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, 2018

RESULTS

The audited consolidated results of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended March 31, 2018 (the "year"), together with the comparative figures for the year ended March 31, 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended March 31, 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	3	**998,070**	970,969
Cost of sales		**(780,140)**	(815,034)
Gross profit		**217,930**	155,935
Other income and other gain		**5,909**	7,621
Increase in fair value of held for trading investments		**19,992**	–
Gain on sales of held for trading investments		**688**	–
Increase (decrease) in fair value of investment properties		**7,383**	(192)
Fair value changes on derivative financial instruments		**–**	51
Selling and distribution costs		**(129,702)**	(130,453)
Administrative expenses		**(159,523)**	(149,356)
Finance costs		**(5,024)**	(3,301)
Loss before tax	4	**(42,347)**	(119,695)
Income tax expenses	5	**(4,964)**	(762)
Loss for the year		**(47,311)**	(120,457)
Loss for the year attributable to:			
Owners of the Company		**(46,546)**	(119,638)
Non-controlling interests		**(765)**	(819)
		(47,311)	(120,457)
Loss per share	7		
Basic and diluted *(HK cents)*		**(10.0)**	(28.3)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(47,311)**	(120,457)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
– exchange differences arising during the year	**22,201**	(14,228)
Reclassification adjustments from foreign currencies translation reserves:		
– release upon liquidation of a subsidiary	**3,206**	–
Items that will not be reclassified to profit or loss:		
Gain on revaluation of a property transferred from property, plant and equipment to investment property, net of deferred tax	**24,690**	–
Other comprehensive income (expense) for the year	**50,097**	(14,228)
Total comprehensive income (expense) for the year	**2,786**	(134,685)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**3,151**	(133,866)
Non-controlling interests	**(365)**	(819)
	2,786	(134,685)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**50,405**	7,068
Property, plant and equipment		**99,014**	114,141
Prepaid lease payments		**23,879**	23,630
Intangible asset		**–**	–
Deferred tax assets		**50**	86
		173,348	144,925
Current assets			
Inventories		**182,246**	140,015
Trade and other receivables	8	**169,365**	151,069
Prepaid lease payments		**801**	796
Held for trading investments		**39,540**	–
Tax recoverable		**566**	554
Pledged bank deposits		**116,912**	96,000
Bank balances and cash		**109,454**	224,212
		618,884	612,646
Asset classified as held for sale		**7,965**	–
		626,849	612,646
Current liabilities			
Trade and other payables	9	**179,135**	161,952
Tax liabilities		**326**	626
Bank borrowings		**135,532**	113,610
		314,993	276,188
Net current assets		**311,856**	336,458
Total assets less current liabilities		**485,204**	481,383
Non-current liabilities			
Bank borrowings		**10,400**	12,800
Deferred tax liabilities		**6,819**	1,575
		17,219	14,375
		467,985	467,008
Capital and reserves			
Share capital	10	**254,112**	254,112
Reserves		**222,150**	218,999
Equity attributable to owners of the Company		**476,262**	473,111
Non-controlling interests		**(8,277)**	(6,103)
		467,985	467,008

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 consolidated financial statements. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention except that an investment property, asset classified as held for sale, 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the 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 except for the addition disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs and the new interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and the new interpretations 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]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 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, 2021

The directors of the Company anticipate that the application of these new and amendments to HKFRSs and the new interpretations will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

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, 2018

	North America *HK$'000*	**Asia** *HK$'000*	**Europe and others** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
Sales of goods – external	**520,773**	**447,712**	**29,585**	**998,070**
SEGMENT (LOSS) PROFIT	**(31,730)**	**5,193**	**(1,518)**	**(28,055)**

	North America HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
Increase in fair value of held for trading investments				**19,992**
Gain on sales of held for trading investments				**688**
Increase in fair value of investment properties				**7,383**
Finance costs				**(5,024)**
Unallocated income				**5,909**
Unallocated expenses				**(43,240)**
Loss before tax				**(42,347)**

For the year ended March 31, 2017

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

Segment (loss) profit represents the (loss expensed) profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, change in fair value of held for trading investments, change in fair value of investment property, gain on sales of held for trading investments, change in fair value of derivative financial instruments, 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"), European countries and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2018	2017
	HK$'000	*HK$'000*
The USA	**360,229**	411,483
The PRC	**425,690**	363,745
Canada	**160,544**	108,880
Hong Kong	**17,001**	25,627
European countries	**23,292**	45,173
Others	**11,314**	16,061
	998,070	970,969

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**2,485**	2,996
The PRC	**143,153**	113,062
Others	**27,660**	28,781
	173,298	144,839

Note: Non-current assets excluded deferred tax assets.

Information about major customers

For the year ended March 31, 2018, there is one external customer in North America operating segment (2017: Nil) who contributed over 10% of the total sales of the Group. Its contribution was approximately HK$126 million (2017: HK$95 million).

4. LOSS BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	**510**	616
Other emoluments	**8,969**	9,615
Contributions to retirement benefit schemes	**82**	67
	9,561	10,298
Other employee benefits expenses:		
Salaries, allowances and bonus	**261,981**	297,255
Contributions to retirement benefit schemes	**32,297**	28,104
Total employee benefits expenses	**303,839**	335,657
Auditor's remuneration		
– Audit service	**711**	1,430
– Non-audit services	**694**	540
Cost of inventories recognised as an expense (including allowance for inventories of HK$9,984,000 (2017: HK$39,772,000))	**780,140**	815,034
Amortisation of prepaid lease payments	**801**	796
Depreciation of property, plant and equipment	**19,181**	19,543
Loss (gain) on disposal of property, plant and equipment	**100**	(2,769)
Net exchange (gain) loss	**(32)**	299
Loss on liquidation of a subsidiary	**3,032**	–

5. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**159**	488
The PRC	**878**	87
	1,037	575
PRC withholding tax on dividend distribution	**828**	–
	1,865	575
Deferred taxation	**3,099**	187
	4,964	762

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

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%. Further, 5% withholding income tax is generally imposed on dividends relating to profits earned by PRC entities that are owned by non-PRC entities within the Group.

6. DIVIDEND

No dividend was paid, declared or proposed during the year ended March 31, 2018, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended March 31, 2018.

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2018 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(46,546)**	(119,638)

	2018	2017
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**464,077,557**	422,883,036

No diluted loss per share is presented as there was no potential dilutive ordinary share outstanding for the year ended March 31, 2018 and 2017.

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:

	2018	2017
	HK$'000	*HK$'000*
Up to 30 days	**72,976**	78,085
31 – 60 days	**39,137**	25,745
61 – 90 days	**5,566**	13,523
More than 90 days	**8,372**	3,985
	126,051	121,338

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:

	2018	2017
	HK$'000	*HK$'000*
Up to 30 days	**57,557**	45,744
31 – 60 days	**12,065**	17,890
61 – 90 days	**7,377**	3,254
More than 90 days	**3,986**	7,899
	80,985	74,787

10. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
At April 1, 2016		
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 and March 31, 2018		
Ordinary shares with no par value	**464,077,557**	**254,112**

Note: On March 24, 2017, the Company issued and allocated 42,000,000 ordinary shares by way of placing, at the placing price of HK$1.00 per placing share, raising gross and net proceeds of HK$42.0 million and approximately HK$41.2 million respectively.

11. CAPITAL COMMITMENTS

	2018	2017
	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	**369**	–

FINAL DIVIDEND

No dividend was paid, declared or proposed during the year ended March 31, 2018, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended March 31, 2018.

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2018 (2017: 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 31, 2018 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 24, 2018
Closure of register of members	Monday, August 27, 2018 to Friday, August 31, 2018 (both days inclusive)
Record Date	Monday, August 27, 2018

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

During the year ended March 31, 2018 (the "Year"), the Group's performance improved with reduction in net loss amidst challenging operating environment. The Group's revenue for the Year increased by 2.8 per cent year-on-year to approximately HK$998.1 million. During the Year, the Group registered a gross profit of HK$217.9 million, with a gross profit margin of 21.8 per cent, which was 5.7 percentage point higher than that of the previous year. As a result of the Group's strenuous efforts in cost control and optimization of resources, and after taking into consideration of increases in fair values of held for trading investments and investment properties, the Group's loss before tax was trimmed by 64.6 per cent to HK$42.3 million.

Business Review

During the Year, the United States (the "US") gross domestic product ("GDP") increased at rates of 1.2 per cent, 3.1 per cent and 3.2 per cent in the first three quarters of 2017 calendar year respectively, demonstrating a healthy momentum. This was the first time since 2014 that the economic growth of the US economy enjoyed more than 3 per cent growth for two consecutive quarters. The US unemployment rate fell to 4.1 per cent last year, reaching the lowest level for the past 17 years.

Despite steady recovery of the US economy, the demand for the Group's fashion products was hampered by a return of locally manufactured garments in the US and rapidly changing consumer preference in design and materials. Such challenges, signified by rapid and shortened fashion cycle with smaller order amount and shorter lead time, resulted in the retreat in total fashion consumption amount, undermining the economic benefit of operation scale and affecting the profit margin of fashion garment manufacturers. Apparel sales in the US dropped by two per cent in 2017 to US$215 billion, according to NPD Group, a market research company. A combination of the aforementioned factors contributed to a 12.5 per cent year-on-year decline in the Group's revenue generated from the US market to approximately HK$360.2 million.

Across the northern border of the US, Canada maintained a relatively strong household spending, supported by a healthy job market. The Group's sales to the country during the Year improved by 47.5 per cent year-on-year, and amounted to approximately HK$160.5 million, making it the third single largest market of the Group.

In the Eurozone, mature European economies experienced a gradual but slow pick up during the Year. The aftermath of Brexit, political turmoil in major European industrial states, along with issues of aging population, contributed to continued shrinkage of garment consumption in the continent. During the Year, the Group's revenue generated from this market decreased by 48.4 per cent year-on-year to approximately HK$23.3 million.

The Group's sales to its Asia market, in which China being the largest constituent, remained strong. The GDP of China in 2017 has exceeded 80 trillion yuan, representing an increase of 6.9 per cent from that of the previous year. China's economy displayed stable development in 2017 driven by supply-side structural reform. With a mature middle class and a strong desire for trendy fashion from its youth population, China remained a market of enormous opportunity for the Group. To cater to the consumption habit of China mainland consumers, our Group has developed a comprehensive e-commerce platform to actively engage other online outlets for product distribution. On the other hand, strong domestic demand also brought orders from China mainland local garment brands to the Group's advanced production plants in Guangdong Province. Increase in domestic orders enabled the Group to further reduce its reliance on overseas customers. During the Year, the Group recorded a growth in sales to Asia by 11.7 per cent to approximately HK$447.7 million, of which China accounted for HK$425.7 million.

During the Year, the Group continued to strengthen the manufacturing capacities in Dongguan and Zhongshan in China with automation investment. The relocation of its Shenzhen manufacturing operations to Dongguan has been progressing according to schedule. Leveraging the advanced facilities of its Dongguan plant, the Group is able to further optimize production efficiency. Substantial relocation compensation for employees incurred during the Group's production facility rationalization had inevitably led to the increase in administrative expenses of the Group during the Year.

High production costs and tightened labour regulations in traditional garment manufacturing hubs continued to drive production orders to lower-cost emerging economies. During the year under review, the Group committed further resources to its Vietnam plant for automation and strengthened staff training, resulting in enhanced efficiency and capacity.

The Group's e-commerce park transformed from previous idle factory plant in Hangzhou of China continued to generate stable revenue and recurrent cash flow. The Group's held for trading investment in a basket of equities also displayed positive return during the year.

Prospects

The US economy grew at a rate of only 2.2 per cent in the first quarter of 2018. The nation's consumer spending eased to a 1.1 per cent in the first quarter, the weakest in five years, although it began to bounce back since March 2018. The US's recent announcement of sanction against China and escalation of a trade war between the two giant economies are expected to cloud the atmosphere of China's export to US, and may add uncertainty to China's garment manufacturing and export sectors. On the other side of the Atlantic, unstable political situation in Europe is likely to hinder fashion consumption of the continent.

China's economy reported a GDP growth of 6.8 per cent in the first quarter of 2018, topping most expectation. Following the State government's avocation of superseding quantitative growth with qualitative growth in economic development, it is generally expected that the Chinese economy will maintain a mild single digit growth under government policy guidance. The Group will closely monitor the development in the Sino-US trade relationship and to assess possible impact on its export to the US market. On the other hand, substantial emphasis will be placed on the Group's intensified penetration of the China market.

While rationalizing its production bases in Guangdong Province, advanced automated equipment is being added to the Group's plants in Dongguan and Zhongshan. Accelerated automation at the abovementioned facilities will enable the Group to mitigate its exposure to rising labour costs and to effectively standardize product quality.

In responding to deteriorating relationship between China and US, the Group is expediting capacity expansion and efficiency enhancement at its Vietnam plant, allowing it the agility to cater for any redirected orders for the US market. Additional resources are also being committed by the Group for further Vietnam plant's efficiency upgrade. In addition, joint venture with local manufacturers is also under consideration to expedite the Group's capacity expansion in the country. Further diversification and intensified automation in the Group's Vietnam production base offer it optimum flexibility to the Group in reacting to fluctuation of Renminbi and minimize its exposure to changing labour policies and rising labour costs in China. The Vietnam plant has been developed into the Group's major regional operational hub. The Group is considering further enlargement of its manufacturing capacity in lower-cost Asian countries, either through setting up its own facilities or collaboration with local partners.

The market operating environment is becoming less predictable and increasingly volatile. The dramatic change in the US diplomatic and trade policies under current government administration have brought unprecedented uncertainty to the world's political and economic landscapes. The Group needs to stay alert of emerging trade barriers and other economic constraints that may impact on its earning power and its operations as a whole. The Group intends to fully utilize the advantage of its diversified distribution of production bases to swiftly transfer production orders addressing different market requirements.

It is imperative for the Group to maintain a streamlined and highly effective operation structure to survive the severe challenges through realigning of its assets and operations. The Group is committed to strengthen its return to shareholders via enhancement of operations and cost efficiency.

CAPITAL EXPENDITURE

During the Year, the Group incurred approximately HK$9.9 million capital expenditure as compared to approximately HK$10.5 million of the last fiscal year. Such capital expenditure mainly represented regular replacement, upgrading and automation of production facilities, and leasehold improvement 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 decreased to HK$226.4 million (of which HK$116.9 million was pledged bank deposits) as compared to HK$320.2 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$145.9 million, which were mainly denominated in USD, HKD and RMB, consisted of HK$135.5 million short-term bank borrowings and HK$10.4 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 31.2%. 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 remained 46 days for both years. Inventory turnover increased from last year's 53 days to 67 days, mainly due to the higher inventory level as at the year-end date to support the relatively higher order volume for delivery in the first quarter subsequent to the year-end date. 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$15.6 million (2017: HK$18.0 million) were pledged to banks to secure general banking facilities granted to the Group.

KEY PERFORMANCE INDICATORS ("KPI")

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

Percentage of consolidated cost of sales

Percentage of consolidated cost of sales decreased to 78.2% (2017: 83.9%). The comparison of percentage of consolidated cost of sales is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**998,070**	970,969
Cost of sales	**(780,140)**	(815,034)
Percentage of consolidated cost of sales	**78.2%**	83.9%

Selling and distribution costs and administrative expenses

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

	2018	2017	*%*
	HK$'000	*HK$'000*	*Changes*
Selling and distribution costs	**129,702**	130,453	(0.6%)
Administrative expenses	**159,523**	149,356	6.8%

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

The negative EBITDA for the fiscal year is HK$17.3 million (2017: HK$96.1 million). The comparison of EBITDA is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(47,311)**	(120,457)
Add:		
Finance costs	**5,024**	3,301
Income tax expense	**4,964**	762
Depreciation	**19,181**	19,543
Amortisation	**801**	796
EBITDA	**(17,341)**	(96,055)

Operating loss

The Group incurred an operating loss before tax of HK$70.4 million for the fiscal year (2017: HK$119.6 million). The comparison of operating loss is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(42,347)**	(119,695)
Less:		
Increase in fair value of held for trading investments	**19,992**	–
Gain on sales of held for trading investments	**688**	–
Increase (decrease) in fair value of investment properties	**7,383**	(192)
Fair value changes on derivative financial instruments	**–**	51
Operating loss before tax	**(70,410)**	(119,554)

Loss before tax

Loss before tax for the fiscal year is HK$42.3 million (2017: HK$119.7 million).

Loss per share

The Group's loss per share for the fiscal year is HK10.0 cents (2017: HK28.3 cents).

Inventory turnover days

Inventory turnover days increased by 14 days to 67 days for the year ended March 31, 2018 (2017: 53 days). The comparison of inventory turnover days is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**998,070**	970,969
Inventory as at March 31	**182,246**	140,015
Inventory turnover days	**67 days**	53 days

Trade receivable turnover days

Trade receivable turnover days remained 46 days for both years. The comparison of trade receivable turnover days is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**998,070**	970,969
Trade and bills receivables as at March 31	**126,051**	121,338
Trade receivable turnover days	**46 days**	46 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 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, 2018, the Group has approximately 3,300 employees as compared to 4,100 as at March 31, 2017. Such decrease is mainly attributable to the cessation of certain production lines in Shenzhen factory in the process of rationalization during the Year. The Group hires, inspires, retains and rewards competent staff with dedication to develop their careers in line with its core corporate values and strategic goals. The Group offers 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, 2018 and 2017 included in this preliminary announcement of annual results 2018 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, 2017 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, 2018 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 LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2018, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

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, 2018.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2018, the Company has 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. Mr. Benson Tung Wah Wing ("Mr. Benson Tung") was the Chairman and Managing Director (equivalent to chief executive) of the Company until his resignation on January 12, 2018. Following the resignation of Mr. Benson Tung, the Company has complied with the Code Provision A.2.1 of the CG Code.

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, 2018.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.tungtex.com) and the 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
Martin Tung Hau Man
Chairman

Hong Kong, June 28, 2018

As at the date of this announcement, the executive directors of the Company are Mr. Martin Tung Hau Man, Mr. Raymond Tung Wai 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.