TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2016

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 18.4% to HK$1,047.5 million

2. Loss for the year attributable to owners of the Company was HK$65.5 million

3. The Board of Directors does not recommend the payment of a final dividend

RESULTS

The Board of Directors is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2016 (the "year"), together with the comparative figures for the year ended March 31, 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**1,047,486**	1,283,034
Cost of sales		**(821,524)**	(1,024,700)
Gross profit		**225,962**	258,334
Other income and other gain		**5,326**	18,957
Decrease in fair value of investment property		**(568)**	(1,752)
Increase in fair value of assets classified as held for sale		**–**	9,512
Fair value changes on derivative financial instruments		**(157)**	106
Gain on disposal of assets classified as held for sale		**–**	211,216
Selling and distribution costs		**(136,220)**	(126,607)
Administrative expenses		**(159,026)**	(189,422)
Finance costs		**(2,601)**	(8,517)
Share of loss of associates		**–**	(456)
Gain on disposal of subsidiaries and associates	*12*	**1,756**	19,809
(Loss) profit before tax	*4*	**(65,528)**	191,180
Income tax expense	*5*	**(945)**	(650)
(Loss) profit for the year		**(66,473)**	190,530
(Loss) profit for the year attributable to:			
Owners of the Company		**(65,451)**	197,578
Non-controlling interests		**(1,022)**	(7,048)
		(66,473)	190,530
(Loss) earnings per share	*7*		
Basic and diluted *(HK cents)*		**(15.5)**	46.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At March 31, 2016

	Notes	March 31, 2016 HK$'000	March 31, 2015 HK$'000
Non-current assets			
Investment property		**7,260**	7,828
Property, plant and equipment		**161,651**	170,905
Prepaid lease payments		**25,157**	26,687
Intangible asset		**–**	–
Interest in an associate		**–**	202
Deferred tax assets		**200**	435
		194,268	206,057
Current assets			
Inventories		**192,480**	188,340
Trade and other receivables	*8*	**166,171**	181,569
Prepaid lease payments		**815**	828
Tax recoverable		**1,183**	866
Derivative financial instruments		**–**	106
Pledged bank deposits		**96,000**	116,000
Bank balances and cash		**186,325**	232,138
		642,974	719,847
Current liabilities			
Trade and other payables	*9*	**180,571**	200,146
Tax liabilities		**959**	1,701
Obligations under finance leases – due within one year		**7**	41
Derivative financial instruments		**51**	–
Bank borrowings		**78,439**	56,973
		260,027	258,861
Net current assets		**382,947**	460,986
Total assets less current liabilities		**577,215**	667,043
Non-current liabilities			
Bank borrowings		**15,200**	17,600
Deferred tax liabilities		**1,502**	1,593
Obligations under finance leases – due after one year		**–**	7
		16,702	19,200
		560,513	647,843
Capital and reserves			
Share capital	*10*	**212,932**	212,932
Reserves		**352,865**	439,165
Equity attributable to owners of the Company		**565,797**	652,097
Non-controlling interests		**(5,284)**	(4,254)
		560,513	647,843

Notes:

1. BASIS OF PREPARATION

The financial information presented above and notes thereto are extracted from the Group's consolidated financial statements and presented in accordance with Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board is responsible for the preparation of the Group's financial statements. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except that an investment property, certain financial assets and financial liabilities are stated at fair values.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, in accordance with the requirement of Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit".

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and revised HKFRSs issued but not yet effective

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

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

HKFRS 16 *Leases*

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

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION

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

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

Segment revenue and results

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

For the year ended March 31, 2016

	North America *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)**

For the year ended March 31, 2015

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

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

Geographical information

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

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

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

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

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

Information about major customers

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

4. (LOSS) PROFIT BEFORE TAX

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

5. INCOME TAX EXPENSE

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

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

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

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

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

6. DIVIDEND

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

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

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

7. (LOSS) EARNINGS PER SHARE

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

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

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

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

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

8. TRADE AND OTHER RECEIVABLES

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 United States Dollar, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

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

9. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period are as follows:

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

10. SHARE CAPITAL

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

11. CAPITAL COMMITMENTS

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

12. DISPOSAL OF AN ASSOCIATE

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

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (the "Meeting") will be held at Shanghai Room I, Level 8, Cordis, Hong Kong at Langham Place, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Friday, August 26, 2016 at 11:00 a.m. The Notice of the Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as members to attend and vote at the Meeting, the register of members of the Company will be closed as set out below:

For determining the qualification as members to attend and vote at the Meeting:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, August 22, 2016
Closure of register of members	Tuesday, August 23, 2016 to Friday, August 26, 2016 (both dates inclusive)
Record Date	Friday, August 26, 2016

During the above closure periods, no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the abovementioned latest time.

CHAIRMAN'S STATEMENT

Operating Results

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

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

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

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

Business Review

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

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

Prospects

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

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

ACKNOWLEDGEMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

CAPITAL EXPENDITURE

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

KEY PERFORMANCE INDICATORS ("KPI")

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

Percentage of consolidated cost of sales

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

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

Selling and distribution costs and administrative expenses

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

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

EBITDA

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

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

Operating loss

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

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

(Loss) profit before tax

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

(Loss) earnings per share

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

Inventory turnover days

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

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

Trade receivable turnover days

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

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

Please refer to this announcement for the detailed analysis of the KPI.

TREASURY POLICY

The Group continued to adopt prudent policies consistently to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD, while incomes from our retail business in China are denominated in RMB and a tiny portion destined for the European export markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB and the EUR exchange rate fluctuation may be significant, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

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

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended March 31, 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended March 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended March 31, 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

During the year ended March 31, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises four independent non-executive directors of the Company, has reviewed with management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended March 31, 2016.

CORPORATE GOVERNANCE

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

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended March 31, 2016.

PUBLICATION OF FINAL RESULTS AND REPORT

This results announcement is published on the Company's website (http://www.tungtex.com) and the Stock Exchange's website (http://www.hkexnews.hk). The Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

Benson Tung Wah Wing
Chairman

Hong Kong, June 27, 2016

As at the date of this announcement, the Executive Directors of the Company are Mr. Benson Tung Wah Wing (Chairman), Mr. Alan Lam Yiu On (Managing Director), Mr. Raymond Tung Wai Man, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man; the Non-Executive Directors are Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun; and the Independent Non-Executive Directors are Mr. Johnny Chang Tak Cheung, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim, Mr. Edwin Siu Pui Lap and Mr. Leslie Chang Shuk Chien.