TUNGTEX

Tungtex (Holdings) Company Limited

同得仕（集團）有限公司

Stock Code 股份代號：00518

Annual Report 年報 2017


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(2) *Vietnam*

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in China

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Benson Tung Wah Wing *(Chairman* and *Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Independent Non-Executive Directors

Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien

AUDIT COMMITTEE

Leslie Chang Shuk Chien *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim

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

Cheng Pik Yuk

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 and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00518

WEBSITE

www.tungtex.com

CHAIRMAN'S STATEMENT

The garment industry continued to suffer from a volatile world economy and changing customer preference in the past two years. In addition, higher production costs and tightened labour regulations in traditional garment manufacturing hubs further squeezed the operating margin of garment manufacturers, thereby forcing production orders to be re-directed to lower-cost emerging economies.

The operating environment of the garment sector has been undergoing a period of radical transformation. This is signified by rapid changes in fashion trend and common application of online shopping. The shortened length of the fashion cycle means that label owners are going to place orders in smaller amount with shorter lead time to enable them to flexibly react to market changes. Such development has put garment manufacturers' adaptability to test. Smaller order volume and faster turnaround time not only require more sophisticated production planning, but also undermine the economic benefit of operation scale. To cater to our customers' needs, our Group had to adjust its operation model, which had therefore affected our profit margin. In light of the difficult operating environment, the management team had been endeavoring to trim the Group's overheads and recurrent expenses, in order to enhance its competitiveness.

Our management team has been closely monitoring the garment sector's development, in particular in the United States (the "US") market, which has been the Group's largest single market. We realize that the US market is going to be increasingly competitive and highly volatile. For this reason, the Group has placed substantial emphasis on its intensified penetration of the People's Republic of China (the "PRC") market. Our effort has begun to generate results in recent years, with the PRC becoming our second largest market, and the only market registered a healthy sales growth in the year under review.

To cater to the consumption habit of PRC consumers, our Group actively engaged other online outlets for product distribution. The success in these sales channels was able to offset the retreat in our domestic retail sales.

Much of our management resources had been dedicated to enhancement of the Group's capital and asset efficiencies. Our transformation of a group's vacant factory plant into an e-commence park for individual online companies has proven to be extremely successful. The e-commence park office space has been enjoying a favourable occupancy rate. Revenue generated from this park serves to further strengthen our recurrent income.

To strengthen our support to overseas customers, we have been enhancing our manufacturing plant in Vietnam through intensified investment in automation, and plans for capacity expansion are under review to develop this plant into a major production base for our international sales.

Over decades of operation in the garment sector, the Group has been through various ups and downs in business cycles. The drastic restructuring of the industry in recent years has brought along fundamental changes to the industry's operating environment. Our challenges are compounded by increasingly complicated international political and economic developments.

We believe the key to survive the severe macro and industrial environments, is to maintain our prudent approach in asset and operation management, and a strong financial position to ensure our agility in reacting to changing market conditions.

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 28, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

During the year ended March 31, 2017 (the "Year"), the Group's performance continued to be hindered by adverse market environment. The Group's sales in the United States (the "US") declined significantly during the Year due to closing down of customer's operations and certain customers' re-direction of their product sourcing to outside the People's Republic of China (the "PRC"). Shrinkage in turnover had led to diminished benefit of economies of scale and thereby slicing the Group's profit margin. To counter the impact of changing customer purchasing preference and volatile market condition, the Group further rationalized its operation scale with an aim to enhance cost-efficiency.

The Group's turnover for the Year adjusted by 7.3% year-on-year to HK$971.0 million, due to reasons mentioned above. The Group reported a gross profit of HK$155.9 million and a gross profit margin of 16.1% for the Year, representing a decrease of 31.0% and 5.5 percentage points from the previous year respectively. The Group's operating loss before tax for the Year widened to HK$119.6 million due to reduction in sales, and provision for inventory impairment. In addition, the Group's discontinuation of part of its facilities in the PRC and Thailand contributed to heightened expense for employee compensation. During the Year, the Group reported a loss attributable to owners of the Company and loss per share of HK$119.6 million and HK28.3 cents respectively.

BUSINESS REVIEW

The calendar year 2016 had been one of the toughest years for the fashion industry worldwide. United Kingdom's decision to leave the European Union, deceleration in the Chinese economic growth, along with uncertainty brought along by a new US presidency to the world economy, all had contributed to volatility in the garment sector. Furthermore, changing consumer purchasing behavior, which had been radically reshaped by new technologies, had deepened the challenges faced by players in the industry.

During the Year, the Group's sales to the US, the single largest market of the Group, declined by 18% year-on-year. The demanding market environment had forced certain of the Group's long-time customers to close down their operations, while other customers were shifting their production order to lower-cost Asian countries, such as Vietnam, Cambodia, and Myanmar. The Group's sales to the North America market (including Canada) during the Year amounted to HK$520.4 million representing a 15% drop year-on-year, and accounted for 54% of the Group's total revenue.

Although during the calendar year 2016, the PRC reported a modest GDP growth of 6.7%, which was the lowest in 26 years, the Group's sales to the country during the Year rose by 9% to HK$363.7 million. Sales to the PRC accounted for 37% of the Group's total revenue. The Group's sales to Europe during the Year was HK$45.2 million, accounting for approximately 5% of its total revenue.

In light of significantly reduced orders from overseas markets and continuous decline in sales, the Group decided to take steps to rationalize its operations in the second half of the Year. The Group discontinued the operation of Tung Thai Fashions Limited, and two production facilities in Shenzhen in the last quarter of the calendar year 2016. The closing down of these facilities had resulted in surged expenses for employee compensation during the Year. However, the streamlining exercise is expected to allow the Group to consolidate its resources and to reduce recurrent operating expenses. While the Group streamlined its operations in China and Thailand, it expanded capacity in Vietnam, where it enjoys a significant cost advantage. The Group continued to strengthen the capacity of its Vietnam factory with the number of sewers and amount of production units increased significantly over the past two years.

To realise the value of its asset and to further strengthen the Group's financial position, the Group disposed an office in the International Science and Technology Building in Shenzhen, the PRC in December 2016 for a consideration of HK$33.1 million. The Group also completed a placing of 42 million new shares in March 2017. The placing not only generated for the Group approximately HK$41.2 million additional working capital, but also enabled the Group to further broaden its shareholder base.

PROSPECTS

The world economy is still under the shadow of changing political landscape in Europe and the US. The turmoil in the government of the United Kingdom and its handling of Brexit, the unpredictable US foreign policy under the Trump administration, and deteriorating stability in North Asia have cast further uncertainty on the global economic outlook.

The garment industry itself is also encountering dramatic changes in its operating environment, from shortened length of the fashion cycle to integrated sustainable innovation into core product-design and manufacturing process. Such changes post severe challenges to most enterprises in the sector. Many of the major players within different segments of the market have already undertaken significant cost cutting and reorganisation to prepare themselves for the industry's restructuring.

In the PRC, domestic garment consumption remains relatively stable despite the slowing down of economic growth. However, the changes in purchasing habit and consumer preference have forced the Group to put more emphasis on strengthening its e-commerce platform, as well as sales and distribution through other online channels.

The Group's Dongguan plant in Guangdong Province, the PRC, has been constantly upgraded with intensified application of automation and installation of state-of-the-art equipment, such as programmable electronic large-area pattern sewing machine.

The advanced manufacturing plant in Vietnam will continue to support the Group's export sales. Its cost advantage and effective logistic system serve to further strengthen the Group's competitiveness in the international market. To further elevate the Vietnam plant's efficiency and capacity, higher automation is being adopted to its manufacturing process. The Group is also contemplating additional production lines in the plant to satisfy increasing overseas orders. In addition, the Group is considering to establish joint-venture with local manufacturers to complement its organic capacity growth. Enhanced cost and production efficiencies in the Group's production facilities will allow the Group to further enhance its market position in this industry.

To optimize the value of its idle asset, the Group converted its suspended production plant in Hangzhou, which has become a hub of the PRC's e-commence and relevant ancillary services, into an e-commence operation park two years ago. The park, which is supported by logistics facilities, has been generating stable recurrent income for the Group. The Group is reviewing various options to enhance the contribution from its valuable asset.

The Group will continue to realign its facilities, and operations, with an aim to further lower costs and improve efficiency. It is imperative for the Group to maintain a slimmer and highly cost-effective operation structure to survive the severe market challenges. The Group is constantly reviewing the performance of its various existing facilities. Certain of the Group's existing production facilities have not been able to operate up to the Group's required productivity efficiency, cost effectiveness, or have become obsolescent. The Group is considering various options to optimise the value of such facilities.

With a strengthened and healthy financial position, the Group will carry on with its prudent financial management and stringent cost control measures, the Group will also explore opportunities to improve its brand awareness and distribution coverage, in a cautious manner, in order to strengthen its sales in the industry.

CAPITAL EXPENDITURE

During the Year, the Group incurred approximately HK$10.5 million capital expenditure as compared to approximately HK$18.4 million of the last fiscal year. Such capital expenditure mainly represented leasehold improvement for retail business and regular replacement and upgrading of production facilities of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Throughout the Year, the Group's financial position continued to be prudently and precisely managed and remained healthy. At the end of the Year, the Group's cash level improved to HK$320.2 million (of which HK$96.0 million was pledged bank deposits) as compared to HK$282.3 million (of which HK$96.0 million was pledged bank deposits) of last year. Most of the bank balance was placed in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB") short term deposits with major banks. Total bank borrowings of HK$126.4 million, which were mainly denominated in USD, HKD and RMB, consisted of HK$113.6 million short-term bank borrowings and HK$12.8 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 27.1%. 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 Year, working capital cycle remained under stringent control. Trade receivable turnover increased from last year's 45 days to 46 days. Inventory turnover decreased from last year's 67 days to 53 days. Financial resources remained under stringent control where financial condition remained healthy.

At the end of the Year, certain land and buildings with an aggregate net book value of approximately HK$18.0 million (2016: HK$20.4 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 increased to 83.9% (2016: 78.4%). The comparison of percentage of consolidated cost of sales is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Revenue	970,969	1,047,486
Cost of sales	(815,034)	(821,524)
Percentage of consolidated cost of sales	83.9%	78.4%

Selling and distribution costs and administrative expenses

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

	2017 ***HK$'000***	2016 *HK$'000*	% *Changes*
Selling and distribution costs	**130,453**	136,220	(4.2%)
Administrative expenses	**149,356**	159,026	(6.1%)

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

The negative EBITDA for the fiscal year is HK$96.1 million (2016: HK$43.4 million). The comparison of EBITDA is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Loss for the year	**(120,457)**	(66,473)
Add:		
Finance costs	**3,301**	2,601
Income tax expense	**762**	945
Depreciation	**19,543**	18,728
Amortisation	**796**	815
EBITDA	**(96,055)**	(43,384)

Operating loss

The Group incurred an operating loss before tax of HK$119.6 million for the fiscal year (2016: HK$66.6 million). The comparison of operating loss is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Loss before tax	**(119,695)**	(65,528)
Less:		
Decrease in fair value of investment property	**(192)**	(568)
Fair value changes on derivative financial instruments	**51**	(157)
Gain on disposal of an associate	**–**	1,756
Operating loss before tax	**(119,554)**	(66,559)

Loss before tax

Loss before tax for the fiscal year is HK$119.7 million (2016: HK$65.5 million).

Loss per share

The Group's loss per share for the fiscal year is HK28.3 cents (2016: HK15.5 cents).

Inventory turnover days

Inventory turnover days decreased by 14 days to 53 days for the year ended March 31, 2017 (2016: 67 days). The comparison of inventory turnover days is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Revenue	**970,969**	1,047,486
Inventory as at March 31	**140,015**	192,480
Inventory turnover days	**53 days**	67 days

Trade receivable turnover days

Trade receivable turnover days increased by 1 day to 46 days for the year (2016: 45 days). The comparison of trade receivable turnover days is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Revenue	**970,969**	1,047,486
Trade and bills receivables as at March 31	**121,338**	130,561
Trade receivable turnover days	**46 days**	45 days

TREASURY POLICY

The Group continued to adopt prudent policies consistently to hedge exchange rate and interest rate risks associated with our core business. 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 EURO ("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. As at March 31, 2017, the Group did not enter into any foreign currency forward contract.

HUMAN RESOURCES

As at March 31, 2017, the Group has approximately 4,100 employees globally, as compared to 4,900 as at March 31, 2016. 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.

Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$335.7 million for the Year (2016: approximately HK$347.7 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

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. The Share Option Scheme expired on September 4, 2016.

LITIGATION

As at March 31, 2017, the Group was involved in a litigation, details of which are set out in note 36 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRINCIPLES

The Company and its subsidiaries (collectively referred to as the "**Group**") persistently strive to operate its business in an economic, social and environmentally sustainable manner. During the year, the Group upheld the core values of "innovation, efficiency, advancement and elevation". While seeking business growth, the Group reacted its corporate environmental and social responsibilities proactively by making constant progress towards sustainable development. The Group has developed and improved the Group's environmental policies, optimised the efficiency in the use of energy and resources, advocated and promoted environmental protection and reduced the impact of its business development on the environment.

As a responsible corporate citizen, the Group strictly follows the regulatory requirements on employment, human rights, labour rights, supply chain management, product responsibility and anti-corruption. The Group cares for the community and creates value for stakeholders including its shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity.

This year, the Company is pleased to present its first Environmental, Social and Governance Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report primarily highlights the Group's major initiatives and activities implemented from April 1, 2016 to March 31, 2017 ("**Year 2017**"). For information regarding the governance section, please refer to the Corporate Governance Report in this Annual Report.

As a start, for the environmental aspects, this report will focus on Zhongshan Tungtex Silk Garments Co. Limited (中山同得仕絲綢服裝有限公司) ("Zhongshan Tungtex") which is the garment manufacturer of a wide variety of ladies woven fashion wear, casual wear and suit pieces. This report has primarily highlighted the major performance and disclosure implemented by the Group in Year 2017 for the three environmental aspects and eight social aspects.

EMISSIONS

The largest environmental footprint of Zhongshan Tungtex's operation was in electricity consumption, which indirectly contributed to greenhouse gases (such as carbon dioxide) emissions. The electricity is consumed in areas of the office, factory building, staff canteen and dormitory, of which electricity is intensively consumed by lighting system, knitwear equipment as well as steaming and ironing equipment in the factory building. To manage electricity consumption, the Group has established relevant monitoring procedures named ZS Tungtex Environmental Protection Policies (ZS Tungtex 環境保護政策) to regulate the efficient use of electricity by Zhongshan Tungtex.

Zhongshan Tungtex burns biofuel in boilers and related facilities to generate heat and steam for ironing in production process and for hot water supply to the staff dormitory. Zhongshan Tungtex has added dust filters and monitors the biofuel boilers' operation regularly to ensure the biofuels are completely burnt. Such arrangements can reduce the emission of ash, smog or dust.

EMISSIONS *(Continued)*

Zhongshan Tungtex is using biofuel instead of diesel. The use of biofuel is significantly reducing the emission of particulates as well as air pollution. The biofuel boilers can provide stable steam supply with high efficiency. They can reduce the workload of the operators and maintenance expenditure as compared with using traditional steam boilers. The ZS Tungtex Environmental Protection Policies (ZS Tungtex 環境保護政策) also requires Zhongshan Tungtex to check the efficiency of the boilers regularly.

For the Sewage treatment, the sewage treatment facilities were established by Zhongshan Tungtex in Zhongshan. It mainly processes sewage arising from textile manufacturing operations. Zhongshan Tungtex has obtained (排污許可証) which is issued by Zhongshan Environmental Protection Bureau, with a valid period from September 6, 2012 to September 5, 2017.

Fuel consumption by Zhongshan Tungtex's motor vehicles are the major source of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**") emissions. The motor vehicles are strictly used for picking up the staff and business activities.

Zhongshan Tungtex sets management measures for domestic waste and water consumption in staff dormitory and offices. Zhongshan Tungtex reminds staff and relevant persons in charge to process daily waste properly and to treasure water resources and avoid wasting.

Compliance with relevant laws and regulations

On November 30, 2016, Zhongshan Environmental Protection Bureau notified Zhongshan Tungtex that the emission concentration of nitrogen oxides and particulate matter exceeded the standard value of statutory requirements. In fact, apart from purchasing the biofuel from their contractor, the steam boilers and related facilities are also hired from this contractor. Thus, the relevant fine is borne by the contractor. The contractor has been taking corrective actions to minimise the emission in order to fulfill the statutory requirements. Except for this case, there was no non-compliance with relevant laws and regulations that resulted in significant fines or non-monetary sanctions in the Year 2017.

USE OF RESOURCES

The Group is committed to minimising the impact of business activities on the environment by implementation of environmental protection programmes. In particular, a number of initiative measures designed to conserve natural resources were introduced to promote employee's awareness in order to achieve efficient utilisation of natural resources.

As mentioned in the above "Emission" section, Zhongshan Tungtex has a series of policies and procedures, including but not limited to ZS Tungtex Energy Saving Plan (能源計劃) and ZS Tungtex Environmental Protection Policies (ZS Tungtex 環境保護政策), to minimise the electricity consumed by the employees in the office and factory premises of Zhongshan Tungtex.

Zhongshan Tungtex has extensively installed energy efficient motors into the garment sewing machines, which consumes less electricity and have longer useful life than traditional motors. In addition, compact fluorescent light are widely used in the factory building.

Employees are encouraged to switch on the computers only when using them and switch them off after office hours. For policies on the efficient use of water resources in the offices, staff is encouraged to save water at pantry. The drinking water containers were well maintained to prevent leakage. According to ZS Tungtex Environmental Protection Policies (ZS Tungtex 環境保護政策), the scrap of production process will be reclassified and the recyclable scrap will be sold to the recognised recyclable waste collector.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group is accountable for the environmental impacts of their operations. The Group is a supplier of some active members of the Sustainable Apparel Coalition, and has 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. Since 2013, the Group introduced the Higg Index's social and environmental assessments to their operations. The Group has worked with its customers to set energy saving target, helping the Group to improve their performance while reducing cost.

The Group encourages all employees to participate in different kinds of recycling activities and minimise the use of natural resources. In Year 2017, there is no significant impact on the environment and natural resources from the operations of the Group, in particular, the office and factory.

Zhongshan Tungtex actively promotes sustainable development and environmental protection. Zhongshan Tungtex has implemented a series of measures on utilisation of resources and the operations of office and factory premises in order to minimise environmental impacts of the local areas.

In the Year 2017, Zhongshan Tungtex has actively introduced environmental protection measures in the office spaces, including (i) priority use of energy-saving lighting and electrical appliances; (ii) turning off electric equipment and lighting during non-office hours; and (iii) reuse of papers and driving forward paperless office gradually. In addition, we also encourage our employees to save resources, cherish food and avoid waste of resources by beginning with trivial things.

EMPLOYMENT

Human resources are important for the realisation of the strategic goals of an enterprise. The Group always empowers human resources management. The Group has enhanced the mechanism for the introduction and training of talents. The Group provides its employees with a favourable career development platform by providing a safe and healthy working environment and safeguarding their interests, thereby helping them achieve personal value as well as career development.

The Group believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. The Group is committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentive bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. Employees are entitled to various fringe benefits, such as annual leave, marriage leave, maternity leave and medical coverage, in accordance with local regulations.

The Group has a set of comprehensive human resources management policy, namely the ZS Tungtex Employees Handbook (員工手冊), ZS Tungtex Code of Conduct (行為守則) and ZS Tungtex Guidelines for Recruitment (招聘工作指引) to provide guidances and requirements for employees' behaviour. The ZS Tungtex Employees Handbook (員工手冊) has stated the areas of compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits. The Group has always strictly observed the relevant legislations in the People's Republic of China (the "PRC") and Hong Kong regarding the equal employment opportunities, labour and forced labour.

The Group has implemented in place the policies and procedures in accordance with the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" and the "Occupational Safety and Health Ordinance", etc. in Hong Kong; and the "Labour Law of the PRC" and the "Labour Contract Law of the PRC" in the PRC.

The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment procedure to ensure no employments of child labour and forced labour.

The Group believes that each employee should be treated equally and ensures that employees in the workplace or job applicants during the recruitment process will not be subjected to any form of discrimination. All employees and job applicants are assessed based on their skills, qualification and performance irrespective of their ages, marital status, races, religions and nationality, gender, disability, sexual orientation or political background.

The Group emphasizes on equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. The Group has diversified cultures including the employees with different genders, ages, skills and educational backgrounds in order to achieve the most suitable composition and balance.

In order to help local disadvantaged groups integrating into the society, Zhongshan Tungtex employs 17 staffs who are physically disabled or mentally handicapped during the Year 2017. The Group strives to establish harmonious labour relationships. The Group protects the rights of staff by providing break time and leave days in accordance with relevant government laws and regulations.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year 2017. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2017.

HEALTH AND SAFETY

Zhongshan Tungtex is committed to complying with the requirement of applicable laws and management principles on health and safety. Zhongshan Tungtex has established a series of monitoring procedures in relation to safety management. In addition, health and safety facilities are installed throughout the factory buildings.

The Group has implemented comprehensive emergency fire drill on semi-annually basis to enhance employee risk prevention and crisis management. A series of fire and safety drills were held under the plan of Year 2017. The plan includes training on controlling infectious diseases in the workplace, preventing heatstroke in hot working environments, personal protective equipment safety, hazardous chemical labeling as well as storage and safety training.

To promote the employee's awareness of environment, health and safety, the Group has set up an "Environmental, Health and Safety Committee" which comprises managers from various departments. The committee held meetings regularly in the Year of 2017.

Zhongshan Tungtex has equipped its factory with fire-fighting facilities such as fire extinguishers. Designated staff conducts inspection from time to time so as to ensure the exit passageways are clear and unblocked. In addition, Zhongshan Tungtex establishes volunteer firemen team to monitor the fire-fighting facilities equipped in the factory.

Zhongshan Tungtex has stringent policies named ZS Tungtex Sharp Tools Management System (利器管理制度), ZS Tungtex Log Out Tag Out Procedure (設備標定鎖定操作規程), ZS Tungtex Guidelines for Employees' Safety (僱員安全指引) which are implemented in place to periodically review the functionality of machinery and equipment as well as working place condition during the production process. Zhongshan Tungtex continuously reduces workload intensity for frontline staff and improves the working environment.

On October 24, 2016, Zhongshan Tungtex held the first aid training for its PRC employees.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Year 2017. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2017.

DEVELOPMENT AND TRAINING

The Group strives to provide an environment where our employees can grow professionally and develop their career path that meets the long-term growth of our business simultaneously. In view of that, the Group always encourages its staff to participate in the continuous learning activities.

The Company provides training to its directors with regular reading materials to ensure that they keep abreast of the latest regulatory requirements, corporate governance practices, financial information and market trends. Zhongshan Tungtex provides trainings to its employees which focus on safe operations of machinery and equipment, learning new techniques as well as managerial enhancements.

The health and safety of employees are the basis of smooth operation. Zhongshan Tungtex actively promotes the safety strategy, continuously improves responsibility, implements safety risk prevention and process control and the safety training, to strengthen the awareness of safety for the employees at all levels.

LABOUR STANDARDS

The Group fully understands that exploitation of child and forced labour is universally condemned, and therefore takes the responsibilities against child and forced labour very seriously. The policy named《未成年錄用管理制度》is implemented in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it will be reported to the relevant authorities.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact relating to preventing child or forced labour on the Group during the Year 2017.

In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2017.

SUPPLY CHAIN MANAGEMENT

The Group has the greatest respect for the laws and regulations that govern its business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers.

The Group offers their contractors encouragement and supports in their efforts to further improve their sustainability performance. Good business relationships help the Group to manage their potential environmental and social risks while enhancing the efficiency of their operations.

The Group fully understands the importance of environmental protection and environmental friendly production. The Group takes up social responsibilities and cooperates with its stakeholders including suppliers and customers to make contributions to the conservation of the environment. The Group implements stringent controls on all manufacturing procedures covering product design, purchases of raw materials, production and deliveries.

SUPPLY CHAIN MANAGEMENT *(Continued)*

Zhongshan Tungtex has policy named ZS Tungtex Approval and Management Procedure for Contractors (供應商／分包商／承運商審核政策及管理程序), which requires the newly hired suppliers and contractors to have demonstrable track records of performance excellence. The Group requires their suppliers to act responsibly and adhere to their environmental, social and governance standards. In a situation where several suppliers can meet procurement requirements, the Group will select those with a good reputation for being environmentally and socially responsible and/or that hold relevant environmental certificates.

As part of enforcing and adhering to the international supply chain security standards, Zhongshan Tungtex has assessed its supply chain business partners to identify, mitigate and eliminate potential security risks.

PRODUCT RESPONSIBILITY

The Group places a high priority on promoting customer satisfaction in terms of its products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labeling and privacy matters of the jurisdictions in which the Group operates. The Group requires its people to comply with the applicable governmental and regulatory laws, rules, codes and regulations.

To ensure that quality is a major factor at each stage of its operations, each department is tasked with achieving their own quality based targets devised in consideration of both the industry and market standards. Records are kept at every stage to ensure both the efficiency and maintenance of product criterion.

Before Zhongshan Tungtex's products are despatched, they are subject to the internal quality control standards, such as the policy named《找斷針程序》. Zhongshan Tungtex also takes the initiative to follow up every purchase with consumers to ensure that products are inspected before delivery. Should there be any issues with its products after delivery, those products will be initiated on both due compensation and recall.

Product quality and safety are stated in written manuals and are clearly communicated to its employees. In addition, Zhongshan Tungtex runs training sessions for its relevant staff, suppliers and business partners in respect of product responsibilities.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact relating to health and safety, advertising, labeling and privacy matters of products and services provided and methods of redress on the Group during the Year 2017. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2017.

ANTI-CORRUPTION

The Group has policy named《反貪污反賄賂控制程序》regarding bribery and corruption in any form or at any level. In addition, the Bribery, Gifts & Entertainment Policy sets out the requirements and practices as regards the prevention, identification, and handling of any instances of alleged or proven bribery or corruption. The induction process for new employees includes extensive training on the anti-corruption measures.

The designated hotlines and emails are available on the Company's website. The Group conducts regular review on its business practices, anti-corruption measures and guidelines as well as reported improprieties investigation.

ANTI-CORRUPTION *(Continued)*

The Group establishes an effective whistle-blowing policy for reporting suspected irregularities, fraud and corruption via specified channels. The Group also continues to improve its internal control and monitoring system. If any irregularities are identified, the Group takes immediate action and adopts a zero tolerance approach to corruption.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Year 2017. In addition, there was no legal case concerning corruption brought against the Group or its employees in the Year 2017.

COMMUNITY INVESTMENT

On April 15, 2016, administration department staff attended an activity named "防範重特大安全生產事故, 消防和交通安全聯席會議" in the Torch Development Zone of Zhongshan which promotes the awareness of public safety.

On June 22, 2016, the Group made donations to "Suicide Prevention Services" in Hong Kong, which serves people who are suicidal, despairing or distressed by means of befriending and other services supporting them to regain control of their emotions and to live on. The Group aims at raising general awareness towards suicide and identifying ways in which suicide can be effectively addressed.

In response to the high elderly suicide rate and the passive help seeking behavior of elder, Suicide Prevention Services has held the "冬瓜慈善愛心大行動2016" on July 24, 2016. A number of employees of Zhongshan Tungtex joined the activity as volunteers.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") 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's corporate governance practices are based on the principles and code provisions as 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"). The Board is of the view that the Company has complied with all the code provisions set out in the Code throughout the year ended March 31, 2017, except for the deviation set out in "Chairman and Managing Director" below.

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, 2017, the attendance of each director at the Board meetings and the Annual General Meeting held on August 26, 2016 (the "2016 AGM") is set out as follows:

Name of director	Attendance at the 2016 AGM	Attendance at Board meetings
Mr. Benson Tung Wah Wing	1/1	9/9
Mr. Raymond Tung Wai Man	1/1	9/9
Mr. Martin Tung Hau Man	1/1	9/9
Mr. Billy Tung Chung Man	1/1	9/9
Mr. Tony Chang Chung Kay	1/1	8/9
Mr. Robert Yau Ming Kim	0/1	7/9
Mr. Leslie Chang Shuk Chien	1/1	9/9
Mr. Alan Lam Yiu On (resigned on August 1, 2016)	N/A	2/2
Mr. Tung Siu Wing (resigned on July 1, 2016)	N/A	2/2
Mr. Kevin Lee Kwok Bun (resigned on July 1, 2016)	N/A	2/2
Mr. Johnny Chang Tak Cheung (resigned on July 1, 2016)	N/A	2/2
Mr. Edwin Siu Pui Lap (resigned on August 29, 2016)	0/1	4/4

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.

All Directors have full and timely access to all the information of the Group and may, upon request, seek 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

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Alan Lam Yiu On on August 1, 2016, Mr. Benson Tung Wah Wing ("Mr. Tung"), the Chairman of the Board (the "Chairman"), has been appointed as Managing Director (equivalent to chief executive) of the Company and has performed the roles of Chairman and Managing Director with effect from August 1, 2016. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process, as well as corporate goals setting process are overlapping. Given the current size, condition and the present stage of development of the Group, and for a more effective implementation and execution of strategies and business plans, the Board considers that it is in the interests of the Group that Mr. Tung holds both the offices of the Chairman and the Managing Director. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with at least one-third of them being independent non-executive directors.

A.3 Board composition

The Board currently consists of four executive directors and three independent non-executive directors:

Executive directors:
Mr. Benson Tung Wah Wing *(Chairman and Managing Director)*
Mr. Raymond Tung Wai Man
Mr. Martin Tung Hau Man
Mr. Billy Tung Chung Man
Mr. Alan Lam Yiu On *(Managing Director*) (resigned on August 1, 2016)

Non-executive directors:
Mr. Tung Siu Wing (resigned on July 1, 2016)
Mr. Kevin Lee Kwok Bun (resigned on July 1, 2016)

Independent non-executive directors:
Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Leslie Chang Shuk Chien
Mr. Johnny Chang Tak Cheung (resigned on July 1, 2016)
Mr. Edwin Siu Pui Lap (resigned on August 29, 2016)

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, who resigned as independent non-executive director of the Company with effect from July 1, 2016, 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 other directors or with any core 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

Each executive director and non-executive director (including independent non-executive directors) of the Company are appointed for a term of three years.

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 35 to 36.

A.5 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, 2017. 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, 2017 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. Raymond Tung Wai Man	✓	✓
Mr. Martin Tung Hau Man	✓	✓
Mr. Billy Tung Chung Man	✓	✓
Mr. Alan Lam Yiu On (resigned on August 1, 2016)	✓	✓
Non-executive directors:		
Mr. Tung Siu Wing (resigned on July 1, 2016)	✓	✓
Mr. Kevin Lee Kwok Bun (resigned on July 1, 2016)	✓	✓
Independent non-executive directors:		
Mr. Tony Chang Chung Kay	✓	✓
Mr. Robert Yau Ming Kim	✓	✓
Mr. Leslie Chang Shuk Chien	✓	✓
Mr. Johnny Chang Tak Cheung (resigned on July 1, 2016)	✓	✓
Mr. Edwin Siu Pui Lap (resigned on August 29, 2016)	✓	✓

A.6 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 an obligation to supply the Board and its 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 where necessary.

B. DELEGATION BY THE BOARD

B.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; overseeing their implementation, monitoring the Group's operational and financial performance; and approval of matters that are of a material or substantial nature and ensure that sound internal control and risk management systems are in place. 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.

B.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.

B.3 Corporate governance functions

The Board delegates its responsibility for performing the corporate governance functions to the Audit Committee. Specific terms of reference are set out in the Terms of Reference of the Audit Committee of the Company and the relevant duties include the followings:

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of directors and senior management;
- 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.

C. 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. The other members are the three independent non-executive directors, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Leslie Chang Shuk Chien, respectively.

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 www.tungtex.com and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

The Company has adopted the Board Diversity Policy, setting out the approach to diversity on the Board. 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.

The structure, size and composition of the Board are reviewed from time to time by the Nomination Committee as regards to the Board Diversity Policy 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.

During the year ended March 31, 2017, 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	1/1
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, 2017:

– Reviewed the structure, size, composition and diversity of the Board;
– Reviewed the retirement of directors by rotation and the re-election of retiring directors at the 2016 AGM; and
– Assessed the independence of independent non-executive directors.

D. REMUNERATION COMMITTEE

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 the other members are Mr. Benson Tung Wah Wing, executive director, Mr. Tony Chang Chung Kay and Mr. Leslie Chang Shuk Chien, 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 and senior management and to determine the remuneration packages of individual executive-directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience in the industry, the prevailing market conditions and the Group'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 website of the Company and the website of HKEx.

During the year ended March 31, 2017, the Remuneration Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	3/3
Mr. Benson Tung Wah Wing	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Leslie Chang Shuk Chien	2/3

The following is a summary of the work of the Remuneration Committee during the year ended March 31, 2017:

– Determined, with delegated responsibility, the remuneration packages of individual executive directors;
– Made recommendations to the Board on the remuneration of non-executive directors; and
– Approved annual bonus for the year ended March 31, 2017.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 9 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 29 to the consolidated financial statements.

E. AUDIT COMMITTEE

An Audit Committee was established in 1999 and all the members are independent non-executive directors, namely Mr. Leslie Chang Shuk Chien, Mr. Tony Chang Chung Kay and Mr. Robert Yau Ming Kim. 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 from the date of his ceasing to be a partner of the auditing firm. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review the financial information and reporting process, effectiveness of the internal audit function, 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 website of the Company and the website of HKEx.

During the year ended March 31, 2017 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 (resigned on August 29, 2016)	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2016 and the interim accounts for six months ended September 30, 2016 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, financial reporting matters and the effectiveness of the risk management and internal control systems and the internal audit function, appointment of external auditor and their relevant scope of works, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee met the external auditor twice without the presence of the executive directors and the management.

F. ACCOUNTABILITY AND AUDIT

F.1 Financial reporting

The management provides sufficient explanation and information to the Board to enable it to make 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, 2017 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 maximise shareholders' value and sustain steady business development in the long run. The "Management Discussion and Analysis" 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".

F.2 Risk management and internal control

The Board has overall responsibilities for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and establishing and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets.

The Board conducts review of the effectiveness of the Group's risk management and internal control systems twice a year, covering all material controls including financial, operational and compliance controls. Adequacy of resources, accounting staff qualifications and experience, their training programmes and budget of accounting, internal audit and financial reporting functions are also reviewed by the Board from time to time.

The Group's risk management system is established to identify, evaluate and manage risks including but not limited to financial, business and strategic, operational, legal and regulatory risks. The Group has maintained a systematic assessment and prioritisation of significant risks in accordance with their impact on the business and the likelihood of their occurrence. The relevant risk owners and the management are responsible for formulating risk mitigation measures and monitoring the progress of implementing these measures to manage the risks. Identified risks are recorded in a risk register, which is updated and reviewed by the management regularly. The Group's internal control system includes a defined management structure with limits of authority, safeguards its assets against unauthorised use of 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. Confirmations are also received from directors and all relevant employees of the Group who have possessed inside information to preserve confidentially of inside information until it is publicly disclosed.

The Group's internal audit department is responsible for performing regular, systematic and independent reviews of the Group's risk management and internal control systems to provide reasonable assurance to the management and the Audit Committee that the systems are adequate and effective. The Group's internal audit department develops the internal audit plan annually and carries out investigations and other special reviews as required by the management and the Audit Committee. To preserve independence, the internal audit department directly reports to the Audit Committee and the annual internal audit plan is reviewed and approved by the Audit Committee. The Audit Committee has reviewed the effectiveness of the internal audit function and considers it is satisfactory.

The Board has acknowledged its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are 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, through the Audit Committee and the internal audit department, considers that the Group's risk management and internal control systems are adequate and effective for the year ended March 31, 2017.

Arrangements are in place to facilitate employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

F.3 Remuneration to the external auditor of the Company

The remuneration paid and payable to the external auditor of the Company, Deloitte Touche Tohmatsu, for the year ended March 31, 2017 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	1,430
Non-audit services	
– taxation services	158
– other services	382

G. COMMUNICATION WITH SHAREHOLDERS

G.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 despatched within the prescribed period imposed by laws and regulations.

At the 2016 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 members of the Remuneration Committee attended the 2016 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.

G.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 the 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.

Pursuant to the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	12th Floor, Tungtex Building, 203 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (For the attention of the Board of Directors)
Fax:	2343 9668
Email:	info@tungtex-holdg.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 2797 7000 for any assistance.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the website of the Company and the website of HKEx. Shareholders may refer to the Articles of Association for further details of their rights.

G.3 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2016 AGM.

At the 2017 Annual General Meeting (the "2017 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 HKEx following the 2017 AGM.

H. COMPANY SECRETARY

Ms. Cheng Pik Yuk of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary following the resignation of Ms. Lee Siu Mei as the company secretary of the Company with effect from August 15, 2016. Her primary contact person at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

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, 2017.

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 are set out in note 18 to the consolidated financial statements.

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 9% and 16%, 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 total issued shares) 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, 2017 are set out in the consolidated statement of profit or loss on page 47.

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2017.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2017 represented the retained profits of HK$125,466,000 (2016: HK$321,481,000).

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 100.

FIXED ASSETS

Movements in investment property and property, plant and equipment during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

Review of our business and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year and an analysis using financial key performance indicators are provided in the Chairman's Statement and Management Discussion and Analysis respectively on page 5 and from pages 6 to 11 of this Annual Report. All these sections constitute part of this Directors' 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 38(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 38(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 38(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 38(b) to the consolidated financial statements.

Compliance with Laws and Regulations

The Group is committed to high environmental standard to fulfill the requirements under relevant laws and regulations during the business development. The Group has complied with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (the "SFO") and the Corporate Governance Code (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). The Group also strictly follows the regulatory requirements on employment, human rights, labour rights, supply chain management, product responsibility and anti-corruption in the interests of our stakeholders including shareholders, customers, employees, suppliers, creditors, regulators and the general public.

Details on the Group's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 12 to 19 of this Annual Report which forms part of the Directors' Report.

BUSINESS REVIEW AND PERFORMANCE *(Continued)*

Stakeholders' engagement

The Group obtains and understands the views of our customers, employees, suppliers and other 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.

The Group has taken steps through the year to ensure that we operate responsibly and in the interest of our customers and suppliers, such as placing a high priority on quality to promote customers satisfaction in terms of products and services and conducting procurement from suppliers fairly. Further details on the key relationships with customers and suppliers are also disclosed in the Environmental, Social and Governance Report from pages 12 to 19 of this Annual Report.

An account of the Company's relationships with employees is included in the Management Discussion and Analysis and Environmental, Social and Governance Report respectively from pages 6 to 11 and pages 12 to 19 of this Annual Report.

SHARE CAPITAL

On March 24, 2017, an aggregate of 42,000,000 ordinary shares ("Placing Share") had been successfully placed by Emperor Securities Limited, the placing agent, to not less than six placees, who and whose ultimate beneficial owners were independent third parties and not connected with the Company and any of its connected persons or their respective associates, at the placing price of HK$1.00 ("Placing Price") per Placing Share pursuant to the terms and conditions of the placing agreement. The net price per Placing Share is HK$0.98. The Placing Price per Placing Share represented the closing price of HK$1.00 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on March 9, 2017, the date of the placing agreement. The Placing Shares were allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on August 26, 2016. The net proceeds are approximately HK$41.2 million which will be used as the general working capital and/or as funds for the future business development of the Group. As at March 31, 2017, none of the net proceeds has been utilized and they are placed in the bank accounts of the Company.

The Directors were of the view that the Placing Share represented good opportunity to raise additional funds to strengthen the financial position and broaden the shareholder and the capital base of the Group. It was therefore in the interest of the Company and its shareholders as a whole.

Details of movements in the Company's share capital for the year ended March 31, 2017 are set out in note 28 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

During the financial year and up to the date of this Directors' Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company. 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.

DIRECTORS

The directors of the Company during the year and up to the date of this Directors' Report were:

Executive directors:

Benson Tung Wah Wing *(Chairman and Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man
Alan Lam Yiu On *(Managing Director)* (resigned on August 1, 2016)

Non-executive directors:

Tung Siu Wing (resigned on July 1, 2016)
Kevin Lee Kwok Bun (resigned on July 1, 2016)

Independent non-executive directors:

Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien
Johnny Chang Tak Cheung (resigned on July 1, 2016)
Edwin Siu Pui Lap (resigned on August 29, 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 may from time to time prescribe. Accordingly, Messrs. Benson Tung Wah Wing, Raymond Tung Wai Man and Martin Tung Hau Man retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election thereat.

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, 2017 or during the period from April 1, 2017 to the date of this Directors' Report are available on the website of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

Benson Tung Wah Wing

Chairman and Managing Director
Chairman of Nomination Committee
Member of Remuneration Committee
Aged 66, is the principal founder of the Group. Mr. Tung has been involved in the garment industry since 1967. Under his leadership, the Group was listed on the Stock Exchange in 1988. He also holds directorships in some subsidiaries of the Company. Mr. Tung is the uncle of Mr. Raymond Tung Wai Man, the father of Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man. He and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona Investments Limited ("Corona"), the substantial and controlling shareholder of the Company. He is also a director of Corona.

Raymond Tung Wai Man

Aged 51, joined the Group in 1988 and was appointed as an executive director in 2000. Mr. Tung 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 Wah Wing and the cousin of Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man. Under the service contract of Mr. Tung, his remuneration was increased from HK$130,000 per month to HK$132,500 per month with effect from April 1, 2017.

Martin Tung Hau Man

Aged 42, joined the Group in 2000 and was promoted to assistant director in 2002. Mr. Tung 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 Wah Wing, the brother of Mr. Billy Tung Chung Man and the cousin of Mr. Raymond Tung Wai Man. Mr. Tung is a director of Corona, the substantial and controlling shareholder of the Company.

Billy Tung Chung Man

Aged 40, joined the Group in 2001 and was promoted to assistant director in 2003. Mr. Tung 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 Wah Wing, the brother of Mr. Martin Tung Hau Man and the cousin of Mr. Raymond Tung Wai Man. Mr. Tung is a director of Corona, the substantial and controlling shareholder of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Independent Non-executive Directors:

Tony Chang Chung Kay

Member of Audit Committee, Remuneration Committee and Nomination Committee

Aged 61, 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 40 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University.

Robert Yau Ming Kim

Chairman of Remuneration Committee

Member of Audit Committee and Nomination Committee

Aged 78, 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, the shares of which are listed on the Main Board of the Stock Exchange.

Leslie Chang Shuk Chien

Chairman of Audit Committee

Member of Remuneration Committee and Nomination Committee

Aged 70, was appointed an 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 practising in Hong Kong since 1982 and has over 39 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, 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to 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, were as follows:

Long positions in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note)*	150,059,268	32.33%
Raymond Tung Wai Man	Beneficial owner	360,000	0.08%
Martin Tung Hau Man	Beneficial owner	1,604,000	0.35%
Billy Tung Chung Man	Beneficial owner	1,472,400	0.32%
Tony Chang Chung Kay	Beneficial owner	3,844,760	0.83%

Note: The 150,059,268 shares are owned by Corona. Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona. By virtue of the SFO, Mr. Benson Tung Wah Wing is deemed to be interested in the shares held by Corona.

Save as disclosed above, as at March 31, 2017, none of the directors nor chief executives of the Company had or was deemed to have any interests 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.

SHARE OPTIONS

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. The Share Option Scheme expired on September 4, 2016.

During the period from April 1, 2016 to the date of expiry of the Share Option Scheme, no share options were granted, exercised, cancelled or lapsed. Particulars of the Share Option Scheme are set out in note 29 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above and in note 29 "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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those disclosed under the section "Related Parties Disclosures" in note 35 to the consolidated financial statements, which do not fall under the definition of continuing connected transactions pursuant to Chapter 14A of the Listing Rules, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or entities connected with the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the executive directors has confirmed that he is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

SUBSTANTIAL SHAREHOLDERS

As at March 31, 2017, 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 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:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company
Corona Investments Limited	Beneficial owner *(note a)*	150,059,268	32.33%
Madam Wong Fung Lin	Interest of controlled corporation *(note b)*	150,059,268	32.33%

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 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.

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, 2017, the Company complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules, except that in respect of code provision A.2.1 of the CG Code, the roles of chairman and managing director of the Company are not separate and are both performed by Mr. Benson Tung Wah Wing following the resignation of Mr. Alan Lam Yiu On as executive director and managing director of the Company on August 1, 2016.

Further information on the Company's corporate governance practices and details of the deviation of code provision A.2.1 of the CG Code are set out in the "Corporate Governance Report" from pages 20 to 29 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, 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, 2017 and up to the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$19,000.

AUDITOR

The consolidated financial statements for the year ended March 31, 2017 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 28, 2017

INDEPENDENT AUDITOR'S REPORT

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)

OPINION

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 47 to 99, which comprise the consolidated statement of financial position as at March 31, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to the significance of the balance of trade receivables to the consolidated statement of financial position and the management judgement involved in assessing the recoverability of trade receivables. In assessing the recoverability of trade receivables, the management considers the credit history including default or delay in settlement, subsequent settlements, aging analysis of the trade receivables and financial position of the debtors. As disclosed in note 21 to the consolidated financial statements, the carrying amount of trade receivables was HK$103,018,000 as at March 31, 2017.	Our procedures in relation to valuation of trade receivables include: • Understanding how the management assesses the recoverability of trade receivables; • Evaluating the management's assessment of the recoverability of trade receivables with reference to the credit history of individual receivables including default or delay in payments, subsequent settlements, ageing analysis of the trade receivables and publicly available financial information of debtors; • Testing the aging analysis and information in respect of subsequent settlements of the trade receivables, on a sample basis, to source documents; and • Evaluating the historical accuracy of the allowance estimation by management by comparing historical allowance made to the actual settlements and actual loss incurred and tracing the actual settlements, on a sample basis, to source documents.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the use of judgment and estimates by the management in estimating the allowance for inventories. In determining the allowance for inventories, the management considers the aging analysis, current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. As disclosed in note 20 to the consolidated financial statements, the carrying amount of inventories were HK$140,015,000 as at March 31, 2017. During the year ended March 31, 2017, allowance for inventories of HK$39,772,000 (2016: nil) was recognised.	Our procedures in relation to valuation of inventories include: • Understanding how management estimates the allowance of inventories; • Assessing the reasonableness of the determination of net realisable value and estimation of allowance for inventories by the management with reference to the aging analysis, and information in respect of current market trends, subsequent sales and usage of inventories; • Testing the aging analysis and information in respect of subsequent sales or usage of inventories; on a sampling basis, to source documents; and • Evaluating the historical accuracy of the management's estimation on allowance for inventories by comparing historical allowance made to the actual selling prices and actual loss incurred.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of plant and machinery, furniture, fixture and equipment	
We identified the impairment of plant and machinery, furniture, fixture and equipment as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining the recoverable amount. As disclosed in note 15 to the consolidated financial statements, the carrying amounts of the Group's plant and machinery, furniture, fixture and equipment was HK$17,486,000 as at March 31, 2017. The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the plant and machinery, furniture, fixture and equipment at the end of the reporting period by estimating the respective fair value less costs of disposal of these assets to determine the impairment amount required to write down these assets to their recoverable amounts. The management of the Group is of the view that as the fair value less costs of disposal is higher than the carrying amount of the plant and machinery, furniture, fixture and equipment, there is no impairment required to be recognised.	Our procedures in relation to the impairment of plant and machinery, furniture, fixture and equipment include: • Understanding how the management performs the impairment assessment in respect of the plant and machinery, furniture, fixture and equipment; • Evaluating the management's assessment in estimating recoverable amount with reference to the fair value less costs of disposal of the plant and machinery, furniture, fixture and equipment; • Testing the accuracy of the calculation of fair value less costs of disposal of the plant and machinery, furniture, fixture and equipment; • Checking the fair value less costs of disposal of the plant and machinery, furniture, fixture and equipment, on a sample basis, to the market available information; and • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year, including any changes in the market available information and the actual selling price of assets.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
June 28, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**970,969**	1,047,486
Cost of sales		**(815,034)**	(821,524)
Gross profit		**155,935**	225,962
Other income and other gain	6	**7,621**	5,326
Decrease in fair value of investment property	14	**(192)**	(568)
Fair value changes on derivative financial instruments		**51**	(157)
Selling and distribution costs		**(130,453)**	(136,220)
Administrative expenses		**(149,356)**	(159,026)
Finance costs	7	**(3,301)**	(2,601)
Gain on disposal of an associate	31	**–**	1,756
Loss before tax	8	**(119,695)**	(65,528)
Income tax expense	11	**(762)**	(945)
Loss for the year		**(120,457)**	(66,473)
Loss for the year attributable to:			
Owners of the Company		**(119,638)**	(65,451)
Non-controlling interests		**(819)**	(1,022)
		(120,457)	(66,473)
Loss per share	13		
Basic and diluted (HK cents)		**(28.3)**	(15.5)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(120,457)**	(66,473)
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	**(14,228)**	(16,283)
– reclassification adjustments relating to foreign operations disposed of during the year	**–**	(345)
Other comprehensive expense for the year	**(14,228)**	(16,628)
Total comprehensive expense for the year	**(134,685)**	(83,101)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(133,866)**	(82,079)
Non-controlling interests	**(819)**	(1,022)
	(134,685)	(83,101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment property	14	**7,068**	7,260
Property, plant and equipment	15	**114,141**	161,651
Prepaid lease payments	16	**23,630**	25,157
Intangible asset	17	**–**	–
Deferred tax assets	19	**86**	200
		144,925	194,268
Current assets			
Inventories	20	**140,015**	192,480
Trade and other receivables	21	**151,069**	166,171
Prepaid lease payments	16	**796**	815
Tax recoverable		**554**	1,183
Pledged bank deposits	23	**96,000**	96,000
Bank balances and cash	23	**224,212**	186,325
		612,646	642,974
Current liabilities			
Trade and other payables	24	**161,952**	180,571
Tax liabilities		**626**	959
Obligations under finance leases			
– due within one year	25	**–**	7
Derivative financial instruments	26	**–**	51
Bank borrowings	27	**113,610**	78,439
		276,188	260,027
Net current assets		**336,458**	382,947
Total assets less current liabilities		**481,383**	577,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Bank borrowings	27	**12,800**	15,200
Deferred tax liabilities	19	**1,575**	1,502
		14,375	16,702
		467,008	560,513
Capital and reserves			
Share capital	28	**254,112**	212,932
Reserves		**218,999**	352,865
Equity attributable to owners of the Company		**473,111**	565,797
Non-controlling interests		**(6,103)**	(5,284)
		467,008	560,513

The consolidated financial statements on pages 47 to 99 were approved and authorised for issue by the Board of Directors on June 28, 2017 and are signed on its behalf by:

Benson Tung Wah Wing
DIRECTOR

Martin Tung Hau Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2017

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At April 1, 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 31)*	–	(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 12)*	–	–	(4,221)	(4,221)	–	(4,221)
At March 31, 2016	212,932	(14,733)	367,598	565,797	(5,284)	560,513
Loss for the year	–	–	(119,638)	(119,638)	(819)	(120,457)
Exchange differences arising on translation of foreign operations	–	(14,228)	–	(14,228)	–	(14,228)
Total comprehensive expense for the year	–	(14,228)	(119,638)	(133,866)	(819)	(134,685)
Issue of new ordinary shares by way of placing	42,000	–	–	42,000	–	42,000
Transaction costs attributable to issue of new ordinary shares	(820)	–	–	(820)	–	(820)
At March 31, 2017	**254,112**	**(28,961)**	**247,960**	**473,111**	**(6,103)**	**467,008**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

	NOTES	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Loss before tax		(119,695)	(65,528)
Adjustments for:			
Depreciation of property, plant and equipment		19,543	18,728
Decrease in fair value of investment property		192	568
Finance costs		3,301	2,601
Amortisation of prepaid lease payments		796	815
(Gain) loss on disposal of property, plant and equipment		(2,769)	628
Gain on disposal of an associate	31	–	(1,756)
Allowance for inventories		39,772	–
Interest income		(1,088)	(2,423)
Fair value changes on derivative financial instruments		(51)	157
Operating cash flows before movements in working capital		(59,999)	(46,210)
Decrease (increase) in inventories		5,293	(10,940)
Decrease in trade and other receivables		10,002	11,598
Decrease in trade and other payables		(12,219)	(14,481)
Cash used in operations		(56,923)	(60,033)
Hong Kong Profits Tax paid		–	(1,060)
Taxation in other jurisdictions paid		(856)	(766)
Hong Kong Profits Tax refunded		629	20
NET CASH USED IN OPERATING ACTIVITIES		(57,150)	(61,839)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,457)	(18,380)
Withdrawal of pledged bank deposits		–	20,000
Proceeds on disposal of property, plant and equipment		34,275	483
Net cash inflow on disposal of an associate	31	–	1,613
Interest received		1,088	2,423
NET CASH FROM INVESTING ACTIVITIES		24,906	6,139

	2017 *HK$'000*	2016 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**203,476**	149,777
Repayment of bank borrowings	**(168,128)**	(129,332)
Dividends paid	**–**	(4,221)
Interest paid	**(3,301)**	(2,601)
Proceeds from placing of new ordinary shares	**42,000**	–
Transaction costs attributable to issue of new ordinary shares paid	**(820)**	–
Repayment of obligations under finance leases	**(7)**	(41)
NET CASH FROM FINANCING ACTIVITIES	**73,220**	13,582
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**40,976**	(42,118)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**186,325**	232,138
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,089)**	(3,695)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**224,212**	186,325

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 are set out in note 18.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of these amendments to 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 amendments to HKFRSs and the new Interpretation issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and the new interpretation 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[2]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 2019
[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, 2017
[5] Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

2. APPLICATION OF NEW AND AMENDMENTS TO 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 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Company currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

HKFRS 16 *Leases (Continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

A preliminary assessment indicates that the non-cancellable operating lease commitments will meet the definition of a lease under HKFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except for the impact of HKFRS 15 and HKFRS 16, the directors of the Company anticipate the application of other amendments to HKFRSs and the new interpretation will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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 and by the Hong Kong Companies Ordinance.

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 and services.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest in subsidiaries are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 is recognised when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of 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 disposal or partial disposal of the Group's interests.

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 'loss before tax' as reported in the consolidated statement of profit or loss because 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property

Investment property is a property held to earn rental and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its 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.

Intangible asset

Intangible asset with a finite useful life that is acquired separately is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with a finite useful life is recognised on a straight-line basis over its estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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.

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.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables (Continued)

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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is 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 loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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, 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.

The following are the key assumptions concerning the future, and other 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.

Allowance for doubtful debts of trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowance is applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the management's judgment and estimation of future cash flows. The management may consider the credit history including default or delay in settlement, subsequent settlements, ageing analysis of the trade receivables and financial position of debtors. Where the actual outcome or expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts in the period in which such estimate has changed. As at March 31, 2017, the carrying amount of trade receivables was HK$103,018,000 (2016: HK$105,841,000).

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, the current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and allowance for inventories in the period in which such estimate has changed. The carrying amount of inventories at March 31, 2017 was HK$140,015,000, net of allowance of HK$39,772,000 (2016: HK$192,480,000 (net of allowance of nil)).

Impairment of plant and machinery, furniture, fixture and equipment

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. The management of the Group reviews the recoverable amounts of the Group's plant and machinery, furniture, fixture and equipment by looking into the fair values less cost of disposals, based on the future development plans. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less cost of disposals of these assets have been determined from market available information. The management of the Group is of the view that as the fair value less costs of disposal is higher than the carrying amount of the plant and machinery, furniture, fixture and equipment, there is no impairment of plant and machinery, furniture, fixture and equipment. As at March 31, 2017, the carrying amount of plant and machinery, furniture, fixture and equipment was HK$17,486,000 (2016: HK$20,708,000).

5. 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, 2017:

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	520,363	400,672	49,934	970,969
SEGMENT LOSS	(21,590)	(59,176)	(439)	(81,205)
Unallocated income				7,621
Unallocated expenses				(42,669)
Decrease in fair value of investment property				(192)
Fair value changes on derivative financial instruments				51
Finance costs				(3,301)
Loss before tax				(119,695)

5. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2016:

	North America HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss expensed 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, fair value changes on derivative financial instruments, gain on disposal of an associate, 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.

5. 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:

	2017 ***HK$'000***	2016 *HK$'000*
The USA	**411,483**	500,178
The PRC	**363,745**	334,219
Canada	**108,880**	112,837
United Kingdom	**30,688**	35,976
Hong Kong	**25,627**	26,362
Other European countries	**14,485**	14,942
Others	**16,061**	22,972
	970,969	1,047,486

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:

	2017 ***HK$'000***	2016 *HK$'000*
Hong Kong	**2,996**	2,687
The PRC	**113,062**	160,100
The USA	**73**	141
Others	**28,708**	31,140
	144,839	194,068

Note: Non-current assets excluded deferred tax assets.

Information about major customers

For the year ended March 31, 2017, there is no external customer (2016: one external customer in North America operating segment) who contributed over 10% of the total sales of the Group. Its contribution was approximately HK$106 million for the year ended March 31, 2016.

6. OTHER INCOME AND OTHER GAIN

	2017 HK$'000	2016 HK$'000
Bank interest income	1,088	2,423
Rental income from investment properties under operating leases, net of outgoings of HK$318,000 (2016: HK$236,000)	3,764	2,903
Gain on disposal of property, plant and equipment	2,769	–
	7,621	5,326

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Bank borrowings	3,301	2,599
Finance leases	–	2
	3,301	2,601

8. LOSS BEFORE TAX

	2017 HK$'000	2016 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	307,486	320,319
Contributions to retirement benefit schemes	28,171	27,429
Total employee benefits expenses	335,657	347,748
Auditor's remuneration		
– Audit service	1,430	1,576
– Non-audit services	540	596
Cost of inventories recognised as an expense (including allowance of inventories of HK$39,772,000 (2016: Nil))	815,034	821,524
Amortisation of prepaid lease payments	796	815
Depreciation of property, plant and equipment	19,543	18,728
(Gain) loss on disposal of property, plant and equipment	(2,769)	628
Net exchange loss	299	1,046

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2016: twelve) directors and the chief executive of the Company were as follows:

2017

	Executive directors					Non-executive directors		Independent non-executive directors					
	Benson Tung Wah Wing *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Alan Lam Yiu On *HK$'000*	Tung Siu Wing *HK$'000* *(note c)*	Kevin Lee Kwok Bun *HK$'000* *(note c)*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Johnny Chang Tak Cheung *HK$'000* *(note d)*	Edwin Siu Pui Lap *HK$'000* *(note d)*	Total *HK$'000*
Fees	–	–	–	–	–	20	20	170	170	170	20	46	616
Other emoluments:													
Salaries and other benefits	3,599	1,690	1,414	1,365	1,145	–	–	–	–	–	–	–	9,213
Contributions to retirement benefit schemes	–	18	25	18	6	–	–	–	–	–	–	–	67
Performance related incentive payments *(note)*	–	183	55	53	111	–	–	–	–	–	–	–	402
Total emoluments	3,599	1,891	1,494	1,436	1,262	20	20	170	170	170	20	46	10,298

2016

	Executive directors					Non-executive directors		Independent non-executive directors					
	Benson Tung Wah Wing *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Alan Lam Yiu On *HK$'000*	Tung Siu Wing *HK$'000*	Kevin Lee Kwok Bun *HK$'000*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Johnny Chang Tak Cheung *HK$'000*	Edwin Siu Pui Lap *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	80	80	170	170	170	80	110	860
Other emoluments:													
Salaries and other benefits	3,640	1,690	1,430	1,365	2,893	–	–	–	–	–	–	–	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	1,942	1,501	1,433	2,911	80	80	170	170	170	80	110	12,302

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Mr. Alan Lam Yiu On resigned as Chief Executive and Mr. Benson Tung Wah Wing was appointed as the Chief Executive on August 1, 2016. Their emoluments disclosed above include those for services rendered by them as Chief Executives.

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.

(c) Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun resigned as non-executive directors of the Company with effect from July 1, 2016.

(d) Mr. Johnny Chang Tak Cheung and Mr. Edwin Siu Pui Lap resigned as independent non-executive directors of the Company with effect from July 1, 2016 and August 29, 2016 respectively.

No directors waived any emoluments in both years.

10. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2016: five) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining one (2016: nil) individual were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Salaries and other benefits	**1,433**	–
Contributions to retirement benefits schemes	**18**	–
	1,451	–

His emoluments were within the following band:

	Number of employee	
	2017	2016
HK$1,000,001 to HK$1,500,000	**1**	–

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.

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong	488	–
The PRC	87	997
	575	997
Overprovision in prior years:		
Hong Kong	–	(196)
	575	801
Deferred taxation *(note 19)*	187	144
	762	945

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended March 31, 2017.

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 years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries remains 25% for both years.

According to the EIT Law, the profits of the PRC subsidiaries of the Company and an associate 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 since January 1, 2008.

11. INCOME TAX EXPENSE *(Continued)*

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

	2017 *HK$'000*	2016 *HK$'000*
Loss before tax	**(119,695)**	(65,528)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(19,750)**	(10,812)
Tax effect of expenses not deductible for tax purpose	**3,363**	2,229
Tax effect of income not taxable for tax purpose	**(3,097)**	(2,515)
Overprovision in prior years	**–**	(196)
Tax effect of tax losses not recognised	**21,488**	13,196
Utilisation of tax losses previously not recognised	**(1,314)**	(938)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**72**	(19)
Income tax expense	**762**	945

Details of deferred taxation for the year are set out in note 19.

12. DIVIDEND

	2017 *HK$'000*	2016 *HK$'000*
Dividend recognised as distribution during the year:		
2017: Nil (2016: special of HK1 cent) per share	**–**	4,221

No dividend was paid or proposed during the year ended March 31, 2017, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended March 31, 2017. A special dividend of HK1 cent per share for the year ended March 31, 2016, amounting to HK$4.2 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, 2017 (2016: nil).

13. LOSS PER SHARE

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

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year attributable to owners of the Company	**(119,638)**	(65,451)

	2017	2016
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**422,883,036**	422,077,557

No diluted loss per share is presented as there was no potential dilutive ordinary share outstanding for the year ended March 31, 2017 and 2016.

14. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At April 1, 2015	7,828
Decrease in fair value recognised in profit or loss	(568)
At March 31, 2016	7,260
Decrease in fair value recognised in profit or loss	**(192)**
At March 31, 2017	**7,068**

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

	Fair value hierarchy	**2017** *HK$'000*	2016 HK$'000
Property in the PRC *(note)*	Level 3	**7,068**	7,260

14. 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, 2017 and March 31, 2016 have been arrived at on the basis of a valuation carried out on that date by Hung Association Appraisal and Professional Services Limited and DTZ Cushman & Wakefield Limited, respectively, independent qualified professional valuers not connected with the Group.

Note: As at March 31, 2017, the valuation of property in the PRC was arrived by the direct comparison method assuming sale of the property in its existing state with the benefit of immediate vacant possession and by marking reference to comparable sales transactions as available in the relevant market ("direct comparison method").

As at March 31, 2016, the valuation of property in the PRC was arrived by the direct comparison method and capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property ("income capitalisation method").

		Range of weighted average	
Valuation techniques	**Key unobservable inputs**	**2017**	2016
Direct comparison method (2016: income capitalisation method and direct comparison method)	Asking prices of comparable properties (per sq.m.)	**HK$26,660 to HK$30,706**	HK$27,600 to HK$31,045
	Capitalisation rate	**N/A**	4.6%
	Rental income (per sq.m/month)	**N/A**	HK$116.4 to HK$146.4

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.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At April 1, 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
Exchange adjustments	98	(5,600)	(3,200)	(5,334)	(173)	–	(14,209)
Additions	–	–	6,344	3,409	100	604	10,457
Disposals	–	(35,218)	(8,801)	(10,036)	(784)	–	(54,839)
Transfer	–	–	604	–	–	(604)	–
At March 31, 2017	4,054	142,958	61,624	171,366	4,015	–	384,017
DEPRECIATION							
At April 1, 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
Exchange adjustments	–	(762)	(2,369)	(4,034)	(126)	–	(7,291)
Provided for the year	–	6,126	8,457	4,447	513	–	19,543
Eliminated on disposals	–	(4,677)	(8,801)	(9,152)	(703)	–	(23,333)
At March 31, 2017	–	64,695	48,793	153,880	2,508	–	269,876
CARRYING VALUES							
At March 31, 2017	4,054	78,263	12,831	17,486	1,507	–	114,141
At March 31, 2016	3,956	119,768	15,171	20,708	2,048	–	161,651

As at March 31, 2016, the carrying value of the Group's motor vehicles amounted to HK$42,000 in respect of assets held under finance leases. As at March 31, 2017, the Group has pledged leasehold land and buildings having a carrying value of HK$8,221,000 (2016: HK$10,213,000) to secure general banking facilities granted to the Group.

15. 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	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	12.5% – 20%

16. PREPAID LEASE PAYMENTS

	2017 *HK$'000*	2016 *HK$'000*
The Group's prepaid lease payments comprise leasehold land:		
– in the PRC	**19,554**	20,858
– in Vietnam	**4,872**	5,114
	24,426	25,972
Analysed for reporting purposes as:		
Non-current assets	**23,630**	25,157
Current assets	**796**	815
	24,426	25,972

17. INTANGIBLE ASSET

	Trademark *HK$'000*
COST	
At April 1, 2015, March 31, 2016 and **March 31, 2017**	774
AMORTISATION	
At April 1, 2015, March 31, 2016 and **March 31, 2017**	774
CARRYING VALUES	
At March 31, 2017	**–**
At March 31, 2016	–

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

18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at March 31, 2017 and 2016 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		Indirectly		Principal activities
				2017 %	2016 %	2017 %	2016 %	
Do Do Fashion Limited	Hong Kong	30,000,000 (2016: 10,000,000)	Ordinary	100	100	–	–	Garment trading
Sing Yang (Overseas) Limited	Hong Kong	100,000	Ordinary	100	100	–	–	Investment holding
Sing Yang Trading Limited	Hong Kong	15,000,000	Ordinary	100	100	–	–	Garment trading
Tungtex International Limited	Hong Kong	100,000	Ordinary	–	–	100	–	Garment trading
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)	RMB132,000,000 (2016: RMB122,000,000)	Registered capital	–	–	100	100	Garment manufacture/ retail
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$3,200,000 (2016: 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.

19. 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, 2015	(1,158)
Charge to profit or loss	(144)
At March 31, 2016	(1,302)
Charge to profit or loss	**(187)**
At March 31, 2017	**(1,489)**

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:

	2017 *HK$'000*	2016 *HK$'000*
Deferred tax assets	**86**	200
Deferred tax liabilities	**(1,575)**	(1,502)
	(1,489)	(1,302)

At March 31, 2017, the Group has unused tax losses of approximately HK$485 million (2016: HK$374 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 was reversed upon disposal and dissolution of subsidiaries. No deferred tax asset has been recognised in respect of the HK$485 million (2016: HK$374 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$261 million (2016: HK$170 million) that can be carried forward for one to five years and losses of approximately HK$124 million (2016: HK$118 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$11 million (2016: HK$13 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	37,045	46,315
Work in progress	34,816	42,632
Finished goods	68,154	103,533
	140,015	192,480

21. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	103,018	105,841
Bills receivables	18,320	24,720
Deposits, prepayments and other receivables	29,731	35,610
	151,069	166,171

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:

	2017 HK$'000	2016 HK$'000
Up to 30 days	78,085	77,820
31 – 60 days	25,745	33,871
61 – 90 days	13,523	11,696
More than 90 days	3,985	7,174
	121,338	130,561

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$83,555,000 (2016: HK$107,764,000) 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$37,783,000 (2016: HK$22,797,000) 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.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2017	2016
	HK$'000	*HK$'000*
Up to 30 days	**28,891**	11,907
31 – 60 days	**4,862**	7,735
61 – 90 days	**1,445**	668
More than 90 days	**2,585**	2,487
	37,783	22,797

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**351**	179
Renminbi ("RMB")	**–**	1
EURO ("EUR")	**857**	1
	1,208	181

22. 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.

	2017	2016
	HK$'000	*HK$'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 loans with recourse (see note 27). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

23. 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 0.0001% to 2.00% (2016: 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 0.0001% to 1.04% (2016: 0.001% to 3.40%) 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:

	2017 ***HK$'000***	2016 *HK$'000*
HK$	**84,747**	43,374
RMB	**11,455**	2,262
EUR	**521**	307
	96,723	45,943

24. TRADE AND OTHER PAYABLES

	2017 ***HK$'000***	2016 *HK$'000*
Trade and bills payables	**74,787**	97,701
Other payables, accrued charges and receipt in advance	**87,165**	82,870
	161,952	180,571

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:

	2017 ***HK$'000***	2016 *HK$'000*
Up to 30 days	**45,744**	57,583
31 – 60 days	**17,890**	27,808
61 – 90 days	**3,254**	5,221
More than 90 days	**7,899**	7,089
	74,787	97,701

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.

24. TRADE AND OTHER PAYABLES *(Continued)*

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

	2017 *HK$'000*	2016 *HK$'000*
HK$	14,260	16,733
RMB	800	418
EUR	28	1,012
	15,088	18,163

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2016 *HK$'000*
Amounts payable under finance leases:				
Within one year	–	7	–	7
Present value of lease obligations	–	7	–	7
Less: Amount due within one year shown under current liabilities			–	(7)
Amount due after one year			–	–

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% 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.

26. DERIVATIVE FINANCIAL INSTRUMENTS

As at March 31, 2016, 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

As at March 31, 2016, a fair value loss of HK$51,000 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.

27. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Floating-rate borrowings:		
Bank loans	38,830	26,572
Factoring loan with recourse	–	939
Trust receipts loans	31,960	21,017
Import trade loans	55,620	45,111
	126,410	93,639
Secured	105,478	74,496
Unsecured	20,932	19,143
	126,410	93,639
The carrying amounts of the above borrowings are repayable:		
Within one year	113,610	78,439
In more than one year but not exceeding two years	2,400	2,400
In more than two years but not exceeding five years	10,400	12,800
	126,410	93,639
Less:		
Amounts secured, due within one year, shown under current liabilities without repayment on demand clause	(2,400)	(2,400)
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	(90,278)	(56,896)
Amounts unsecured, due within one year, shown under current liabilities with repayment on demand clause	(20,932)	(19,143)
Amounts secured and without repayment on demand clause shown under non-current liabilities	12,800	15,200

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 2.09% to 5.66% (2016: 1.50% to 6.20%) per annum.

27. BANK BORROWINGS *(Continued)*

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

	2017 ***HK$'000***	2016 *HK$'000*
HK$	**33,886**	21,845
EUR	**1,516**	1,548
	35,402	23,393

28. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Issued and fully paid:		
At March 31, 2016 and April 1, 2015		
Ordinary shares with no par value	422,077,557	212,932
Issue of new ordinary shares by way of placing *(note)*	42,000,000	42,000
Transaction costs attributable to issue of new ordinary shares	–	(820)
At March 31, 2017		
Ordinary shares with no par value	464,077,557	254,112

Note: On March 24, 2017, the Company issued and allotted 42,000,000 ordinary shares by way of placing, at the placing price of HK$1.0 per placing share, raising gross and net proceeds of HK$42.0 million and approximately HK$41.2 million respectively.

29. 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 expired 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 is 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.

No options are granted or exercised for the period from April 1, 2016 to the date of expiry of the Scheme and the year ended March 31, 2016. At the date of expiry of the Scheme and March 31, 2016, no options were remained outstanding under the Scheme.

30. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$18,447,000 (2016: HK$23,174,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**8,565**	13,263
In second to fifth year inclusive	**2,840**	9,428
	11,405	22,691

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$4,082,000 (2016: HK$3,139,000). 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**3,173**	2,986
In second to fifth year inclusive	**2,250**	5,053
	5,423	8,039

31. DISPOSAL OF AN ASSOCIATE

During the year ended March 31, 2016, 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 in prior 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

32. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	–	126
– addition of construction in progress	–	628

33. 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:

	2017 HK$'000	2016 HK$'000
Prepaid lease payments	9,759	10,143
Buildings	8,221	10,213
Pledged bank deposits	96,000	96,000

34. 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$28,171,000 (2016: HK$27,429,000) represents contributions paid and payable to these schemes by the Group for the year ended March 31, 2017.

35. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2017 ***HK$'000***	2016 *HK$'000*
Short-term benefits	**9,615**	11,355
Post-employment benefits *(note)*	**67**	87
	9,682	11,442

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 9 and 34.

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.

36. LITIGATION

In December 2010, the adminstratrix of the estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) (the "Administratix") 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.

37. 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 27, 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 *HK$'000*	2016 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	451,988	425,757
Financial liabilities		
At FVTPL – Derivative financial instruments	–	51
Amortised cost	244,910	234,541
	244,910	234,592

38. FINANCIAL INSTRUMENTS *(Continued)*

(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.

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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**48,146**	38,578	**85,098**	43,554
RMB	**800**	418	**11,455**	2,263
EUR	**1,544**	2,560	**1,378**	308

There was no foreign currency forward contract as at March 31, 2017.

As at March 31, 2016, the derivative financial instruments of the Group represent foreign currency forward contracts with aggregate notional amount of EUR96,000. Details of which are set out in note 26. Upon the maturity of the foreign currency forward contracts, the Group buy USD amounting to USD103,000, in total.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

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 (2016: decrease in post-tax loss) for the year where USD strengthens against EUR by 5%, and vice versa; an increase in post-tax loss (2016: increase in post-tax loss) for the year where USD strengthens against RMB by 5%, and vice versa.

	RMB impact		EUR impact	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Increase) decrease in post-tax loss	**(445)**	(77)	**7**	94

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.

(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, 2017 and March 31, 2016. 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, 2017 and 2016, 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.

38. 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, 2017 and 2016, 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$764,000 (2016: loss for the year would decrease/increase by approximately HK$775,000).

Credit risk

As at March 31, 2017, 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 54% (2016: 59%) of the total trade receivables balance at March 31, 2017. The Group also has concentration of credit risk on its five largest customers which represent 34% (2016: 34%) of the total trade receivables balance and of which the largest customer represents 11% (2016: 14%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment retailing and are mainly 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.

38. 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 Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

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.

2017

	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$'000*	Carrying amount at March 31, 2017 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	100,771	17,558	171	–	118,500	118,500
Bank borrowings *(note)*							
– floating-rate	3.66	111,411	402	1,837	13,067	126,717	126,410
		212,182	17,960	2,008	13,067	245,217	244,910

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

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

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, 2017, the aggregate principal amounts of these bank loans amounted to HK$111,210,000 (2016: HK$76,039,000). 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$112,761,000 (2016: HK$76,855,000).

38. 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 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	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.

39. STATEMENT OF FINANCIAL POSITION

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		671	739
Investments in subsidiaries		59,313	55,168
Amount due from a subsidiary		164,185	198,953
Deferred tax assets		20	36
		224,189	254,896
Current assets			
Deposits and other receivables		1,010	1,697
Amounts due from subsidiaries		99,694	255,201
Pledged bank deposits		80,000	80,000
Bank balances and cash		69,691	25,448
		250,395	362,346
Current liabilities			
Other payables and accruals		3,167	3,779
Amounts due to subsidiaries		76,019	79,050
Bank borrowings		15,000	–
		94,186	82,829
Net current assets		156,209	279,517
Total assets less current liabilities		380,398	534,413
Capital and reserves			
Share capital		254,932	212,932
Retained profits	*(a)*	125,466	321,481
		380,398	534,413

Approved and authorised for issue by the Board of Directors on June 28, 2017 and are signed on its behalf by:

Benson Tung Wah Wing	**Martin Tung Hau Man**
DIRECTOR	*DIRECTOR*

39. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The retained profits of the Company at March 31, 2017 and 2016 are as follows:

	Retained profits
	HK$'000
At April 1, 2015	432,120
Loss and total comprehensive expense for the year	(106,418)
Dividend paid *(note 12)*	(4,221)
At March 31, 2016	321,481
Loss and total comprehensive expense for the year	**(196,015)**
At March 31, 2017	**125,466**

FINANCIAL SUMMARY

	For the year ended March 31,				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	1,476,055	1,372,616	1,283,034	1,047,486	**970,969**
(Loss) profit before tax	(13,012)	(76,069)	191,180	(65,528)	**(119,695)**
(Loss) profit for the year attributable to owners of the Company	(13,900)	(43,889)	197,578	(65,451)	**(119,638)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share – Basic	(4.0)	(10.7)	46.8	(15.5)	**(28.3)**

	As at March 31,				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	928,621	1,070,994	925,904	837,242	**757,571**
Total liabilities	(470,577)	(549,670)	(278,061)	(276,729)	**(290,563)**
	458,044	521,324	647,843	560,513	**467,008**
Equity attributable to owners of the Company	427,388	506,022	652,097	565,797	**473,111**
Non-controlling interests	30,656	15,302	(4,254)	(5,284)	**(6,103)**
	458,044	521,324	647,843	560,513	**467,008**

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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