maximum exposure to credit risk by the Group which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk on trade receivables by geographical locations is mainly in the North America which accounted for 59% (2015: 68%) of the total trade receivables balance at March 31, 2016. The Group also has concentration of credit risk on its five largest customers which represent 34% (2015: 29%) of the total trade receivables balance and of which the largest customer represents 14% (2015: 16%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment retailing and are located in the North America, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at March 31, 2016, the Group has available unutilised banking facilities of approximately HK$559,631,000 (2015: HK$749,571,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

2016

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2016 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	131,371	5,938	889	2,704	140,902	140,902
Obligations under finance leases	6.94	3	4	–	–	7	7
Bank borrowings *(Note)*							
– floating-rate	3.49	76,239	402	1,838	15,517	93,996	93,639
		207,613	6,344	2,727	18,221	234,905	234,548
Derivatives – net settlement							
Forward contracts	–	51	–	–	–	51	51

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

2015

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2015 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	128,366	18,282	956	–	147,604	147,604
Obligations under finance leases	7.46	4	7	32	7	50	48
Bank borrowings *(Note)*							
– floating-rate	3.38	54,774	402	1,838	17,967	74,981	74,573
		183,144	18,691	2,826	17,974	222,635	222,225
Derivatives – net settlement							
Forward contracts	–	–	–	–	–	–	–

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at March 31, 2016, the aggregate principal amounts of these bank loans amounted to HK$76,039,000 (2015: HK$54,573,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows of bank borrowings with a repayment on demand clause are amounted to HK$76,855,000 (2015: HK$54,573,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31/3/2016	Fair value as at 31/3/2015	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities – HK$51,000**	Assets – HK$106,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers into or out of Level 2 during the year.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities (excluding derivative instruments) recognised in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENTAL 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 three operating segments – North America, 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, 2016:

	North America	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
Sales of goods – external	613,015	376,129	58,342	1,047,486
SEGMENT LOSS	(225)	(8,211)	(222)	(8,658)
Unallocated income				5,326
Unallocated expenses				(60,626)
Decrease in fair value of investment property				(568)
Fair value changes on derivative financial instruments				(157)
Finance costs				(2,601)
Gain on disposal of an associate				1,756
Loss before tax				(65,528)

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2015:

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	868,165	291,693	123,176	1,283,034
SEGMENT PROFITS (LOSS)	13,545	(13,128)	6,482	6,899
Unallocated income				18,957
Unallocated expenses				(64,594)
Decrease in fair value of investment property				(1,752)
Increase in fair value of assets classified as held for sale				9,512
Fair value changes on derivative financial instruments				106
Gain on disposal of assets classified as held for sale				211,216
Finance costs				(8,517)
Share of loss of associates				(456)
Gain on disposal of subsidiaries and an associate				19,809
Profit before tax				191,180

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profits represent the (loss) profits (expensed) earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, change in fair value of investment property, increase in fair value of assets classified as held for sale, fair value changes on derivative financial instruments, share of loss of associates, gain on disposal of assets classified as held for sale, gain on disposal of subsidiaries and associates, other income and other gain and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and assessment of performance.

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the United States of America (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:

	2016 HK$'000	2015 HK$'000
The USA	500,178	779,918
The PRC	334,219	256,204
United Kingdom	35,976	59,842
Other European countries	14,942	32,684
Canada	112,837	88,247
Hong Kong	26,362	19,122
Others	22,972	47,017
	1,047,486	1,283,034

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:

	2016 HK$'000	2015 HK$'000
Hong Kong	2,687	2,696
The PRC	160,100	166,632
The USA	141	180
Others	31,140	35,912
	194,068	205,420

Note: Non-current assets excluded interest in an associate and deferred tax assets.

Information about major customers

For the year ended March 31, 2016, there is one (2015: one) external customer in North America operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$106 million (2015: HK$148 million).

8. OTHER INCOME AND OTHER GAIN

	2016 *HK$'000*	2015 *HK$'000*
Bank interest income	**2,423**	299
Other interest income	**–**	89
Rental income from investment properties under operating leases, net of outgoings of HK$236,000 (2015: HK$390,000)	**2,903**	6,249
Gain on disposal of a property	**–**	12,320
	5,326	18,957

9. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Bank borrowings	**2,599**	8,514
Finance leases	**2**	3
	2,601	8,517

10. (LOSS) PROFIT BEFORE TAX

	2016 *HK$'000*	2015 *HK$'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**320,319**	344,070
Contributions to retirement benefit schemes	**27,429**	25,803
Total employee benefits expenses	**347,748**	369,873
Auditor's remuneration		
– audit service	**1,576**	1,689
– non-audit service	**596**	816
Cost of inventories recognised as an expense	**821,524**	1,024,700
Amortisation of prepaid lease payments	**815**	828
Depreciation of property, plant and equipment	**18,728**	20,744
Depreciation of assets classified as held for sale	**–**	209
Loss on disposal of property, plant and equipment	**628**	2,545
Net exchange loss (gain)	**1,046**	(1,688)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2015: twelve) directors and the chief executive of the Company were as follows:

2016

	Benson Tung Wah Wing *HK$'000*	Alan Lam Yiu On *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Tung Siu Wing *HK$'000*	Kevin Lee Kwok Bun *HK$'000*	Johnny Chang Tak Cheung *HK$'000*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Edwin Siu Pui Lap *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	80	80	80	170	170	110	170	860
Other emoluments:													
Salaries and other benefits	3,640	2,893	1,690	1,430	1,365	–	–	–	–	–	–	–	11,018
Contributions to retirement benefit schemes	15	18	18	18	18	–	–	–	–	–	–	–	87
Performance related incentive payments *(note)*	–	–	234	53	50	–	–	–	–	–	–	–	337
Total emoluments	3,655	2,911	1,942	1,501	1,433	80	80	80	170	170	110	170	12,302

2015

	Benson Tung Wah Wing *HK$'000*	Alan Lam Yiu On *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Tung Siu Wing *HK$'000*	Kevin Lee Kwok Bun *HK$'000*	Johnny Chang Tak Cheung *HK$'000*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Edwin Siu Pui Lap *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	80	80	80	170	170	110	170	860
Other emoluments:													
Salaries and other benefits	3,640	2,893	1,625	1,365	1,300	–	–	–	–	–	–	–	10,823
Contributions to retirement benefit schemes	17	17	17	17	17	–	–	–	–	–	–	–	85
Performance related incentive payments *(note)*	–	111	63	52	50	–	–	–	–	–	–	–	276
Total emoluments	3,657	3,021	1,705	1,434	1,367	80	80	80	170	170	110	170	12,044

Note: The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

Mr. Alan Lam Yiu On is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors waived any emoluments in both years.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2015: five) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 11 above.

During both years, no emoluments were paid by the Group to any of the directors and chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSE

	2016 *HK$'000*	2015 *HK$'000*
Current tax:		
Hong Kong	**–**	906
The PRC	**997**	2,025
	997	2,931
Overprovision in prior years	**(196)**	–
	801	2,931
Deferred taxation *(note 22)*	**144**	(2,281)
	945	650

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended March 31, 2015.

No provision for Hong Kong Profits Tax is made for the year ended March 31, 2016 as the Group has no assessable profit arising in Hong Kong or the assessable profits are wholly absorbed by tax losses brought forward from prior year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries remains 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 since January 1, 2008.

13. INCOME TAX EXPENSE *(Continued)*

The income tax expense can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss as follows:

	2016 *HK$'000*	2015 *HK$'000*
(Loss) profit before tax	(65,528)	191,180
Tax at the Hong Kong Profits Tax rate of 16.5%	(10,812)	31,545
Tax effect of expenses not deductible for tax purpose	2,229	6,047
Tax effect of income not taxable for tax purpose	(2,515)	(41,754)
Tax effect of share of results of associates	–	75
Overprovision in prior years	(196)	–
Tax effect of tax losses not recognised	13,196	8,221
Utilisation of tax losses previously not recognised	(938)	(3,679)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(19)	195
Income tax expense	945	650

Details of deferred taxation for the year are set out in note 22.

14. DIVIDEND

	2016 *HK$'000*	2015 *HK$'000*
Dividend recognised as distribution during the year:		
2016 special of HK1 cent (2015: HK12 cents) per share	4,221	50,649

A special dividend of HK1 cent (2015: HK12 cents) per share for the year ended March 31, 2016, amounting to HK$4.2 million (2015: HK$50.6 million), has been paid by the Company.

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2016 (2015: nil).

15. (LOSS) EARNINGS PER SHARE

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

	2016 *HK$'000*	2015 *HK$'000*
(Loss) profit for the year attributable to owners of the Company	(65,451)	197,578

	2016	2015
Number of ordinary shares in issue during the year for the purposes of basic and diluted (loss) earnings per share	422,077,557	422,077,557

The calculation of basic and diluted earnings per share for the year ended March 31, 2015 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price, and all outstanding options were lapsed as at March 31, 2015.

No diluted loss per share is presented as there was no potential dilutive ordinary share outstanding for the year ended March 31, 2016.

16. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At April 1, 2014	9,580
Decrease in fair value recognised in profit or loss	(1,752)
At March 31, 2015	7,828
Decrease in fair value recognised in profit or loss	(568)
At March 31, 2016	**7,260**

The carrying value of the Group's investment property shown above comprises:

	Fair value hierarchy	2016 *HK$'000*	2015 *HK$'000*
Property in the PRC *(Note)*	Level 3	7,260	7,828

16. INVESTMENT PROPERTY *(Continued)*

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment property at March 31, 2016 and March 31, 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), independent qualified professional valuer not connected with the Group.

Note: The valuation of property in the PRC was arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property ("income capitalisation method") and by the direct comparison method assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market ("direct comparison method"). Under the income capitalisation method, two of the key inputs used in valuing the investment property were the capitalisation rate, which was 4.6% (2015: 4.6%) and the rental income which ranged from HK$116.4/sq. m./month to HK$146.4/sq. m./month (2015: HK$132.6/sq. m./month to HK$135.1/sq. m./month) respectively. Under the direct comparison method, one of the key inputs used in valuing the investment property was the asking prices of comparable properties, which ranged from HK$27,600/sq. m. to HK$31,045/sq. m. (2015: HK$30,050/sq. m. to HK$32,828/sq. m.). There has been no change from the valuation technique used in prior year.

Under the income capitalisation method, a slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment property, and vice versa and an increase in rental income used would result in an increase in the fair value measurement of the investment property, and vice versa. Under the direct comparison method, an increase in the market prices of comparable properties would result in an increase in fair value measurement of the property, and vice versa.

In estimating the fair value of the investment property, the highest and best use of the property is its current use.

There were no transfers into or out of Level 3 during the year.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles and yacht	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At April 1, 2014	4,306	1,220	191,058	71,583	219,684	9,272	–	497,123
Exchange adjustments	(23)	–	(199)	43	(75)	6	1	(247)
Additions	–	–	646	6,688	7,281	793	805	16,213
Disposals	–	–	–	(14,847)	(14,068)	(3,804)	–	(32,719)
Disposal of a property	–	(1,220)	(680)	–	–	–	–	(1,900)
Derecognised on disposal of subsidiaries *(note 34(b))*	–	–	–	(1,393)	(14,405)	(613)	–	(16,411)
At March 31, 2015	4,283	–	190,825	62,074	198,417	5,654	806	462,059
Exchange adjustments	(327)	–	(7,071)	(2,475)	(5,985)	(189)	(22)	(16,069)
Additions	–	–	22	9,684	5,220	918	2,536	18,380
Disposals	–	–	–	(5,926)	(14,325)	(1,511)	–	(21,762)
Transfer	–	–	–	3,320	–	–	(3,320)	–
At March 31, 2016	3,956	–	183,776	66,677	183,327	4,872	–	442,608
DEPRECIATION								
At April 1, 2014	–	482	53,298	57,787	198,116	5,423	–	315,106
Exchange adjustments	–	–	(41)	37	(23)	6	–	(21)
Provided for the year	–	–	6,469	8,112	5,257	906	–	20,744
Eliminated on disposals	–	–	–	(12,574)	(12,662)	(2,376)	–	(27,612)
Elimination on disposal of a property	–	(482)	(612)	–	–	–	–	(1,094)
Eliminated on disposal of subsidiaries *(note 34(b))*	–	–	–	(1,393)	(14,229)	(347)	–	(15,969)
At March 31, 2015	–	–	59,114	51,969	176,459	3,612	–	291,154
Exchange adjustments	–	–	(1,433)	(1,907)	(4,805)	(129)	–	(8,274)
Provided for the year	–	–	6,327	6,958	4,836	607	–	18,728
Eliminated on disposals	–	–	–	(5,514)	(13,871)	(1,266)	–	(20,651)
At March 31, 2016	–	–	64,008	51,506	162,619	2,824	–	280,957
CARRYING VALUES								
At March 31, 2016	3,956	–	119,768	15,171	20,708	2,048	–	161,651
At March 31, 2015	4,283	–	131,711	10,105	21,958	2,042	806	170,905

The carrying value of the Group's motor vehicles amounted to HK$42,000 (2015: HK$86,000) in respect of assets held under finance leases. The Group has pledged leasehold land and buildings having a carrying value of HK$10,213,000 (2015: HK$12,918,000) to secure general banking facilities granted to the Group.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis (other than construction in progress), after taking into account of their estimated residual values, at the following rates per annum:

Freehold land	Nil
Buildings and leasehold land	4% or over the terms of the lease
Leasehold improvements	Over the shorter of the terms of the lease, or five years
Plant and machinery, furniture, fixtures and equipment	12.5% – 20%
Motor vehicles and yacht	12.5% – 20%

18. PREPAID LEASE PAYMENTS

	2016 *HK$'000*	2015 *HK$'000*
The Group's prepaid lease payments comprise leasehold land:		
– in the PRC	**20,858**	22,095
– in Vietnam	**5,114**	5,420
	25,972	27,515
Analysed for reporting purposes as:		
Non-current assets	**25,157**	26,687
Current assets	**815**	828
	25,972	27,515

19. INTANGIBLE ASSETS

	Trademark *HK$'000*
COST	
At April 1, 2014, March 31, 2015 and **March 31, 2016**	774
AMORTISATION	
At April 1, 2014, March 31, 2015 and **March 31, 2016**	774
CARRYING VALUES	
At March 31, 2016	**–**
At March 31, 2015	–

The trademark had a finite useful life and was amortised on a straight-line basis over ten years.

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at March 31, 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital (*HK$ unless otherwise indicated*)	Class of shares held	Proportion of ownership interest held by the Company Directly 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Principal activities
Do Do Fashion Limited	Hong Kong	10,000,000	Ordinary	100	100	–	–	Garment trading
Sing Yang (Overseas) Limited	Hong Kong	100,000	Ordinary	100	100	–	–	Procurement service
Sing Yang Trading Limited	Hong Kong	15,000,000	Ordinary	100	100	–	–	Garment trading
THL Inc.	USA	US$10,000	Ordinary	–	–	100	100	Garment trading
Tung Thai Fashions Limited	Thailand	Baht 100,000,000	Ordinary	100	100	–	–	Garment manufacture
Tungtex Trading Company Limited	Hong Kong	6,000,000	Ordinary	100	100	–	–	Garment trading
Tungtex (U.S.A.) Inc. ("Tungtex US")	USA	US$838,802	Ordinary	100	100	–	–	Investment holding
中山同得仕絲綢服裝有限公司	PRC (a)	38,800,000	Registered capital	–	–	90	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC (b)	8,699,000	Registered capital	–	–	100	100	Garment manufacture
深圳百多爾時裝有限公司	PRC (b)	RMB122,000,000 (2015: RMB112,000,000)	Registered capital	–	–	100	100	Garment manufacture/ retail
榮華服裝(深圳)有限公司	PRC (b)	RMB3,000,000	Registered capital	–	–	100	100	Garment manufacture
東莞同得仕時裝有限公司	PRC (b)	RMB65,000,000	Registered capital	–	–	100	100	Garment manufacture
Tungtex Fashions (Vietnam) Limited	Vietnam	US$1,500,000	Registered capital	–	–	100	100	Garment manufacture

Notes:

(a) This subsidiary is a sino-foreign equity joint venture.

(b) These subsidiaries are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

21. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Cost of investment in an associate – unlisted	–	1,686
Share of post-acquisition losses and other comprehensive income	–	(1,484)
	–	202

As at March 31, 2015, the Group had interests in the following associate, which is registered and operate in the PRC as sino-foreign equity enterprises:

Name of entity	Class of capital held	Proportion of registered capital held by the Company %	Principal activity
嵊州同泰絲服飾有限公司	Registered capital	30	Garment manufacture

Note: This associate was disposed of during the year ended March 31, 2016 as detailed in note 34(a).

22. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
At April 1, 2014	(3,421)
Disposal of a subsidiary *(Note 34(b))*	(18)
Credit to profit or loss	2,281
At March 31, 2015	(1,158)
Charge to profit or loss	(144)
At March 31, 2016	**(1,302)**

22. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	200	435
Deferred tax liabilities	(1,502)	(1,593)
	(1,302)	(1,158)

At March 31, 2016, the Group has unused tax losses of approximately HK$374 million (2015: HK$318 million) available for offset against future profits. During the year ended March 31, 2016, included in the above unused tax losses, an amount of HK$11 million (2015: HK$63 million) was reversed upon disposal and dissolution of subsidiaries. No deferred tax asset has been recognised in respect of the HK$374 million (2015: HK$318 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$170 million (2015: HK$137 million) that can be carried forward for one to five years and losses of approximately HK$118 million (2015: HK$107 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$13 million (2015: HK$33 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

23. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	46,315	53,783
Work in progress	42,632	50,724
Finished goods	103,533	83,833
	192,480	188,340

24. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	130,561	146,548
Deposits, prepayments and other receivables	35,610	35,021
	166,171	181,569

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in trade and other receivables are trade and bills receivables, mainly denominated in USD, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2016 *HK$'000*	2015 *HK$'000*
Up to 30 days	77,820	86,974
31 – 60 days	33,871	46,062
61 – 90 days	11,696	9,195
More than 90 days	7,174	4,317
	130,561	146,548

Before accepting any new customer, the Group will assess the potential customer's credit quality and define its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. Trade receivables of HK$107,764,000 (2015: HK$123,075,000) that are neither past due nor impaired have good credit quality with reference to the track records of these customers under internal assessment by the Group.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$22,797,000 (2015: HK$23,473,000) which are past due as at the reporting date for which the Group has not provided for impairment loss, as the Group considers such balance can be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables which are past due but not impaired, at the end of the reporting period:

	2016 *HK$'000*	2015 *HK$'000*
Up to 30 days	11,907	11,240
31 – 60 days	7,735	7,155
61 – 90 days	668	2,162
More than 90 days	2,487	2,916
	22,797	23,473

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 *HK$'000*	2015 *HK$'000*
HK$	179	4,051
RMB	1	9
EUR	1	1,022
	181	5,082

24a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's trade receivables as at March 31, 2016 that were transferred to a bank by discounting those receivables on a full recourse basis.

	2016 HK$'000	2015 HK$'000
Carrying amount of trade receivables transferred	939	–
Carrying amount of associated liabilities	(939)	–
Net position	–	–

The Group discounted certain trade receivables to a bank by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as factoring loan with recourse (see Note 30). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash of the Group comprises bank balances and cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates ranging from 0.001% to 3.06% (2015: 0.001% to 3.06%) per annum.

Pledged bank deposits are pledged to secure the bank borrowings and general banking facilities, which carry interest at market rates ranging from 0.001% to 3.40% (2015: 0.001% to 0.63%) per annum.

The pledged bank deposits, bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
HK$	43,374	192,903
RMB	2,262	1,142
EUR	307	459
	45,943	194,504

26. INCREASE IN FAIR VALUE OF ASSETS CLASSIFIED AS HELD FOR SALE/GAIN ON DISPOSAL OF ASSETS CLASSIFIED AS HELD FOR SALE

On January 17, 2014, the Group announced that it appointed property agents in Hong Kong to market with a view to sell the Group's property, Tungtex Building, located at 203 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ("Tungtex Building"). Certain portion of the Tungtex Building was occupied for self-use by the Group (classified as buildings and leasehold land in property, plant and equipment) and the remaining portion was leased to third parties (classified as investment properties).

As at March 31, 2014, the Group considered that it was highly probable to sell the Tungtex Building within one year and reclassified the Tungtex Building to assets classified as held for sale for the presentation of the consolidated financial statements. At the date of the reclassification, the carrying value of the buildings and leasehold land and the fair value of the investment properties was HK$7,793,000 and HK$248,262,000, respectively.

On October 16, 2014, Dorcash Industrial Limited as vendor entered into a conditional sale and purchase agreement (which superseded the conditional provisional sale and purchase agreement dated September 26, 2014 signed by the same parties on the same subject matters) with Kingwise Enterprises Limited, an independent third party, as purchaser for the disposal of Tungtex Building at a consideration of HK$485,000,000. The completion of the disposal is conditional upon the satisfaction of the conditions precedent set out in the sale and purchase agreement, the same of which had been disclosed in the Company's circular dated October 30, 2014. At the extraordinary general meeting of the Company held on November 17, 2014, the proposed resolution for the purpose of approving the disposal was duly passed by way of poll. During the year ended March 31, 2015, all conditions precedent had been fulfilled and the transaction was completed.

During the year ended March 31, 2015, valuation of the investment properties was carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuer not connected with the Group and a fair value gain of HK$9,512,000 was recognised in consolidated statement of profit or loss and other comprehensive income before disposal.

	HK$'000
Gain on disposal of assets classified as held for sale:	
Consideration received	485,000
Carrying amount of property, plant and equipment	(7,584)
Carrying amount of investment property	(257,774)
Transaction costs	(8,426)
	211,216
Net cash inflow arising on disposal:	
Cash consideration received	485,000
Transaction costs	(8,426)
	476,574

27. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade and bills payables	97,701	107,410
Other payables, accrued charges and receipt in advance	82,870	92,736
	180,571	200,146

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:

	2016 HK$'000	2015 HK$'000
Up to 30 days	57,583	62,998
31 – 60 days	27,808	31,130
61 – 90 days	5,221	5,040
More than 90 days	7,089	8,242
	97,701	107,410

The average credit period on purchases of goods ranges from 30 to 60 days. The Group has financial risk management policies in place to ensure that most of the payables are settled within the credit timeframe.

The trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
HK$	16,733	23,827
RMB	418	878
EUR	1,012	170
	18,163	24,875

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*
Amounts payable under finance leases:				
Within one year	**7**	43	**7**	41
More than one year but not exceeding two years	**–**	7	**–**	7
	7	50		
Less: Future finance charges	**–**	(2)		
Present value of lease obligations	**7**	48	**7**	48
Less: Amount due within one year shown under current liabilities			**(7)**	(41)
Amount due after one year			**–**	7

The Group leases certain of its motor vehicles under finance leases. The average lease term is three years. For the year ended March 31, 2016, the average effective borrowing rate was 6.94% (2015: 7.46%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

29. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, major terms of outstanding foreign currency forward contracts of the Group were as follows:

2016

Notional amount	**Maturity date**	**Currency conversion**
2 contracts to sell EUR96,000 in total	April 18, 2016 to November 14, 2016	EUR1:USD1.0650 to 1.0806

2015

Notional amount	Maturity date	Currency conversion
2 contracts to sell EUR255,000 in total	September 30, 2015 to November 30, 2015	EUR1:USD1.1200 to 1.2145
1 contract to sell HK$2,500,000 in total	April 16, 2015	HK$1: RMB0.8021

As at March 31, 2016, a fair value loss of HK$51,000 (2015: gain of HK$106,000) was recognised in profit or loss. The above foreign currency forward contracts were measured at fair value at end of the reporting period, determined based on the prices quoted from the counterparty financial institutions with reference to forward rates with appropriate yield curve of foreign currencies as at March 31, 2016.

30. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Floating-rate borrowings:		
Bank loans	**26,572**	27,436
Factoring loan with recourse	**939**	–
Trust receipts loans	**21,017**	14,028
Import trade loans	**45,111**	33,109
	93,639	74,573
Secured	**74,496**	61,712
Unsecured	**19,143**	12,861
	93,639	74,573
Carrying amount repayable:		
Within one year*	**78,439**	56,973
In more than one year but not exceeding two years	**2,400**	2,400
In more than two years but not exceeding five years	**12,800**	15,200
	93,639	74,573

* Amounted to HK$76,039,000 (2015: HK$54,573,000) are amount due within one year with repayable on demand clause. Amounted to HK$2,400,000 (2015: HK$2,400,000) are amount due within one year without repayable on demand clause.

Bank borrowings amounted to HK$56,896,000 (2015: HK$41,712,000) at the end of the reporting period are secured and bank borrowings amounted to HK$19,143,000 (2015: HK$12,861,000) at the end of the reporting period are unsecured. Both amounts are with a repayable on demand clause and repayable within one year and are included under current liabilities. Bank borrowings amounted to HK$2,400,000 (2015: HK$2,400,000) are secured and without a repayable on demand clause whilst repayable within one year and are included under current liabilities.

Bank borrowings amounted to HK$15,200,000 (2015: HK$17,600,000) at the end of the reporting period are secured and without a repayable on demand clause. They are repayable after one year and are included under non-current liabilities.

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 1.50% to 6.20% (2015: 1.64% to 7.46%) per annum.

The bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
HK$	**21,845**	26,000
EUR	**1,548**	–
	23,393	26,000

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Issued and fully paid		
At March 31, 2016, March 31, 2015 and April 1, 2014		
Ordinary shares with no par value	422,077,557	212,932

32. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on September 5, 2006 for the primary purpose of attracting and retaining suitable and high-calibre personnel, incentivising them to contribute to the future development and growth of the Group and any invested entity by sharing in the equity interests of the Company. The Scheme will expire on September 4, 2016. Under the Scheme, the Board of the Company may grant options to full time employees, including executive directors of the Company, its subsidiaries or any invested entity ("Participants"), to subscribe for shares in the Company.

The Scheme shall be valid and effective for a period of ten years. The Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board of Directors may specify any vesting period.

The following table discloses the movement of the options under the Scheme held by the directors and employees of the Company or the Group and movements in such holdings during the prior year:

						Number of share options		
Category	Date of grant	Vesting period	Exercisable period	Original exercise price per share HK$	Adjusted exercise price per share HK$	At April 1, 2014	Lapsed during the year	At March 31, 2015 and March 31, 2016
Directors	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	5,961,000	(5,961,000)	–
Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1.812	3,278,550	(3,278,550)	–
						9,239,550	(9,239,550)	–
Exercisable at end of the year						9,239,550		–
Weighted average exercise price						HK$1.812	HK$1.812	–

No options are granted or exercised for the year ended March 31, 2016 and 2015. 9,239,550 share options were lapsed during the year ended March 31, 2015. At March 31, 2016 and March 31, 2015, no options were remained outstanding under the Scheme.

The options granted to the above directors and employees were because of their services to the Group.

33. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$23,174,000 (2015: HK$20,536,000) in respect of rented premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**13,263**	11,849
In second to fifth year inclusive	**9,428**	5,113
	22,691	16,962

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for terms ranging from one to five years and rentals are fixed.

The Group as lessor

Property rental income (before outgoings) earned during the year was HK$3,139,000 (2015: HK$6,639,000). The properties held have committed tenants for terms ranging from two to six years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**2,986**	2,645
In second to fifth year inclusive	**5,053**	7,187
	8,039	9,832

34. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

(a) In the current year, the Group completed the disposal of 30% interest in 嵊州同泰絲服飾有限公司 to an independent third party at cash proceeds of HK$1,613,000. Before the disposal, the Group owned 30% interest in 嵊州同泰絲服飾有限公司 and the investment was previously accounted for as an investment in an associate using the equity method of accounting. The disposal was completed during this year, the Group does not retain any interest in 嵊州同泰絲服飾有限公司 and 嵊州同泰絲服飾有限公司 ceased to be an associate of the Group. This transaction has resulted in the Group recognising a gain of HK$1,756,000 in profit or loss, calculated as follows:

	HK$'000
Cash proceeds	1,613
Plus: Reclassification adjustments relating to a foreign operation disposed of during the year	345
Less: Carrying amount of the 30% investment on the date of loss of significant influence of 嵊州同泰絲服飾有限公司	(202)
Gain recognised in profit or loss	1,756

34. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) On November 20, 2014, the Group completed the disposal of 60% interest in an indirectly-owned subsidiary, Golden Will Fashions Limited ("Golden Will"), which holds 100% equity interest in other subsidiaries and 50% equity interest in 番禺市金源時裝有限公司 (the "Disposal Group") to Mr. Ng Po Chuen, a director and a substantial shareholder of the Disposal Group who owned 40% of the issued share capital of Golden Will, for a consideration of HK$26,900,000.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	442
Inventories	333
Trade and other receivables	8,464
Amount due from an associate	2,695
Deferred tax assets	18
Tax recoverable	504
Bank balances and cash	362
Trade and other payables	(1,549)
Net assets	11,269
Less: Non-controlling interests	(4,508)
Net assets disposed of	6,761
Gain on disposal of subsidiaries and an associate:	
Consideration received	26,900
Reclassification adjustments relating to foreign operations disposed of	304
Expenses paid in connection with the disposal	(634)
Net assets disposed of	(6,761)
	19,809
Net cash inflow arising on disposal:	
Cash consideration received	26,900
Bank balances and cash disposed of	(362)
Expenses paid in connection with the disposal	(634)
	25,904

35. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	126	109
– addition of construction in progress	628	2,610

36. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group have been pledged to banks to secure general banking facilities granted to the Group:

	2016 HK$'000	2015 HK$'000
Prepaid lease payments	10,143	10,527
Buildings	10,213	12,918
Pledged bank deposits	96,000	116,000

37. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Schemes for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,500, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees in the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Group's contributions subject to the regulations of the relevant local authorities.

The total cost charged to profit or loss of HK$27,429,000 (2015: HK$25,803,000) represents contributions paid and payable to these schemes by the Group for the year ended March 31, 2016.

38. RELATED PARTIES DISCLOSURES

(a) During the year, the Group had the following transactions with related parties.

	2016 HK$'000	2015 HK$'000
Purchases from the Group's associate	–	613

(b) Compensation of key management personnel

The remuneration of key management (including executive directors) during the year was as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	11,355	15,188
Post-employment benefits *(note)*	87	139
	11,442	15,327

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 10 and 37.

The emoluments are determined, among other things, by reference to their duties and responsibilities, their experience for the industry, prevailing market conditions and the Group's performance.

39. LITIGATION

In December 2010, the administratrix of the estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) (the "Administratrix") filed a Verified Petition (the "Petition") against Tungtex US, a wholly-owned subsidiary of the Company and the 51% shareholder of Yellow River, and Yellow River in the Surrogate's Court of the State of New York, County of New York (the "Court") alleging Tungtex US was engaged in oppressive conduct as a majority shareholder of Yellow River and (a) seeking the dissolution of Yellow River and the appointment of receiver to oversee the dissolution; (b) requiring Tungtex US to turnover to the estate of Peter Mui 49% of the value of Yellow River; (c) requiring Tungtex US to account for sums received from Yellow River since April 1, 2009; (d) requiring Tungtex US to turnover to Yellow River funds improperly looted and diverted by it; and (e) seeking the grant of such other and further relief as the Court may deem just and proper. By the verified answers and counterclaims filed, Tungtex US and Yellow River both denied the allegations made by, and asserted counterclaims for damages against, the Administratrix. The Administratrix moved for summary judgment granting its claim for a judicial dissolution and dismissing the counterclaims. Tungtex US and Yellow River opposed the motion and cross-moved for summary judgment dismissing the Petition. The motion and cross-motion have been fully briefed and submitted to the court, which is still pending for decision as at the date that these consolidated financial statements were authorised for issue.

Based on and after consideration of the legal advices obtained and the possible business and financial impacts, the directors are of the view that Tungtex US and Yellow River have meritorious defenses against the claims asserted in the Petition as well as viable counterclaims and the legal proceeding is not of material importance to the Group.

40. STATEMENT OF FINANCIAL POSITION

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		739	252
Investments in subsidiaries		55,168	110,285
Investment in an associate		–	1,686
Amount due from a subsidiary		198,953	46,194
Deferred tax assets		36	115
		254,896	158,532
Current assets			
Deposits and other receivables		1,697	2,092
Amounts due from subsidiaries		255,201	448,271
Pledged bank deposits		80,000	100,000
Bank balances and cash		25,448	39,317
		362,346	589,680
Current liabilities			
Other payables and accruals		3,779	4,057
Amounts due to subsidiaries		79,050	99,103
		82,829	103,160
Net current assets		279,517	486,520
Total assets less current liabilities		534,413	645,052
Capital and reserves			
Share capital		212,932	212,932
Reserves	(a)	321,481	432,120
		534,413	645,052

Approved and authorised for issue by the Board of Directors on June 27, 2016 and are signed on its behalf by:

Benson Tung Wah Wing
DIRECTOR

Alan Lam Yiu On
DIRECTOR

40. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The reserves of the Company at March 31, 2016 and 2015 are as follows:

	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At April 1, 2014	595	288,239	288,834
Profit and total comprehensive income for the year	–	193,935	193,935
Lapse of share options	(595)	595	–
Dividend paid *(note 14)*	–	(50,649)	(50,649)
At March 31, 2015	–	432,120	432,120
Loss and total comprehensive expense for the year	–	(106,418)	(106,418)
Dividend paid *(note 14)*	–	(4,221)	(4,221)
At March 31, 2016	–	321,481	321,481

FINANCIAL SUMMARY

	For the year ended March 31,				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	1,600,592	1,476,055	1,372,616	1,283,034	**1,047,486**
(Loss) profit before tax	(15,971)	(13,012)	(76,069)	191,180	**(65,528)**
(Loss) profit for the year attributable to owners of the Company	(18,630)	(13,900)	(43,889)	197,578	**(65,451)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share – Basic	(5.3)	(4.0)	(10.7)	46.8	**(15.5)**

	As at March 31,				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	785,010	928,621	1,070,994	925,904	**837,242**
Total liabilities	(291,959)	(470,577)	(549,670)	(278,061)	**(276,729)**
	493,051	458,044	521,324	647,843	**560,513**
Equity attributable to owners of the Company	454,810	427,388	506,022	652,097	**565,797**
Non-controlling interests	38,241	30,656	15,302	(4,254)	**(5,284)**
	493,051	458,044	521,324	647,843	**560,513**

TUNGTEX (HOLDINGS) COMPANY LIMITED
Registered Office
12/F, Tungtex Building, 203 Wai Yip Street,
Kwun Tong, Kowloon, Hong Kong
Tel: 2797 7000
Fax: 2343 9668

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