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, 2017

RESULTS

The audited consolidated results of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended March 31, 2017 (the "year"), together with the comparative figures for the year ended March 31, 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended March 31, 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**970,969**	1,047,486
Cost of sales		**(815,034)**	(821,524)
Gross profit		**155,935**	225,962
Other income and other gain		**7,621**	5,326
Decrease in fair value of investment property		**(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		**(3,301)**	(2,601)
Gain on disposal of an associate		**–**	1,756
Loss before tax	*4*	**(119,695)**	(65,528)
Income tax expense	*5*	**(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	*7*		
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		**7,068**	7,260
Property, plant and equipment		**114,141**	161,651
Prepaid lease payments		**23,630**	25,157
Intangible asset		**–**	–
Deferred tax assets		**86**	200
		144,925	194,268
Current assets			
Inventories		**140,015**	192,480
Trade and other receivables	*8*	**151,069**	166,171
Prepaid lease payments		**796**	815
Tax recoverable		**554**	1,183
Pledged bank deposits		**96,000**	96,000
Bank balances and cash		**224,212**	186,325
		612,646	642,974
Current liabilities			
Trade and other payables	*9*	**161,952**	180,571
Tax liabilities		**626**	959
Obligations under finance leases – due within one year		**–**	7
Derivative financial instruments		**–**	51
Bank borrowings		**113,610**	78,439
		276,188	260,027
Net current assets		**336,458**	382,947
Total assets less current liabilities		**481,383**	577,215
Non-current liabilities			
Bank borrowings		**12,800**	15,200
Deferred tax liabilities		**1,575**	1,502
		14,375	16,702
		467,008	560,513
Capital and reserves			
Share capital	*10*	**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

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 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 Interests 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 Transaction[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

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.

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. 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	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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)**

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)

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.

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	2016
	HK$'000	*HK$'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.

4. LOSS BEFORE TAX

	2017	2016
	HK$'000	*HK$'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

5. INCOME TAX EXPENSE

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

6. DIVIDEND

	2017	2016
	HK$'000	*HK$'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).

7. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'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.

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:

	2017	2016
	HK$'000	*HK$'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

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:

	2017	2016
	HK$'000	*HK$'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

10. 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.

11. 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

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2017 (2016: 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 25, 2017 at 11:00 a.m. The Notice of the Meeting will be published and despatched 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 Friday, August 18, 2017
Closure of register of members	Monday, August 21, 2017 to Friday, August 25, 2017 (both days inclusive)
Record Date	Monday, August 21, 2017

During the above closure period, 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

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 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 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.

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, 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 assets, 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.

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	2016
	HK$'000	*HK$'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	2016	%
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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.

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.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended March 31, 2017 and 2016 included in this preliminary announcement of annual results 2017 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 consolidated financial statements for the year ended March 31, 2016 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 consolidated financial statements for the year ended March 31, 2017 to the Registrar of Companies 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, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, has reviewed with management and the Group's external auditor, the accounting principles and practices adopted by the Group and discussed risk management and internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended March 31, 2017.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2017, the Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the deviation set out below:

Code Provision A.2.1 of the CG 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, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended March 31, 2017.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.tungtex.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The Annual Report containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

For and on behalf of the Board
Tungtex (Holdings) Company Limited
同得仕（集團）有限公司
Benson Tung Wah Wing
Chairman and Managing Director

Hong Kong, June 28, 2017

As at the date of this announcement, the executive directors of the Company are Mr. Benson Tung Wah Wing, Mr. Raymond Tung Wai Man, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man; and independent non-executive directors are Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Leslie Chang Shuk Chien.