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, 2015

FINANCIAL HIGHLIGHTS

1. Group revenue decreased by 6.5% to HK$1,283.0 million

2. Profit for the year attributable to owners of the Company was HK$197.6 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, 2015 (the "year"), together with the comparative figures for the year ended March 31, 2014 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**1,283,034**	1,372,616
Cost of sales		**(1,024,700)**	(1,145,888)
Gross profit		**258,334**	226,728
Other income and other gain		**18,957**	7,789
(Decrease) increase in fair value of investment properties		**(1,752)**	45,873
Increase in fair value of assets classified as held for sale		**9,512**	–
Fair value changes on derivative financial instruments		**106**	(333)
Gain on disposal of assets classified as held for sale		**211,216**	–
Selling and distribution costs		**(126,607)**	(119,400)
Administrative expenses		**(189,422)**	(226,469)
Finance costs		**(8,517)**	(7,591)
Share of loss of associates		**(456)**	(2,666)
Gain on disposal of subsidiaries and an associate	*13*	**19,809**	–
Profit (loss) before tax	*4*	**191,180**	(76,069)
Income tax (expense) credit	*5*	**(650)**	18,813
Profit (loss) for the year		**190,530**	(57,256)
Profit (loss) for the year attributable to:			
Owners of the Company		**197,578**	(43,889)
Non-controlling interests		**(7,048)**	(13,367)
		190,530	(57,256)
Earnings (loss) per share			
Basic and diluted *(HK cents)*	*7*	**46.8**	(10.7)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2015

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year	**190,530**	(57,256)
Other comprehensive (expenses) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
– exchange differences arising during the year	**(1,158)**	6,457
– reclassification adjustments relating to foreign operations disposed of during the year	**554**	–
	(604)	6,457
Items that will not be reclassified to profit or loss:		
Transfer of property, plant and equipment to investment properties:		
– revaluation surplus	**–**	65,313
– deferred tax charges	**–**	(10,777)
Reclassification of investment properties to assets classified as held for sale:		
– deferred tax credit	**–**	11,988
	–	66,524
Other comprehensive (expenses) income for the year	**(604)**	72,981
Total comprehensive income for the year	**189,926**	15,725
Total comprehensive income (expenses) for the year attributable to:		
Owners of the Company	**196,724**	29,079
Non-controlling interests	**(6,798)**	(13,354)
	189,926	15,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2015

	Notes	**March 31, 2015 HK$'000**	March 31, 2014 HK$'000
Non-current assets			
Investment properties		**7,828**	9,580
Property, plant and equipment		**170,905**	182,017
Prepaid lease payments		**26,687**	27,886
Intangible assets		**–**	–
Interests in associates		**202**	658
Deferred tax assets		**435**	28
		206,057	220,169
Current assets			
Inventories		**188,340**	201,318
Trade and other receivables	8	**181,569**	238,726
Prepaid lease payments		**828**	534
Amount due from an associate		**–**	634
Tax recoverable		**866**	1,721
Derivative financial instruments		**106**	–
Pledged bank deposits		**116,000**	–
Bank balances and cash		**232,138**	151,837
		719,847	594,770
Assets classified as held for sale	12	**–**	256,055
		719,847	850,825
Current liabilities			
Trade and other payables	9	**200,146**	237,755
Tax liabilities		**1,701**	259
Obligations under finance leases – due within one year		**41**	91
Derivative financial instruments		**–**	333
Bank borrowings		**56,973**	249,137
		258,861	487,575
Net current assets		**460,986**	363,250
Total assets less current liabilities		**667,043**	583,419
Non-current liabilities			
Bank borrowings		**17,600**	58,549
Deferred tax liabilities		**1,593**	3,449
Obligations under finance leases – due after one year		**7**	97
		19,200	62,095
		647,843	521,324
Capital and reserves			
Share capital	10	**212,932**	212,932
Reserves		**439,165**	293,090
Equity attributable to owners of the Company		**652,097**	506,022
Non-controlling interests		**(4,254)**	15,302
		647,843	521,324

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 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 and the new Interpretation that are mandatorily effective for the current year

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the amendments to HKFRSs and the new Interpretation in the current year have had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have significant financial assets and financial liabilities for offset.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
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 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after July 1, 2014.
2 Effective for annual periods beginning on or after July 1, 2014, with limited exception.
3 Effective for annual periods beginning on or after January 1, 2016.
4 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.
5 Effective for annual periods beginning on or after January 1, 2017.
6 Effective for annual periods beginning on or after January 1, 2018.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, 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.

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, 2015

	North America	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 properties				**(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**

For the year ended March 31, 2014 (restated) (note)

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	997,884	264,746	109,986	1,372,616
SEGMENT LOSS	(31,076)	(21,571)	(911)	(53,558)
Unallocated income				7,456
Unallocated expenses				(65,250)
Increase in fair value of investment properties				45,873
Fair value changes on derivative financial instruments				(333)
Finance costs				(7,591)
Share of loss of associates				(2,666)
Loss before tax				(76,069)

Note: In current year, the Group reviewed the revenue analysis of North America as a whole for the purposes of resource allocation and assessment of performance. As a result, the comparative information for the year ended March 31, 2014 has been restated by combining the United States of America (the "USA") and Canada in North America to conform with current year's presentation.

Segment profits (loss) represents the profits (loss) earned (expensed) by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, (decrease) increase in fair value of investment properties, 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 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.

Geographical information

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

	2015 *HK$'000*	2014 *HK$'000*
The USA	**779,918**	941,874
The PRC	**256,204**	238,148
United Kingdom	**59,842**	51,248
Other European countries	**32,684**	23,318
Canada	**88,247**	56,010
Hong Kong	**19,122**	13,706
Others	**47,017**	48,312
	1,283,034	1,372,616

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:

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**2,696**	10,814
The PRC	**166,632**	173,177
The USA	**180**	289
Others	**35,912**	35,203
	205,420	219,483

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

Information about major customers

For the year ended March 31, 2015, there is one (2014: one) external customer in North America operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$148 million (2014: HK$223 million).

4. PROFIT (LOSS) BEFORE TAX

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging (crediting):		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	**344,070**	358,683
Contributions to retirement benefit schemes	**25,803**	16,762
Total employee benefits expenses	**369,873**	375,445
Auditor's remuneration		
– audit service	**1,689**	1,844
– non-audit service	**816**	749
Cost of inventories recognised as an expense	**1,024,700**	1,145,888
Amortisation of prepaid lease payments	**828**	752
Depreciation of property, plant and equipment	**20,744**	23,465
Depreciation of assets classified as held for sale	**209**	–
Loss on disposal of property, plant and equipment	**2,545**	1,234
Net exchange (gain) loss	**(1,688)**	8,436

5. INCOME TAX EXPENSE (CREDIT)

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**906**	6
The PRC	**2,025**	1,252
Other jurisdictions	**–**	34
	2,931	1,292
Overprovision in prior years	**–**	(77)
	2,931	1,215
Deferred taxation	**(2,281)**	(20,028)
	650	(18,813)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

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

6. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2015 special of HK12 cents (2014: nil) per share	**50,649**	–
2013 final special of HK1 cent per share	**–**	4,221
	50,649	4,221

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2015 (2014: nil).

7. EARNINGS (LOSS) PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company	**197,578**	(43,889)

	2015	2014
Number of ordinary shares in issue during the year for the purposes of basic and diluted earnings (loss) per share	**422,077,557**	409,550,141

The calculation of basic and diluted earnings (loss) per share for the year ended March 31, 2015 and 2014 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding years.

During the year ended March 31, 2014, the Group had issued 70,346,259 rights shares at HK$0.80 per rights issue with details noted in the note 10. There is no adjustment on the Group's basic and diluted earnings (loss) per share as there is no bonus element in the rights issue.

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:

	2015	2014
	HK$'000	*HK$'000*
Up to 30 days	**86,974**	121,753
31 – 60 days	**46,062**	35,421
61 – 90 days	**9,195**	31,346
More than 90 days	**4,317**	5,901
	146,548	194,421

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:

	2015	2014
	HK$'000	*HK$'000*
Up to 30 days	**62,998**	74,472
31 – 60 days	**31,130**	40,321
61 – 90 days	**5,040**	9,568
More than 90 days	**8,242**	7,990
	107,410	132,351

10. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised	500,000,000	100,000
At March 31, 2015 and March 31, 2014	N/A *(Note 1)*	N/A *(Note 1)*
Issued and fully paid:		
At April 1, 2013		
Ordinary shares of HK$0.20 each	351,731,298	70,346
Issue of new ordinary shares under rights issue *(Note 2)*	70,346,259	14,069
Transfer from share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance effective on March 3, 2014 *(Note 1)*	–	128,517
At March 31, 2015 and March 31, 2014		
Ordinary shares with no par value	**422,077,557**	**212,932**

Note 1: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

Note 2: On May 31, 2013, the rights issue became unconditional. On June 4, 2013, share certificates of 70,346,259 fully-paid rights shares were dispatched at a subscription price of HK$0.80 per rights share, on the basis of one rights share for every five shares. The cash proceeds of approximately HK$56.3 million, before share issue expenses of HK$2.5 million, are used for increasing the Group's factory capacities in Vietnam and the PRC, and for general working capital of the Group. The rights shares rank pari passu in all respects with the then existing shares in issue.

11. CAPITAL COMMITMENTS

	2015	2014
	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	**109**	308
– addition of construction in progress	**2,610**	–

12. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

13. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

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

Analysis of assets and liabilities over which control was lost:

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

DIVIDEND

Following the completion of sale of Tungtex Building, the Company paid a special dividend of HK12 cents per share, amounting to HK$50.6 million in February 2015.

In view of the operating loss incurred, the Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2015 (2014: nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (the "Meeting") will be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Friday, August 28, 2015 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:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, August 25, 2015
Closure of register of members	Wednesday, August 26, 2015 to Friday, August 28, 2015 (both dates inclusive)
Record Date	Friday, August 28, 2015

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, 2015, which remained to be a year of challenge and also an important year of structural reform to the Group.

In the fiscal year ended March 31, 2015, the global macro-economic performance was mixed and economic recovery was slow in general. Overseas demands for fashion apparel was still under pressure, undermining the export sales and the profit margin in our industry. In mainland China, uptrend in wages and operating costs prevailed, while the economic slowdown and weak consumer spending impacted adversely the retail business environment. The Group scaled down, disposed and reshuffle certain business units and factories with continuous loss to improve its structural cost effectiveness. As a result, the Group's gross margin increased to 20.1% as compared to 16.5% of last fiscal year.

In the second half of the fiscal year, the Group disposed of its 60% equity interest in the Disposal Group, in order to stem the continuing operating loss incurred by them and to streamline the corporate structure of the Group, realizing a gain on such disposal of approximately HK$19.8 million. Strategically, the Group disposed of Tungtex Building located in Kwun Tong following the ordinary resolution in respect of the disposal passed at the extraordinary general meeting in November 2014, and realized a gain on such disposal of approximately HK$211.2 million. In the first half of the year, the Group also disposed of a self-used industrial property, a property unit in Mow Hing Factory Building located in Kwun Tong, realizing a gain on such disposal of approximately HK$12.3 million which was recorded in other income and other gain of the Group.

For the year ended March 31, 2015, total turnover of the Group declined by 6.5% to HK$1,283.0 million. The Group recorded a profit attributable to owners of the Company and earnings per share of HK$197.6 million and HK46.8 cents respectively, as compared to a loss attributable to owners of the Company and loss per share of HK$43.9 million and HK10.7 cents respectively for the last fiscal year.

Business Review

The United States' economy gradually regained its foothold in the year under review. Demand for fashion apparel products manufactured in China was affected by the increasing competition from other Asian export countries. In euro zone, economic growth was mild while consumer confidence remained very weak. Depreciation in Euro currency also decreased the purchasing power of the euro zone buyers. In the fiscal year ended March 31, 2015, the Group's turnover declined by 6.5% to HK$1,283.0 million from that of last fiscal year. In terms of geographical segment, sales to North America declined by 13.0% to HK$868.2 million, representing 67.7% of the Group's turnover. Total sales to Europe and other markets increased by 12.0% to HK$123.2 million, accounted for 9.6% of the Group's turnover, mainly attributable to the growth in the United Kingdom and the Netherlands market. Total sales to Asia increased by 10.2% to HK$291.7 million, representing 22.7% of the Group's turnover.

In China, the economy was losing momentum since the third quarter of 2014, growing at its slowest pace since the first quarter of 2009. Economic activities were in the transition stage of realignment and consumption sentiment became weak. Attributable to the strenuous effort of the dedicated team and the increasing on-line sales through the e-commerce platforms, the Group recorded a growth of 9.8% in the retail sales in mainland China, which accounted for 19.5% of the Group's turnover for the fiscal year under review. At the mean time, to strive for profitability improvement and to better allocate resources among different platforms of distribution channels, the Group strategically closed a number of poor performers in the fiscal year. At the end of the fiscal year, the numbers of self-managed and franchised stores were 133 and 159 respectively.

Prospects

Facing the headwind and challenge ahead, structural streamlining and internal reorganization of business units are essential and will continue in the Group in the short term to overcome the current adversities and improve competitiveness. Riding on the gradual increase of the production capacities of the new factories set up in Vietnam and Dongguan of mainland China, the Group will strengthen the product design and development capability, widen the product range and perform stringent cost control and operating efficiency enhancement.

In China, 2015 is a year of new economic development stage which Chinese government named it as the "New Normal" stage. It is a clear market expectation that interest rate cut and lowering in reserve requirement ratio will prevail for a period in order to stabilize the deceleration in economic growth. Under such economic circumstance, it is expected that consumer spending atmosphere will remain weak in general and retail market will remain acutely competitive. The Group will further the focused progress of improving profitability by controlling the retail discount, replacing under-performed self-managed stores and franchised stores and enlarging the online selling platforms. As at the report date, there are 130 self-managed stores and 108 franchised stores in operation. Nevertheless, the Group is keen on searching for new opportunities in this New Normal era in China market.

Looking ahead, the current economic growth paces and monetary policies of the United States, Euro zone and China are becoming divergent in direction. Against such backdrop, the outlook of global business condition and consumption sentiment is gloomy. While our structural reform and streamlining process are still ongoing, there is no clue to predict the recovery of the demand of fashion apparel products in our major markets. Taking into account of the above outlook and the operating losses for the past years, we consider to explore investment opportunities to diversify our product group and business group with a view to broaden revenue base and achieve a better return to the shareholders of the Company.

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 to the Group. Last but not least, I would like to extend my grateful appreciation to all fellow directors for their valuable guidance and support.

MANAGEMENT DISCUSSION AND ANALYSIS

Affected by the negative factors including the global slow economic recovery and weak consumer spending, increasing competition from Asian counties other than China for manufacture and export of fashion apparel to major markets in North America and Euro zone, and the Group's strategic scaling down, disposal or cessation of certain business units and factories with continuous loss, the Group's turnover for the fiscal year decreased by 6.5% to HK$1,283.0 million. Geographically, the decline in the Group's turnover comprised of the combined effect of decrease of 13.0% in export sales to North America segment and increase of 12.0% in export sales to Europe and others segment. Meanwhile, total sales in Asia segment increased by 10.2%. The pre-tax profit contribution from North America segment was HK$13.5 million, as compared to a segment loss of HK$31.1 million of last fiscal year. The pre-tax profit contribution from Europe and other markets segment was HK$6.5 million, as compared to a segment loss of HK$0.9 million of last fiscal year. The pre-tax segment loss from Asia segment decreased to HK$13.1 million, as compared to a segment loss of HK$21.6 million of last fiscal year.

During the fiscal year, labor costs and manufacturing costs continued to increase in China and other Asian countries. The Group was still facing the challenge of elevated operating costs which could not be substantially shifted to our customers. However, thanks to the structural reshuffle of non-performing business units and factories with continuous loss, and the persistent cost control, the percentage of consolidated cost of sales decreased to 79.9% from 83.5% of last fiscal year.

Due to the increased salesmen wages and store rental rate, coupled with the increase in expenditure for advertising, promotional and marketing activities for the growth of the Group's retail business in China, selling and distribution costs of the Group increased by 6.0% to HK$126.6 million as compared to that of last fiscal year. Thanks to the structural streamlining and the reshuffle of business units, and the stern discipline in managing operating costs, administrative expenses decreased by 16.4% to HK$189.4 million as compared to that of last year. Due to the increased short-term bank borrowings for operational needs for the period before receiving the majority of sale proceeds upon completion of the sale of Tungtex Building in January 2015, finance costs increased by 12.2% to HK$8.5 million.

The Group recorded an operating loss before interest and tax of HK$51.1 million for the fiscal year as compared to an operating loss before interest and tax of HK$111.4 million of last fiscal year. The Group recorded a profit attributable to owners of the Company and earnings per share of HK$197.6 million and HK46.8 cents respectively, as compared to a loss attributable to owners of the Company and loss per share of HK$43.9 million and HK10.7 cents respectively for the last fiscal year.

Disposal of Tungtex Building

On November 17, 2014, an extraordinary general meeting was held and the ordinary resolution in respect of the disposal of Tungtex Building located in Kwun Tong was then passed. The Group realized a gain on the disposal before taxation of approximately HK$211.2 million. The Group considers that the disposal is a good opportunity to yield a reasonable gain and generate flexibility in cash flow with additional working capital. Details of the disposal was stated in the circular to shareholders of the Company dated October 30, 2014.

Disposal of 60% Interest in Golden Will

On August 6, 2014, a subsidiary of the Group entered into an agreement in respect of the disposal of its 60% equity interest in the Disposal Group. The Group realized a gain on the disposal of approximately HK$19.8 million. Subsequently, the disposal was completed on November 20, 2014. The Group considers that the disposal is a good opportunity for the Group to stem the continuing operating loss incurred by the Disposal Group, to streamline the corporate structure of the Group and to yield a reasonable gain. After the disposal of the Disposal Group, flexibility in cash flow was generated with additional working capital provided to the Group. Details of the disposal was stated in the announcement to shareholders of the Company dated November 20, 2014.

CAPITAL EXPENDITURE

During the fiscal year, the Group incurred approximately HK$16.2 million capital expenditure as compared to approximately HK$84.7 million of the last fiscal year. Such capital expenditure mainly represented the investment of production facilities in the factories in Vietnam and Dongguan of mainland China, and regular replacement and upgrading of production facilities of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position continued to be prudently monitored and precisely managed throughout the fiscal year. At the end of the fiscal year, the Group's cash level was recorded at HK$348.1 million (of which HK$116.0 million was pledged bank deposits) as compared to HK$151.8 million of last year. Most of the bank balance was placed in USD, HKD and RMB short term deposits with major banks. Total bank borrowings of HK$74.6 million, which were denominated in USD, HKD and RMB, consisted of HK$57.0 million short-term bank borrowings and HK$17.6 million long-term bank borrowings. The gearing ratio (total bank borrowings to total equity) was 11.5%. 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 decreased from last year's 52 days to 42 days, while inventory turnover remained at 54 days, same as that of last fiscal year. Thanks to the improved operating results, the gain on disposal of assets classified as held for sale and the gain recognized on disposal of subsidiaries and associate, current ratio and quick ratio increased from last fiscal year's 1.7 and 0.8 to 2.8 and 2.1 respectively.

At the end of the fiscal year, certain land and buildings with an aggregate net book value of approximately HK$23.4 million (2014: HK$25.1 million) were pledged to banks to secure general banking facilities granted to the Group.

Use of Net Proceeds from Rights Issue in 2013

In early June of 2013, the Company raised net proceeds of approximately HK$53.8 million by issuing 70,346,259 new ordinary shares of HK$0.20 each on the basis of one rights share for every five shares held on May 9, 2013 at a subscription price of HK$0.80 per rights share. Up to the end of the fiscal year, the actual use of net proceeds from the rights issue was summarized as follows: (i) approximately HK$27.0 million was applied to increase the Group's factory capacities and facilities in Vietnam and Dongguan of mainland China; and (ii) approximately HK$26.8 million was utilized for general working capital of 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 79.9% (2014: 83.5%). The comparison of percentage of consolidated cost of sales is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**1,283,034**	1,372,616
Cost of sales	**(1,024,700)**	(1,145,888)
Percentage of consolidated cost of sales	**79.9%**	83.5%

Selling and distribution costs and administrative expenses

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

	2015	2014	Changes
	HK$'000	*HK$'000*	*%*
Selling and distribution costs	**126,607**	119,400	6.0%
Administrative expenses	**189,422**	226,469	(16.4%)

EBITDA

The EBITDA for the fiscal year improved to HK$221.5 million (2014: negative EBITDA of HK$44.3 million). The comparison of EBITDA is as follows:

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year	**190,530**	(57,256)
Add:		
Finance costs	**8,517**	7,591
Income tax expense (credit)	**650**	(18,813)
Depreciation	**20,953**	23,465
Amortisation	**828**	752
EBITDA	**221,478**	(44,261)

Operating loss

The Group incurred an operating loss before interest and tax of HK$51.1 million for the fiscal year (2014: HK$111.4 million), representing a decrease of 54.1% compared to last year.

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) before tax	**191,180**	(76,069)
Less:		
(Decrease) increase in fair value of investment properties	**(1,752)**	45,873
Increase in fair value of assets classified as held for sale	**9,512**	-
Fair value changes on derivative financial instruments	**106**	(333)
Gain on disposal of assets classified as held for sale	**211,216**	–
Gain on disposal of a property	**12,320**	–
Finance costs	**(8,517)**	(7,591)
Share of loss of associates	**(456)**	(2,666)
Gain on disposal of subsidiaries and an associate	**19,809**	–
Operating loss before interest and tax	**(51,058)**	(111,352)

Profit (loss) before tax

Profit before tax for the fiscal year is HK$191.2 million (2014: loss before tax of HK$76.1 million).

Earnings (loss) per share

The Group's earnings per share for the fiscal year improved to HK46.8 cents (2014: loss per share of HK10.7 cents).

Inventory turnover days

Inventory turnover days remained 54 days for the year ended March 31, 2015 (2014: 54 days). The comparison of inventory turnover days is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**1,283,034**	1,372,616
Inventory as at March 31	**188,340**	201,318
Inventory turnover days	**54 days**	54 days

Trade receivable turnover days

Trade receivable turnover days decreased by 10 days to 42 days for the year (2014: 52 days). The comparison of trade receivable turnover days is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**1,283,034**	1,372,616
Trade and bills receivables as at March 31	**146,548**	194,421
Trade receivable turnover days	**42 days**	52 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

During the fiscal year, the Group scaled down, disposed and reshuffle certain business units and factories. As at March 31, 2015, the Group has approximately 4,700 employees globally, as compared to 5,600 as at March 31, 2014. 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, 2015 and 2014 included in this preliminary announcement of annual results 2015 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, 2014 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, 2015 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.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

Following the coming into effect of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Board of Directors has proposed to adopt a new set of Articles of Association of the Company (the "New Articles") in response to the changes introduced by the new ordinance and to address other ancillary matters. Shareholders' approval will be sought at the Meeting on the adoption of the New Articles. The circular for the Meeting will contain details of the proposed special resolution and will be dispatched to the shareholders together with the Annual Report and posted on the websites of the Company and Hong Kong Exchange and Clearing Limited.

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

During the year ended March 31, 2015, 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, 2015.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2015, 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, 2015.

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 26, 2015

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.